



Department of Public Works

Underground Utility Permit Fee Analysis Proposed Fee Structure

January 5, 2016



History of the Private Utility Program

- Prior to 2006, no inspections were done nor fees charged when utilities were installed in the public rights-of-way in the City of Durham.
- Lack of oversight lead to increasing and documented damage to the City's roadway, sidewalk, water, sewer, and stormwater infrastructure.
- One engineer and one inspector were assigned to oversee these functions and a fee of \$0.25/LF plus a \$40 permit fee were established.
- The fee schedule was revisited in 2008, at the request of the utility companies, and the current fee schedule was finally established in 2010.



Current Fee Schedule

The current Utility Permit Fee schedule was implemented at the beginning of 2010. The system is summarized as follows:

- *All permits applied for at one time in a contiguous defined geographic area will be included in one permit.*
- *Centerline Linear Foot Calculation in Right of Way Permit Fee*
 - 1) *200 feet or less \$50*
 - 2) *Over 200 feet, up to 1,000 feet \$120*
 - 3) *Over 1,000 feet, up to 5,000 feet \$460*
 - 4) *Over 5,000 feet Calculate per (1) through (3) above*



History of the Private Utility Program

- The rate of utility installations has increased substantially since 2010 and in 2014 began to exceed the capacity of current City staff (now 4 FTEs) to manage.
- In 2014 multiple companies expressed interest in installing hundreds of miles of fiber in the City over a projected 2-3 year build out schedule. Staff developed a plan to meet that demand using in-house and contract resources.
- Council approved a contract in June 2015 to augment staff capacity. Noting the increasing cost of the program, Council directed staff to develop alternate fee proposals to recover up to 100% of projected program costs.
- Staff began to analyze historical data and develop a fee schedule that would recover a greater percentage of the cost to administer the program.



Outreach to Utility Representatives

- City staff, utilities and Chamber staff met and communicated through the summer and fall to understand how City staff calculated its costs and proposed to allocate those costs through a new system of fees.
- Several methodologies have been considered, analyzed and reviewed with the utilities and the Chamber staff.



Methodology for Proposed New Fee Schedule

The current methodology addresses previous concerns by assigning fixed hourly costs to each permit based on typical hours worked and the cost of labor, then translating those costs into a base fee and a linear foot fee.

Most typical permits are smaller and can be handled by City staff at lower cost, thus a smaller linear foot fee is proposed for permits under 1 mile in length.

Since complex permits spanning more than one mile require additional resources (especially more frequent and sometimes longer inspections), the City assigns these permits to the contractor and uses a higher per linear foot cost for these permits.



Methodology for Proposed New Fee Schedule (continued)

- Staff examined historical data, and used staff interviews to develop typical hours needed for various aspects of permit review and inspections.
- Five (5) types of typical routine permits were selected for the analysis.
- Staff has applied a new proposed fee system to previous year's worth of actual data to confirm it accurately represents hours needed to complete permitting tasks, and accurately reflects the cost recovery targets recommended by City Council.



Calculating the Fee for Permits Under One Mile

The four scenarios represent typical permit types with real estimates of hours worked by staff ranging from the smallest to the more complex permits. Staff developed the fee system for permits under one mile to allocate those costs based on the size of each permit, which directly relates to the number of staff hours each permit will require to complete.

The fees presented respond to Council direction to propose a system that will recover 100% of the cost of the permitting program. Should Council revise the cost recovery target, staff will reformulate the fees per that direction.

Slide number 12 shows the fees that would result in the four scenarios presented for permits of one mile or less in length, and compares those fees to the current pricing structure.



