

FRANCHISE / RIGHT-OF-WAY FEES

“A franchise is a right given by a municipal government to operate a municipal service enterprise within the municipal government’s jurisdiction. Franchises are often provided by municipal governments to private companies providing the service, including passing on the cost of use of public right-of-way. However, in the City of Key West’s case, these franchises and/or rights-of-way are provided to the City’s own Enterprise Funds (solid waste collection, sewer, stormwater, transit, Key West Bight, Garrison Bight).

A right-of-way fee is a fee that is assessed by the General Fund to private companies or municipal Enterprise Funds (such as the Sewer and Stormwater Funds), for use of the City’s right-of-way and to cover the cost of a right-of-way disturbances and General Fund support during construction-related activities.

Franchise fees are commonly used in Florida and in other States, and are typically based on a percentage of gross revenues or cost per cubic yard or tonnage in the case of solid waste collection. Research reveals that franchise fees for solid waste collection and disposal in Florida ranges from 3 percent to 20 percent of gross revenues. Our research also reveals that right-of-way fees can be calculated using various methods, including a percentage of operating revenues and taxable assessed value of the right-of-way property. Right-of-way fees for sewer, water, and stormwater are typically in the range of 3 percent to 10 percent of gross operating revenues.

A summary of franchise and right-of-way fees used by other municipalities in Florida and in other States is provided below.

Franchise/Right-of-Way Fee Approaches Used by Other Municipalities

Franchise / right-of-way fee structures in Florida vary depending on the municipality implementing such fees. Research revealed franchise fees appear to be most prevalent than right-of-way fees. Furthermore, a wide array of specific utility services has been subjected to franchise fees, including water, stormwater, wastewater, solid waste, services. Research has also revealed that these fees have been applied to the provision of electrical power, cable and telecommunication services.”