



# City Council Report

**Date:** May 7, 2012  
**To:** City Council  
**Through:** Kari Kent, Deputy City Manager  
**From:** Dan Cleavenger, Transportation Department Director  
Lenny Hulme, Deputy Transportation Director-Field Operations  
**Subject:** Implementation of Fee for In Lieu Payments from Utility and Telecommunication Companies for Pavement Surfacing Replacement Council Districts Citywide

**Strategic Initiatives**



## Purpose and Recommendation

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

Because pavement cuts accelerate the rate of deterioration of the City's streets, it is recommended that a fee be established to allow for an in lieu payment made by the company to be credited to Transportation's Field Operations budget and applied when the street undergoes future treatment based on an existing maintenance schedule.

## Background and Discussion

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."

Since July 2011, Contractors have been allowed to submit a payment to the City in lieu of placing seal coat as previously required. City contract pricing for slurry seal coat materials was compared to industry pricing and a reasonable price of \$1.55 per square yard has been established for in lieu payments and used as a negotiated agreed upon unit price amount since July 2011. Transportation then incorporates the seal coat required into our existing maintenance schedule for the roadway. The City currently utilizes Contractors for slurry seal coat services and these contracts are evaluated and typically bid every year as needed.

## **Alternatives**

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.

The City could establish a fee payment of \$1.55 per square yard to be accepted from the company cutting into the roadway in lieu of placing the slurry seal coat. Transportation Department Field Operations will continue to incorporate this work into our established street maintenance schedule. Annual surveys of City roadways are conducted and a roadway may be treated ahead of established maintenance schedule when possible and as needed.

## **Fiscal Impact**

In lieu payments received from companies performing cuts in City roadways will be credited in Transportation's budget for the future maintenance to be performed according to established maintenance schedule. Based on payments received last fiscal year and through December FY11/12, future FY revenue from in lieu payments is estimated to be approximately \$175,000.

If in lieu fees are not established, City roadways cut into and sealed by other companies will deteriorate at a faster rate due to use of materials not compatible with those used by the City. 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.

## **Concurrence**

Engineering Construction will determine the number of square yards that would require surface treatment, then calculate the amount of the in lieu payment to be paid by the Contractor.

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Lenny Hulme  
Deputy Transportation Director-Field Ops

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Dan Cleavenger  
Transportation Department Director

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Kari Kent  
Deputy City Manager

**SCHEDULE OF FEES AND CHARGES**

Department: Transportation  
Proposed Changes to Fees and Charges

Document of Change: Resolution

Description of Services:	Current Fee/Charge	Unit	Proposed Fee Charge	Date Last Revised	FY 12/13 Fiscal Impact	Notes
Block Party Barricade Rental Fee  (non-refundable)	\$25.00	Per Block Party	\$0.00	07/01/05	(\$2,625.00)	Audit, Finance & Enterprise Committee has recommended elimination of this fee
IN LIEU PAYMENTS FOR PAVEMENT SURFACING REPLACEMENT	NONE	Per Square Yard	\$1.55		\$175,000	Estimate based on last six months of pavement surfacing replacement needed.

Plus Transaction Privilege (Sales) Tax, where applicable.