

RESOLUTION NO. 7489

A RESOLUTION introduced by Councilmembers Clark Duffy and John Nave relating to the use of the proceeds from the proposed increase in franchise fees on electrical, natural gas and transported gas within the City of Topeka.

WHEREAS, the City of Topeka currently receives a franchise fee in the amount of three percent (3%) of the gross revenue from the sale of natural gas energy in the City of Topeka by Kansas Gas Service under the terms of Ordinance No. 15667 which granted a franchise for the transmission and distribution of natural gas in the City of Topeka to Kansas Power and Light Company which franchise is now held by Kansas Gas Services; and

WHEREAS, the City of Topeka currently receives a franchise fee in the amount of three percent (3%) of the gross revenue from the sale of electric energy in the City of Topeka by Westar Energy, Inc. under the terms of Ordinance No. 15667 which granted a franchise for the transmission and distribution of electrical energy in the City of Topeka to Kansas Power and Light Company which franchise is now held by Westar Energy, Inc.; and

WHEREAS, franchise fee payments compensate the City of Topeka for permitting the utilities to place their facilities in the City of Topeka's right-of-way, maximizing the City's return on its real estate assets; and

WHEREAS, the placement of utility facilities in these City of Topeka's rights-of-way and easements benefits the utilities and their ratepayers by allowing the utilities to use these tax-exempt properties at an annual cost of approximately six million eight hundred thousand dollars (\$6,800,000.00) in franchise fees (if increased), while the acquisition of

the equivalent in taxable private property required to conduct their business would cost the utilities and their ratepayers approximately eighty million dollars (\$80,000,000.00); and

WHEREAS, the City of Topeka's main revenue source is from ad valorem property tax; and

WHEREAS, because of state property tax exemptions, the owners of approximately seventy percent (70%) of the properties in the City of Topeka pay one hundred percent (100%) of the property taxes that support the city services provided to all the residents and businesses in the City of Topeka; and

WHEREAS, franchise fees are paid by all consumers of the franchised entity including those customers that are otherwise exempt from property tax; and

WHEREAS, an increase in franchise fees allows the City of Topeka to enhance non property tax revenue sources, and thus provides the City of Topeka with the means to fund city services in order to maintain and enhance the quality of life in the community; and

WHEREAS, an increase in franchise fees allows the City of Topeka to do its part as a tax levying entity in stabilizing the property tax burden in the city; and

WHEREAS, the City of Topeka was able to benefit from the refunding of previously issued general obligation debt of the City of Topeka during the 2003 calendar year; and

WHEREAS, the City of Topeka used two million three hundred fifty thousand dollars (\$2,350,000.00) of those savings to reduce the ad valorem tax of the City of Topeka in the 2004 calendar year; and

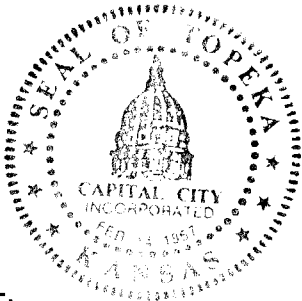
WHEREAS, the City of Topeka expects to receive approximately three million dollars (\$3,000,000.00) in additional revenue from the proposed increase in franchise fees

imposed on the sale of electricity, natural gas, and transported natural gas, within the boundaries of the City of Topeka, in calendar year 2005 and beyond.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Topeka, Kansas, that the City Council should explore the increase of franchise fees as a means of enhancing non property tax revenue sources and stabilizing the tax levies in the City of Topeka; and

BE IT FURTHER RESOLVED by the Council of the City of Topeka, Kansas, that it is the intent of the City Council of the City of Topeka, to utilize the proceeds from the increased franchise fees in the General Fund, to offset the "one time" savings realized in calendar year 2004, and mill levy transferred from the General Bond and Interest Fund, resulting from the 2003 refunding of a portion of the City's general obligation debt.

PASSED and APPROVED by City Council JUL 20 2004.



CITY OF TOPEKA, KANSAS

James A. McClinton
James A. McClinton, Mayor

ATTEST:

Iris E. Walker
Iris E. Walker, City Clerk

