



Fees and Charges Report

Date: March 23, 2023

To: Audit, Finance, and Enterprise Committee

Through: Candace Cannistraro, Deputy City Manager

From: RJ Zeder, Transportation Department Director
Orlando Otero, Deputy Transportation Director-Field Operations

Subject: Transportation Update to Schedule of Fees and Charges for In Lieu Payments from Utility and Telecommunication Companies for Pavement Surfacing Replacement - Citywide

Purpose and Recommendation

The purpose of this report is to recommend an increase to the existing fee for payment in lieu of surface treatments required during the pavement repair process for work conducted by utility and telecommunication companies.

Background

Pavement cuts are extractions or modifications of roadways performed by the City to allow utility and communication companies access to underground utilities. Pavement cuts accelerate the rate of deterioration of the City's streets, therefore, fees have been established to allow for an in lieu payment made by the utility or telecommunication company to be credited to Transportation's Field Operations budget. The fees are then utilized when the street undergoes future treatment based on an existing maintenance schedule.

Research has shown that the quality and design life of a roadway is diminished by approximately 27% when pavement cuts are required as part of work performed. Maricopa Association of Governments (MAG) has developed specifications for pavement matching and surfacing replacement to minimize the level of roadway deterioration, which the City has adopted.

MAG Specification 336 allows for the following:

"In lieu of placing the seal coat as required previously, and with approval of the Contracting Agency, the Contractor may deposit with the Contracting Agency for credit to the Street Maintenance Department, a negotiated agreed upon amount. The Street Maintenance Department will incorporate this work into their street maintenance program."

Discussion

Since July 2011, Contractors have been allowed to submit a payment to the City in lieu of placing seal coat as previously required. The fee is based upon the City contract pricing for slurry seal coat materials. A fee of \$1.55 per square yard was established for in lieu payments and used as a negotiated agreed upon unit price amount since July 2011. An Increase was approved in 2020 to reflect market costs at a new rate of \$1.70 per square yard.

Due to market price increases, the cost of slurry seal has increased to \$2.75 per square yard. The Transportation Department is recommending an increase to the in lieu payment from \$1.70 per square yard to \$2.75 per square yard.

Alternatives

If the in lieu payment is not increased, the City could require the utility company cutting into the roadway to perform the required slurry seal coating per MAG specifications. With this alternative, the area seal coated by the utility company is then not aligned with the City's established maintenance schedule for the roadway. The materials used by other companies not monitored under City contract are not consistent with those used by the City and, therefore, may not bond as well, further contributing to the deterioration of the life of the roadway. There is also limited availability of vendors and equipment for this type of work, making it difficult to complete smaller jobs.

Fiscal Impact

In lieu payments received from companies performing cuts in City roadways have allowed for the maintenance to be performed according to established maintenance schedule. The increase to the fee will generate \$50,000 to \$100,000 per year to recuperate the contract costs for the slurry seal.

Coordinated With

The Transportation Department coordinated with Engineering Construction.

Fees & Charges Schedule – Key

Heading Configuration

| |
|--|
| <u>Schedule of Fees & Charges</u> |
| Department |
| Contact Information |
| |
| HEADING 1 |
| HEADING 2 |
| <i>Heading 3</i> |
| Description of Fee |
| Description of Fee 2 |

Font Indications

| Font | Font Indications |
|--------------------------|---|
| Regular Font | Existing fee or language |
| Strikethrough | Fee or language will be deleted from the Fee Schedule |
| BOLD CAPS | Language is being added to Fee Schedule |
| Bold | New or increased Fee Amount |

Schedule of Fees & Charges
Exhibit A – In lieu Slurry Seal
Department: Transportation

| Description of Service | Current Fee Range | Proposed Fee Range | Unit | Revenue Source Code | Total Fiscal Impact | Notes |
|---|-------------------|--------------------|-----------------|---------------------|---------------------|---|
| In-Lieu Payments for Pavement Surfacing Replacement | \$1.70 | \$2.75 | Per Square Yard | 1205-4317 | \$62,000 | Revenues varies year to year based on development activity. \$62K of Total Fiscal Impact is based on 62% unit cost increase for an estimated \$100K in collections. |
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Estimated Total Annual Fiscal Impact: \$62,000