Franchise Fee Trail and Park Improvement Program

About
The City of Princeton is currently considering a vision and planned approach to park and trail development, and equally important that the City have a plan for the future and take steps to fund and implement the Plan.

Currently, Princeton has a strong park system, but maintenance and improvement challenges have been identified. The sidewalk system is inconsistent throughout the City and there is an effort for trail and sidewalk connectivity throughout the City.

Grant money is available to fund half of the continuation of the Great Northern Trail from its current location north to Mark Park. The City has reviewed funding options for its half of the trail cost and is also considering funding options for improvements identified in the Park and Trail Plan.
Article: City Considers Options for Funding Park and Trail Improvements

Franchise fee could be a source of trail funding

Debbie Griffin  Mar 10, 2018  0

As it did in late October 2017, the Princeton City Council voted yes March 1 to keep moving toward...
Frequently Asked Questions (FAQ)

- **What options are being considered to pay for the Park and Trail Improvements?**
  
The City Council is evaluating two different options to fund these improvements:
  
  - 100% tax levy: residents and businesses would see an increase in their property taxes.
  - Franchise fees: property owners would pay a small monthly charge on their gas and electric bills. The fees would be set aside in a dedicated fund used solely for expenditures related to the Franchise Fee Park and Trail Improvement Plan.

- **Why hasn't the City saved money for this project?**
  
  - The City has saved funds for City Wide Capital Improvements, yet needs are great with a number of high priority high cost projects, ie. Smith System Road Reconstruction requiring a sewer capacity upgrade, Extension of 21st Avenue south, A Fire Truck & Police/Emergency Gov. Radio Equipment to name a few.
  
  
  - The City encountered a higher than anticipated increase for the City share of County Hwy 31 & State Hwy 95 Roundabout.

- **Why not just use property taxes to pay for these improvements?**
  
  Tax rates are very competitive for attracting business and using 100% property taxes puts a burden on moderate to higher-valued businesses and homes to pay for a park and trail system that serves the entire City. Also Nonprofit organizations do not pay property tax and would not pay a fair share of the improvement cost if general taxes are used.
Frequently Asked Questions (FAQ)

- **Are franchise fees just another tax?**
  While not considered a tax, this is a new dedicated revenue source for the City of Princeton. It is a method of collecting funds from utility companies who use City rights-of-way. These funds are typically passed directly through to all businesses/residents that use the street system. These fees would be charged in lieu of property taxes.

- **How much will I be charged if franchise fees are implemented?**
  Residents will be charged $1.50 on their electric bill and $1.50 on their gas bill every month. Commercial/Industrial properties will be charged based on the below schedule. You need to call your utility company to find out your classification.
  
  **Electric:**
  - Small Commercial/Industrial - Non Demand - $2.50
  - Large Commercial/Industrial - $55.00

  **Gas:**
  - Small Commercial/Industrial - $2.50
  - Large Commercial/Industrial - $55
Frequently Asked Questions (FAQ)

- **If franchise fees are utilized, what will the funds be used for?**
  The franchise fees would be set aside in a dedicated fund and would be used solely for expenditures related to improvements listed in the Franchise Fee Park and Trail Improvement Plan.

- **What is the City’s authority to charge a franchise fee?**
  Minnesota State Statutes allow for a city to impose a fee on a utility company for its use of publicly owned right-of-way (MN Statute 216.36).

- **I live in an apartment or town home. Will I be charged a franchise fee?**
  Yes, the fees are charged by electric and gas meter and you will pay the standard residential fee unless your rent includes electric and gas in which case the landlord pays for gas and water and will be charged the fees.

- **I have multiple bills or two or more meters on my property. Do I have to pay the fee more than once?**
  The fees are to be collected per utility account, not per meter. However, the fee will be based upon the largest meter on the account. The City is working with the utility companies to better define the classification of their accounts.

- **How often will the City review the franchise fee for consideration of changing the fee?**
  The City is planning to review the fee at year 5 to determine the need to adjust. It is not anticipated that the fee will need to be changed in the near term.
Option 1: 100% Tax Levy

About
If this option is selected to pay for the Trail and Park Improvements Plan, costs related to implementing these projects would be funded 100% through an additional tax levy. Starting in 2019, residents and businesses would see an increase in their property taxes.

