Right-of-Way Management Cost Recovery Study

Results and Recommendations
Schedule

- Council Workshop – July 14, 2014
- Stakeholder Meeting – August 4, 2014
- First Reading of Proposed Ordinance Changes – August 25, 2014
- Proposed Implementation – January 1, 2015
Background

- City’s responsibility to manage right-of-way for all users
- Users include: vehicles, bicycles, pedestrians, transit, utilities, etc.
Background

City initiated a ROW management program in 2003.

Primary focus has been to manage permitting, licensing, insurance, and bonding requirements.

Approximately 24 million equivalent lineal feet of facilities in the right-of-way.
Cost Study

Goal

- Determine the actual comprehensive cost to manage the ROW.
- Determine the most fair and equitable way to distribute those costs.
- Springsted hired based on knowledge of current system, franchise fee ruling and how other cities manage their right-of-way.
Cost Study

Recommendations

- Update management cost recovery structure to address the actual costs incurred by the City.
- Distribution of costs based on actual usage.
- One additional staff
  - better manage multiple users
  - provide better overall service to the users and the public
  - effective management reduces user’s cost
Cost Incurred by the City

The study report identified the following added annual costs (based on FY12 data):

- Degradation Costs ≈ $866,000
- Construction Costs ≈ $6,282,000
- Operating Costs ≈ $1,053,000
- Disruption Costs ≈ $45,000
- Other Costs ≈ $818,000 (includes study and lost tree value)

Total annual actual cost ≈ $9,064,000
Cost Incurred by the City cont’

- Degradation Cost = Reduced life expectancy of roadway.
Cost Incurred by the City
cont’

- Construction Cost = Higher cost to build City infrastructure.
Distribution of Costs

- Three main user groups
  - ROW User—facilities placed in the ROW to serve the general public or private entities.
  - Integral User—facilities that are an integral part of the street system or exempted by state law.
  - Franchise User – charged franchise fee only.
Distribution of Costs

- City allowed by state law to recover costs incurred in managing the ROW.
- Franchise users pay a franchise fee and are exempt from cost recovery.
- Non-franchise users currently pay only a small portion of program management costs.
Proposed Changes

- Provides a more equitable system – all users pay their proportionate share.

- To represent actual impacts from the size and displacement of the user’s equipment in the right-of-way and equally distribute costs; total equivalent lineal foot usage of all users (including integral and franchise) was used to calculate average rate.

- Average rate determined by the study = $0.35 per equivalent lineal foot (ELF).

- Proposed rate = $0.15/ELF.
  - Less than half the calculated average rate
  - No impact on exempt and franchise users
Benefits of Updated Structure

- Better coordination
- Less delay
- Cost savings to City
- Improved stewardship of citizen owned right-of-way
Five Year Implementation Plan

- Incremental transition to address users’ budget planning.
- All rates, including final rate, lower than rate determined by study.
- Proposed Rate Schedule:
  - 1st Year = $0.03/ELF
  - $0.03/ELF increase per year
  - 5th Year = $0.15/ELF
- Replaces current ROW Management Fee and License Fee
# Five-Year Implementation Plan

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
<th>Costs Recovered</th>
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<tbody>
<tr>
<td>1</td>
<td>$0.03</td>
<td>$100,000 - $300,000</td>
</tr>
<tr>
<td>2</td>
<td>$0.06</td>
<td>$300,000 - $550,000</td>
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<tr>
<td>3</td>
<td>$0.09</td>
<td>$500,000 - $850,000</td>
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<tr>
<td>4</td>
<td>$0.12</td>
<td>$700,000 - $1,150,000</td>
</tr>
<tr>
<td>5</td>
<td>$0.15</td>
<td>$850,000 - $1,450,000</td>
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Next Steps

- Stakeholder Meeting – August 4, 2014
- First Reading of Proposed Ordinance Changes – August 25, 2014
  - Implement new cost recovery schedule
  - Minor administrative updates (e.g. stand-alone facilities)
- Proposed Implementation – January 1, 2015