



Fees and Charges Report

Date: June 19, 2023

To: City Council

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. 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.

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. A fee of \$1.55 per square yard was established for in lieu payments and used as a negotiated agreed upon unit price amount. The fee is based upon the City contract pricing for slurry seal coat materials. The fee recommendation is a direct, dollar-for-dollar result of the per square yard cost increase of the material to ensure cost recovery. The last fee increase was approved in 2020 to reflect market costs at a new rate of \$1.70 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. attains

Fiscal Impact

In lieu payments received from companies performing cuts in City roadways have allowed for the maintenance to be performed according to an 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 vary 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.

Estimated Total Annual Fiscal Impact: \$62,000