



**Request for City Council Committee Action
From the Department of Public Works**

Date: July 24, 2007

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Referral: Honorable Paul Ostrow, Ways & Means/Budget Committee

Subject: **Excavation Permit Fee Revisions**

Recommendation:

- Passage of the accompanying resolution changing Excavation Permit Fees and Fee Structure

Previous Directives:

- February 13, 2007 – Study proposal received and filed by Transportation & Public Works Committee
- April 11, 1997 -- Approval of Excavation Permit Fees and Fee Structure
- November 22, 1996 -- 96-Or-125 and 96-Or-126 amending Title 17 of the Minneapolis Code of Ordinances to adopt Chapters 429 and 430 relating to Streets & Sidewalks, Right-of-Way Administration

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Approved by:

Steven A. Kotke, P.E., Director of Public Works

Presenters: Pat Byrne, P.E., Professional Engineer 673-2656
 Robert Carlson, P.E., Principal Professional Engineer 673-3614

Permanent Review Committee (PRC)	Approval _____	Not applicable	<u> X </u>
Policy review Group (PRG)	Approval _____	Not applicable	<u> X </u>

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget (If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Business Plan: X Action is within the plan. Action requires a change to plan.

Other financial impact (Explain):

No financial impact for 2008 forward. Public Works will bring forward a separate letter regarding retroactive application of new fees and fee structure to Qwest billings, which may result in a reduction of budgeted revenue in 2007.

Request provided to department's Finance Dept. contact when provided to the Committee Coordinator

Community Impact

Neighborhood Notification: Not Applicable

City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe city

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Background/Supporting Information

HISTORY

In November 1996, the City amended Minneapolis Code of Ordinances Title 17 to adopt Chapters 429 and 430, pertaining to Right-of-Way Administration and Permits. This was part of a statewide initiative pursuant to Minnesota Statutes, Sections 237.162 and 237.163 to control management of the public Right-of-Way that culminated in various Right-of-Way ordinances in a number of cities. The city amended its existing Rights-of-Way provisions by enacting the current version of Chapters 429 and 430 of the Minneapolis Code of Ordinances relating to Right-of-Way permits and administration. These ordinances impose reasonable regulations on the placement and maintenance of equipment or facilities currently within its public Rights-of-Way or to be placed therein at some future time. Under these ordinances, persons disturbing and obstructing the public Rights-of-Way bear a fair share of the financial responsibility for their integrity. Finally, these ordinances provide for recovery of out-of-pocket and projected costs from persons using the public Rights-of-Way.

CURRENT STATUS

Chapter 430 provides that the permit fees pursuant to Chapters 429 and 430 shall be proposed by the city engineer and established from time to time by city council resolution. Our concern at this time is directed toward the Excavation Permit in particular, which involves the sub-surface installation of utilities within the right of way. Our existing Excavation Permit Fee and Fee Structure were approved by the City Council on April 11, 1997, and were developed through a process that included a committee comprised of representatives from major private utilities, private sewer and water contractors, the City of Minneapolis and the City of St. Paul.

Recovery of the City's costs is one component of the City's Right-of-Way ordinances. A large part of the actual cost is incurred while reviewing the plans for installation of facilities, issuing the permit, and inspecting the various installations within the public Right-of-Way. Generally, there are three different types of utility installations for which an Excavation Permit is needed. One type is inserting new utilities into an already existing conduit, which was constructed previously using either a boring or an open trench method, under a previous Excavation Permit. A second type is new utilities laid within a newly constructed trench, and a third type is new utilities constructed by boring, which does not require a trench.

Our Excavation Permit Fees generally have two components: 1) a base fee that includes a standard, or minimum, number of feet of utility installation, and 2) a per foot, or linear, fee, for any installation beyond the minimum allowed in the base fee. The existing base fee and the linear fee are the same for new utilities constructed in all three methods of installation. As proposed (see below), both base fee and the linear fee will vary, depending on installation type.

The 1997 fees and fee structure were based upon conversations with representatives from major private utilities, private sewer and water contractors, the City of Minneapolis and the City of St. Paul. It was also based upon a study where we documented the costs to the City of Minneapolis of reviewing, issuing, and recording, and inspecting the permits and permitted construction.

Minnesota Statutes, Sections 237.162 and 237.163 requires that cities have a responsibility to demonstrate that the fees they collect are based upon actual costs. We have recently determined that, when dealing with the installation of utilities within existing conduits (the first

type described above), our actual recoverable costs are lower than with the other two types, because of less time spent on field inspection, and are therefore recommending a change in fees and fee structure.

Existing Excavation Permit Fee and Fee Structure (adopted April 1997)

- City Management and GIS Cost Component for the first 75 feet of equipment installed, \$115.00, for each additional foot installed \$1.60 *
- Disruptive Cost Component – based on formula and grace period matrix
- Degradation Cost Component – based on formula
- Restoration Cost – Actual cost

* same for all three types (described above)

Revised Excavation Permit Fee and Fee Structure (proposed)

AS OF September 1, 2007:

City Management and GIS Cost Component	Base Fee	Fee/Ft. Over 75'
Sewer Infrastructure	\$163	\$2.15
Water Infrastructure	\$138	\$1.90
Private Utilities, Inserting within Existing Conduit	\$185	\$0.13
Private Utilities, Bored Under the Surface	\$185	\$0.88
Private Utilities, All others	\$112	\$1.49

- Disruptive Cost Component- based on formula and grace period matrix (no change in fee structure)
- Degradation Cost Component – based on formula (no change in fee structure)
- Restoration Cost – Actual cost (no change in fee structure)

AS OF JANUARY 1, 2008:

City Management and GIS Cost Component	Base Fee	Fee / Ft over 75'
Sewer Infrastructure	\$166	\$2.23
Water Infrastructure	\$141	\$1.90
Private Utilities, Inserting within Existing Conduit	\$185	\$0.13
Private Utilities, Bored Under the Surface	\$185	\$0.91
Private Utilities, All Others	\$116	\$1.52

- Disruptive Cost Component – based on formula and grace period matrix (no change in fee structure)
- Degradation Cost Component – based on formula (no change in fee structure)
- Restoration Cost – Actual cost (no change in fee structure)

Recommendation:

We recommend the proposed revised Excavation Permit Fee and Fee Structure become effective September 1, 2007, and that the Fee be updated on January 1, 2008, both as shown in the above table.

This approach is generally revenue neutral, because the same grouping of costs is being recovered but distributed differently, such that fees for some installation types will increase and others will decrease. It is noted that Public Works will bring forward a separate letter regarding retroactive application of new fees and fee structure to Qwest billings, which may result in a reduction of budgeted revenue in 2007.

Cc: Corey Conover, Assistant City Attorney
Joan Peterson, Qwest