



# Audit, Finance & Enterprise Committee Meeting

**Date:** March 5, 2020  
**To:** City Council  
**Through:** Kari Kent, Deputy City Manager  
**From:** RJ Zeder, Transportation Department Director  
Orlando Otero, Deputy Transportation Director-Field Operations  
**Subject:** Adjustment to the In Lieu Fee for Pavement Surfacing Replacement  
Council: Districts Citywide

## Purpose and Recommendation

The purpose of this report is to recommend an increase to the existing fee for pavement surfacing replacement.

## Background and Discussion

Rights-of-way users need to cut pavement and excavate existing City streets to install underground infrastructure. These actions, while with the best of intentions to help facilitate development or improve existing services, have the unintended consequence of degrading the pavement condition, resulting in higher maintenance costs and increasing traffic disturbances due to the added maintenance.

To balance the need to install infrastructure in City's rights-of-way with the need to preserve taxpayer funded streets, City staff coordinates with rights-of-way users to allow in lieu fee rather than install the required surface treatment when their work is complete. These fees are credited to the 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.

Since July 2011, rights-of-way users have been allowed to submit a payment to the City in lieu of placing seal coat. The fee is based upon the City's contract pricing for slurry seal coat materials of \$1.55 per square yard based upon industry standard. Transportation then incorporates the seal coat required for the permit into the existing maintenance schedule

for the roadway.

The City utilizes Contractors for slurry seal coat services in the amount of \$1.70 per square yard for Fiscal Year 2019/20 - \$0.15 per unit price above the current fee levied. The Transportation Department is requesting approval to increase the in lieu fee from \$1.55 per square yard to the new fee of \$1.70 per square yard to recuperate the costs of pavement surfacing replacement services.

### **Alternatives**

The City could require rights-of-way users cutting into the roadway to perform the required slurry seal coating per MAG specifications. With this alternative, the seal coat location will not be coordinated with the City's established roadway maintenance schedule. The materials used by rights-of-way users are not consistent with those used by the City's contractor and, therefore, may not bond as well, further contributing to the deterioration of the life of the roadway.

The City could continue to collect in lieu fees at \$1.55 per square yard. In lieu payments received from companies performing cuts in City roadways have allowed for the maintenance to be performed according to established maintenance schedule. However, at the current fee of \$1.55 per square yard the City stands to lose \$19,755 per year on recuperating the contract cost for the slurry seal intended to be covered with the in lieu fee.

If in lieu fee is not adjusted to meet current contract pricing, the roadways intended for slurry seal under the in lieu payment will need to be re-prioritized to meet the fiscal budget loss for performing the work. This will result in higher maintenance costs to the City in the future and sections that no longer align with the City's roadway maintenance schedule.

### **Fiscal Impact**

The estimated fiscal impact of the \$0.15 increase to in lieu payments is \$19,755 based upon FY 2018/19 payments, bringing the total anticipated collection for the fee to \$224,000.

### **Coordinated With**

The Transportation Department has coordinated with the Office of Management and Budget and the Engineering Department on the recommendation to make changes to the Transportation Department's In lieu payment fee schedule.

## Fees & Charges Schedule – Key

### Heading Configuration

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

### Font Indications

Font	Font Indications
Regular Font	Existing fee or language
<del>Strikethrough</del>	Fee or language will be deleted from the Fee Schedule
<b>BOLD CAPS</b>	Language is being added to Fee Schedule
<b>Bold</b>	New or increased Fee Amount

**Fee Recommendation Schedule**  
**Exhibit A**  
**Department: Transportation**

Description of Fee	Current Fee	Proposed Fee	Unit	Revenue Code	Fiscal Impact	Notes
In Lieu Payments for Pavement Surfacing Replacement (per square yard)	\$1.55	<b>\$ 1.70</b>	Per Square Yard	1205-4317	<b>\$19,755</b>	<b>Estimate based on FY 18/19 completed in lieu projects of 131,698 SY x (\$1.70 - \$1.55)</b>

**Total Annual Fiscal Impact - \$19,755**