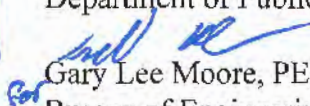


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: May 28, 2015

TO: Public Works and Gang Reduction Committee
of the Los Angeles City Council
Attn: Office of the City Clerk
Room 395 City Hall

FROM: Nazario Saucedo, Director
Bureau of Street Services
Department of Public Works

Gary Lee Moore, PE, City Engineer
Bureau of Engineering
Department of Public Works

Miguel Santana, City Administrative Officer
Office of the City Administrative Officer



SUBJECT: COUNCIL FILE 14-1571 – INCREASING THE STREET DAMAGE RESTORATION FEE TO SECURE FULL COST RECOVERY

This report is presented in response to the City Council Motion (CF 14-1571) introduced on November 12, 2014 by Councilmembers Joe Buscaino and Mitchell Englander, which instructs the City Administrative Officer (CAO), with the assistance and cooperation of the Chief Legislative Analyst (CLA) and Department of Public Works, to take various actions with respect to the City's Street Damage Restoration Fee (SDRF) as follows:

1. Present a cost and fee analysis supporting a SDRF based on a full cost recovery model, which considers actual average annual cuts, all streets regardless of age, and actual costs of all City Departments involved with street repair; and
2. Report on roadway damage created by construction activity and heavy load carriers and the amount collected in damage; and
3. Report on a plan for periodic review and update of the SDRF, based on various future factors in order to fully recover costs associated with street cuts to the public right-of-way; and
4. Furthermore instruct the Department of Public Works to report on best practices for performing street cuts that mitigate damage to the street; and
5. Furthermore, request the City Attorney to prepare and present an ordinance requiring that the City secure full cost recovery for street excavation cuts based on a periodic fee analysis by the CAO.

RECOMMENDATIONS

- 1a. Request the City Attorney, with assistance from the CAO, to prepare and present an ordinance within 60 days to amend sections of the Los Angeles Administrative Code to update the Street Damage Restoration Fee to a level that results in full cost recovery based on the original fee study completed in 1996.
- 1b. Authorize the Bureau of Street Services (BSS) to enter into a Sole Source Personal Services Contract with Shahin and Associates to update the original SDRF study from 1996 with the scope of work described in this report's DISCUSSION section as part of a longer term effort to ensure a full cost recovery fee structure.
- 1c. Instruct the CAO to identify the funding required to enter into this Personal Services Contract (approximately \$350,000).
2. Instruct the Bureau of Engineering (BOE) and Department of Transportation (DOT) to report back within 90 days with the required scope of services and funding to enable hiring of an engineering consultant to estimate roadway damage created by construction activity and heavy load carriers and to make recommendations on how to recover these repair costs.
3. Instruct the CAO, with assistance from the BSS and BOE, to report back with the findings of the updated SDRF fee study that is to be completed by Shahin and Associates, including but not limited to, a plan for periodic review and future updates of the SDRF to ensure that full cost recovery is maintained from year to year.
4. Instruct the BOE to report back within 90 days on best practices for performing and repairing street cuts that minimize damage to the street.

BACKGROUND

The BSS, in conjunction with Shahin and Associates (pavement management and engineering consultants), conducted a study titled, "The Effects of Utility Cut Patching on Pavement Life Span and Rehabilitation Costs" in July of 1996 that assessed the effects street excavations have on the structural integrity and pavement life of asphalt-concrete streets. The study also included maintenance and rehabilitation costs, patching data, a Pavement Condition Index (PCI) study, and a structural analysis using Falling Weight Deflectometer testing (FWD). This study was a major factor in the City adopting a SDRF in 1998.

The most important intent of the Ordinance was to motivate utility companies and others excavating in streets to optimize their planning efforts and coordinate their work with planned City projects, especially BSS resurfacing projects. Full cost recovery was not a principal objective of the original SDRF Ordinance. There were substantially fewer premature street cuts than were estimated before the adoption of the SDRF, due in large part to the greater coordination efforts. The SDRF fees were increased once in 2006 using the CalTrans Price Cost Index.

Most recently, the Controller's Office completed an audit of the Bureau of Street Services' street resurfacing and maintenance activities, including a review of the SDRF. They also found that the actual square footage of street cuts noted in BOE permits subsequent to adoption of the SDRF was substantially lower than what was estimated prior to the adoption of the SDRF and recommended adjusting the fees to achieve full cost recovery.

DISCUSSION

As part of the “Street Smart Initiative”, the subject Motion now seeks to consider fee adjustments sufficient to fully recover costs of all damage caused by street cuts, in addition to determining best management practices for allowable street cuts and the subsequent required repairs:

- A. For the near term effort to approach full cost recovery, the CAO will develop an updated SDRF fee schedule. Existing BOE permit data will be used to recalculate the fee, along with a cost escalator to account for the change in cost to the City over time to maintain the street system. Conclusions from the original study will be used (with applicable cost escalators). The 2015-16 Adopted Budget assumes that the SDRF will be adjusted in the current calendar year. Revenue projected is based on a preliminary calculation of the fee increase, which adjusts the current fee for inflation, and is based on the lower number of square footage of streets that are cut annually. The Adopted Budget assumes \$3.7 M in additional revenue from the fee adjustment based on a preliminary review of permit data from FY 2013-14.
- B. For the longer term effort to achieve full cost recovery, the 1996 referenced Study should be updated. The study should include actual costs to the City, including all City departments involved with street repair (i.e. Department of Transportation, General Services Department and the Bureau of Engineering). Shahin and Associates has provided three Options to accomplish this objective:
 - 1. Option 1 – Recalculate utility cut damage to reflect new maintenance and rehabilitation unit costs and patching data obtained from the City (preliminary estimate - 3 months after contract award and \$25,000); or
 - 2. Option 2 – In addition, include an updated PCI study on Select Streets to update the effect of utility cut patching on the pavement rate of deterioration and extra rehabilitation costs (preliminary estimate – 7 months after contract award and \$250,000); or
 - 3. Option 3 – In addition, conduct a FWD study on Select Streets to update the effect that utility cut patching has on the pavement structural capacity and required overlay thickness to compensate for this effect (preliminary estimate – 9 months after contract award and \$350,000).

The Option 3 comprehensive study is recommended. Additionally, it is recommended that the CAO, with assistance from the BSS and BOE, report back with the findings of the updated study. The report back should also include recommendations relative to how often the fee study should be updated and a methodology for updating the fee on a periodic basis to account for inflation.

- C. Effects of street damage caused by construction and heavy load carriers and best practices for cutting streets and making repairs were not included in the original studies. It is therefore recommended that these be looked at independently by BOE, DOT, and other affected Departments rather than adding these tasks to the proposed Personal Services Contract.

If you have any questions or if additional information is needed, please contact BSS Assistant Director, Ron Olive, at (213) 847-3333; BOE Deputy City Engineer, Ted Allen, at (213) 485-4915; or CAO Chief Administrative Analyst, David Hirano, at (213)978-7621.