



Fees and Charges Report

Date: March 5, 2026

To: Audit, Finance, and Enterprise Committee

Through: Marc Heirshberg, Assistant City Manager

From: Erik Guderian, Transportation Department Director

Subject: Changes to the Transportation Department's Schedule of Fees and Charges for In-Lieu Fees for Traffic Signals and Pavement Surfacing Replacement and an Administrative Update adding the Technology Improvement Fee Language (**Citywide**)

Purpose and Recommendation

The Transportation Department is proposing adjustments to the In-Lieu Fees for Traffic Signals and Pavement Surfacing Replacement in the Schedule of Fees and Charges. If the proposed changes are approved by City Council, the fees and charges will be effective July 1, 2026.

Staff recommends that a standard payment in-lieu of construction for a traffic signal be set at \$900,000 (\$225,000 per quadrant) for a four-leg intersection and \$600,000 (\$200,000 per share) for a "T" intersection where no driveway access is planned for the top of the "T". (see Exhibit A).

Due to market price increases, the cost of slurry seal has increased to \$4.00 per square yard. The Transportation Department is recommending an increase to the in-lieu payment for pavement surfacing replacement from \$2.75 per square yard to \$4.00 per square yard.

An administrative update is being made to add the Technology Improvement Fee language to the Transportation section of the Schedule of Fees and Charges. This update applies to the Temporary Traffic Control Fees and aligns Transportation's wording with how other departments reference the fee in their sections of the schedule.

Background

The traffic signal in-lieu fees were last updated in 2019. At that time, the in-lieu fee was set at \$350,000 (\$87,500 per quadrant) per traffic signal for a four-leg intersection and \$320,000 (\$80,000 per quadrant) per traffic signal for a "T" intersection. Construction costs of labor and materials for traffic signals have significantly increased. The proposed fees reflect the market cost the City is currently paying.

Developers are required to pay an in-lieu fee proportional to the number of corners being developed adjacent to a proposed signal, if the traffic signal would benefit more than one development. If a traffic signal is directly benefitting one development, then that Developer is responsible for constructing the entire traffic signal as part of their off-site improvements. The City collects the in-lieu fee from the Developer and will construct the traffic signal when traffic volumes warrant the need for a traffic signal. Typically, the City collects less than three traffic signal in-lieu fees per year from Developers.

Pavement cuts are extractions or modifications of roadways performed by the City to allow utility and communication companies and others 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 local jurisdiction, the Contractor may deposit with the Street Maintenance Department for credit, a negotiated agreed upon amount. The Street Maintenance Department will incorporate this work into their street maintenance program."

Discussion

The cost of constructing traffic signals has increased significantly since in-lieu fees were updated in 2019. Traffic signals that have been newly constructed or reconstructed by the City of Mesa, in recent years, have ranged in construction costs from \$682,656-\$1,057,048, for a four-legged intersection.

Based on this cost data, staff recommends setting the fee for a traffic signal at \$900,000 (\$225,000 per quadrant) for a four-leg intersection and \$600,000 (\$200,000 per share) for a "T" intersection. "T" intersections are generally less complex and less costly to construct, and their costs will be assessed on a per-share basis that corresponds to the number of intersection legs and adjacent property frontages. Any difference in the actual cost of the traffic signal will be borne by the City as part of the Traffic Signal CIP Program. Based on recent prices and price increases, City contributions toward traffic signal construction will likely be ongoing, but at a much lower level than today, if the increase is approved.

Since July 2011, contractors have been allowed to submit payment to the City in-lieu of placing seal coat as previously required. A fee based upon the City contract pricing

for slurry seal coat materials, per square yard, was established for in-lieu payments and used as a negotiated agreed upon unit price amount. The \$4.00 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 2023 to reflect market costs at a new rate of \$2.75 per square yard.

Alternatives

The City could choose to leave the traffic signal in-lieu fees at the current rates of \$350,000 (\$87,500 per quadrant) for a four-leg intersection and \$320,000 (\$80,000 per quadrant) for a “T” intersection. This will result in the City bearing the additional cost of construction as the current traffic signal in-lieu fee only covers approximately 40 percent of the actual cost of a traffic signal.