Calculations
Based on 2017 tax capacity rates, an increase of $110,200 for ten years to the tax levy would result in a 4.6% increase in property taxes from 2018. Examples of the estimated effect this would have on individual property owners is shown below:

<table>
<thead>
<tr>
<th>Property Taxable Market Value</th>
<th>Residential</th>
<th>Commercial/Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$150K</td>
<td>$250K</td>
</tr>
<tr>
<td>Monthly Property Tax Impact</td>
<td>$3.47</td>
<td>$6.47</td>
</tr>
<tr>
<td>Yearly Property Tax Impact</td>
<td>$41.68</td>
<td>$77.65</td>
</tr>
<tr>
<td>Total Option #1 Impact Cost for 10 Years</td>
<td>$416.80</td>
<td>$776.50</td>
</tr>
</tbody>
</table>
Option 2: Franchise Fees

**About**

Cities have franchise agreements with each utility company for their use of city-owned right-of-way for their private business purposes. By law, cities may charge utilities a franchise fee for the use of city-owned right-of-way. This fee is then generally passed on to the utility customers. If this option is selected to pay for the Franchise Fee Park and Trail Improvement Program, residential property owners would pay a small monthly charge on their gas and electric bills and business would pay an amount based on their meter size. The franchise fees would be set aside in a dedicated fund and would be used solely for expenditures related to the Park and Trail Improvements.
Option 2: Franchise Fees

**Calculations**

Residential property owners would see a monthly charge of $1.50 on their gas bill and $1.50 on their electric bill for a total of $36.00 per year. Businesses would pay an amount based on their meter size. Commercial and industrial customers would need to determine which meter sizes apply to their property.

<table>
<thead>
<tr>
<th>Option #2 Franchise Fee (C/I customers would need to determine which meter sizes apply to their property)</th>
<th>Residential</th>
<th>Commercial/Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150K</td>
<td>$250K</td>
<td>$400K</td>
</tr>
<tr>
<td>ELECTRIC METERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Franchise Fee Impact</td>
<td>$1.50</td>
<td>$1.50</td>
</tr>
<tr>
<td>Yearly Franchise Fee Impact</td>
<td>$18.00</td>
<td>$18.00</td>
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<tr>
<td>Total Electric Franchise Fees Paid over 5 years</td>
<td>$90.00</td>
<td>$90.00</td>
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<tr>
<td>GAS METERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Franchise Fee Impact</td>
<td>$1.50</td>
<td>$1.50</td>
</tr>
<tr>
<td>Yearly Franchise Fee Impact</td>
<td>$18.00</td>
<td>$18.00</td>
</tr>
<tr>
<td>Total Natural Gas Franchise Fees Paid over 5 years</td>
<td>$90.00</td>
<td>$90.00</td>
</tr>
<tr>
<td>Examples of Total Franchise Fees Paid over 5 years</td>
<td>$180.00</td>
<td>$180.00</td>
</tr>
</tbody>
</table>
Summary Comparison of Funding Options

Below is a side-by-side comparison of the total costs for each funding option over 10 years of levying or 5 years of franchise fees:

<table>
<thead>
<tr>
<th>Property Taxable Market Value</th>
<th>Residential</th>
<th>Commercial/Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150K</td>
<td>$416.80</td>
<td>$6,352.50</td>
</tr>
<tr>
<td>$250K</td>
<td>$776.50</td>
<td>$32,752.50</td>
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<tr>
<td>$400K</td>
<td>$1,316.00</td>
<td>$66,752.50</td>
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<td>$1M</td>
<td>$6,352.50</td>
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</tr>
<tr>
<td>$5M</td>
<td>$32,752.50</td>
<td>$66,752.50</td>
</tr>
<tr>
<td>$10M</td>
<td>$66,752.50</td>
<td>$66,752.50</td>
</tr>
</tbody>
</table>

Option #1 - 100% Property Tax Levy Impact Cost for 10 years

Option #2 - Franchise Fees Impact Cost for 5 years

Questions

- Contact Us
Proposed Trail and Park Improvement Projects using Franchise Fees

**Trails**

- **Great Northern Trail** – Connects an important gap in the Great Northern Trail (GNT) through the City of Princeton. The trail will run from the north at, Great Northern Depot and Rum River Trail at the Mark Park Athletic Facility and end at a connection at Rum River Drive that is planned eventually to extend into Elk River.
- **TH 95 Trail** – to be constructed as part of the TH 95 Roundabout project. This segment of trail will connect with an existing trial along 21st Avenue, and facilitate future extension of the City trail system to the west.

**Parks**

- **Mark Park** – The existing splash pad is one of the highlights to Mark Park and improvements include the repair and/or replacement of existing features and a playground shade
- **Riebe Park/Riverside Park** – The two neighboring parks are each located across from each other on Rum River. Improvements to Riebe Park include constructing a fire ring and seating area, installing bike racks and picnic tables, installing a vault toilet, and constructing rustic camp sites that include a picnic shelter and a walking trail. In addition, to enhance the feature of being located right on the Rum River, improvements to Riverside Park include a trail extension through the park, fishing piers, installing benches and picnic tables, improving the boat ramp, and constructing a breakwater near the boat ramp to assist canoers paddling to shore and create another fishing platform
- **Civic Center Park** – install playground equipment
Upcoming Events – Public Informational Meeting

**Thursday July 26, 2018**
City Hall
705 2nd Street North
5:30 p.m. (prior to City Council Meeting)
Contact Us

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