If the in-lieu payment for pavement surfacing replacement 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

The fiscal impact of increasing the Traffic Signal In-Lieu Fees is approximately \$0-\$412,500, per year for traffic signal construction, based on the assumption that 0-3 in-lieu fees are collected. The increase in fees allows the traffic signal that is driven by development to be funded by the development that benefits from the traffic signal.

In-lieu payments received from companies making 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 an additional \$45,500 per year to recuperate the contract costs for the slurry seal.

There is no fiscal impact by adding the Technology Improvement Fee language to Transportation’s section of the fee schedule. No changes are being made to this fee. It is merely an administrative update to be consistent with how the language is displayed in other sections of the fee schedule.

Coordinated With

The recommended fees and charges were coordinated with the Office of Management and Budget, as well as the Transportation Advisory Board for Traffic Signal In-Lieu fees, and Engineering for Pavement Surfacing Replacement.

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 - Transportation In Lieu Fees

Department: Transportation

Description of Service	Current Fee Range	Proposed Fee Range	Unit	Total Fiscal Impact	Notes
<i>Temporary Traffic Control Fee</i>					
<p>REFER TO THE DEVELOPMENT SERVICES PORTION OF THE SCHEDULE OF FEES AND CHARGES FOR TEMPORARY TRAFFIC CONTROL FEES. IN ADDITION TO THE TEMPORARY TRAFFIC CONTROL FEES LISTED, A TECHNOLOGY IMPROVEMENT FEE SHALL ALSO APPLY.</p> <p>EACH AND EVERY PERMIT FEE AND SERVICE FEE OF ALL TYPES SHALL BE ASSESSED AN ADDITIONAL TECHNOLOGY IMPROVEMENT FEE EQUAL TO FOUR PERCENT (4%) OF THE PERMIT AND/OR SERVICE FEE TOTAL TO FUND TECHNOLOGY IMPROVEMENTS. SUCH ADDITIONAL TECHNOLOGY IMPROVEMENT FEE SHALL BE LIMITED TO A MAXIMUM OF EIGHT HUNDRED DOLLARS (\$800.00) ON EACH PERMIT OR SERVICE FEE TRANSACTION. SUCH ADDITIONAL TECHNOLOGY IMPROVEMENT FEE SHALL ONLY BE USED TO ACQUIRE AND IMPLEMENT</p>					<p>New paragraph – administrative update to add Technology Improvement Fee language to the Transportation section of the fee schedule, aligning it with how other departments display the fee.</p>

IMPROVEMENTS TO THE LAND DEVELOPMENT PROCESS TECHNOLOGIES APPROVED BY THE CITY MANAGER.					
TRANSPORTATION IN LIEU FEES					New sub-section
Per Quadrant at Arterial To Arterial FOUR-LEG Intersections	\$87,500.00	\$225,000.00	Per Quadrant	\$412,500.00	Raising fee to reflect the actual cost of traffic signal construction as of 2025. Fiscal impact is dependent on number of developments requesting in-lieu fee. Typical collections range from 0-3 per year.
Per SHARE AT "T" intersectionS With No Driveway Access Planned at Top of "T"	\$80,000.00	\$200,000.00	Per Quadrant SHARE	\$0	Raising fee to reflect the actual cost of traffic signal construction as of 2025. Fiscal impact is dependent on number of developments requesting in-lieu fee. Typical collections range from 0-3 per year.
In-Lieu Payments for Pavement Surfacing Replacement	\$2.75	\$4.00	Per Square Yard	\$45,500.00	Revenues vary year to year based on development activity. \$45,500 of total fiscal impact is based on 45.5% unit cost increase for an estimated \$100K in collections. <i>WILL BE COLLECTED BY DEV SVC & ENG TRANSFER TO THEIR DEPT 2019 E.G.</i>

Estimated Total Annual Fiscal Impact: \$458,000.00