A Representative Sample of Routine Permit Types

Scenario	Typical Permit Example	LF
A	5 X 5 Curb & Gutter and pavement cut 10' dig	10
B	210 LF bore and trench under a driveway	210
C	585 LF bore and trench under a roadway with sidewalk cuts	585
D	5,124 LF bore and trench	5,124



City Staff Costs

(these costs are used to calculate fees for permits less than one mile in length)

Function/Task	Average \$ / Hour Charged for Permitting Activities
Administration	\$39
Management	\$62
Permitting	\$35
Inspection	\$44

Total Annual Staff Cost - \$350,526



Breakdown of Hours per Function for Routine Permit Types for City Staff

Scenario	Typical Staff Time per Function (in hours)						
	Admin	Mgmt..	Perm	Inspection Time per Inspection	# of Inspections	Ride Time	Total Inspection Time
A	0.33	0.25	0.83	0.83	4	0.67	6.00 hr
B	0.75	0.42	2.00	0.33	3	0.67	3.00 hr
C	0.75	0.50	2.50	0.75	4	0.67	5.67 hr
D	5.67	4.50	7.50	0.17	20	0.67	16.67 hr



Calculating the Fee for Permits Under One Mile

Base Rate \$300 per permit + \$0.16 a linear foot of installed utility

	Typical Permit Example	LF	Current Fees	Proposed (\$300/\$0.16)	Proposed vs COD Staff Cost	COD Staff Cost	Typical Staff Time per Function (in minutes/hours)							
							Admin	Mgmt.	Perm	Inspection Time per Inspection	# of Inspections	Ride Time	Total Inspection Time	Total Time
A	5 X 5 C&G and pavement cut 10' dig	10	\$50.00	\$301.60	(\$17.26)	\$318.86	20.00	15.00	50.00	50.00	4	40.00	360.00	7.42
B	210 LF bore and trench	210	\$120.00	\$333.60	\$77.61	\$255.99	45.00	25.00	120.00	20.00	3	40.00	180.00	6.17
C	585 LF bore and trench	585	\$120.00	\$393.60	(\$1.25)	\$394.85	45.00	30.00	150.00	45.00	4	40.00	340.00	9.42
D	5,124 LF bore and trench	5124	\$580.00	\$1,119.84	(\$368.26)	\$1,488.10	340.00	270.00	450.00	10.00	20	40.00	1,000.00	34.33



Calculating the Fee for Permits Over One Mile

- The two scenarios presented in the next slides represent typical types of permits received that are greater than one mile in length. Staff developed the fee system to allocate costs based on the size of each permit, which directly relates to the number of staff hours each permit is estimated to require to complete.
- The hours per task are based on those projected by the consultant in the contract proposal.



A Representative Sample of Routine Permit Types

Scenario	Typical Permit Example	LF
E	5,568 LF bore and trench	5,568
F	12,568 LF bore and trench	12,568



Contract Costs

(these costs are used to calculate fees for permits greater than one mile in length)

Function/Task	Average \$ / Hour Charged for Permitting Activities
Plan Review	\$122.83
Project Management	\$163.42
Ombudsman	\$180.00
Inspection	\$58.23



Calculating the Fee for Permits Over One Mile

Base Rate \$300 per permit + \$0.40 a linear foot of installed utility

Sample Permits for Fiber Build	LF	Current Fees	Proposed (\$300/\$0.40)	KH Contract	Number of Hours				
					Plan Review	Project Mgmt.	Ombudsman	Inspections	Total Hours
5,568 LF bore and trench	5568	\$580.00	\$2,527.20	\$2,443.52	5.74	1.65	0.93	22.37	30.68
12,568 LF bore and trench	12568	\$1,380.00	\$5,327.20	\$5,515.48	12.96	3.72	2.09	50.49	69.26
				KH Cost/Hour	\$122.83	\$163.42	\$180.00	\$58.23	



Proposed Rate Schedule

Tier	<i>Permit Fee (Per Installation)</i>	<i>Permitting and Inspections (Per Installation) per Linear Foot</i>
1 - 5,280 or less (Scenarios A, B, C & D)	\$300	\$0.16
2 - Greater than 5,280 (Scenarios E & F)	\$300	\$0.40



Summary

Based on the known variables associated with utility permitting and inspections, including the cost of City staff performed functions as well as the cost of contract assistance, we believe that this fee schedule proposal is fair across the different types of utility installations.

The proposal follows Council direction to recover up to 100% of the cost of the program, and can be scaled to a different cost recovery target at Council direction.

The system is elastic and allocates cost based on the size of the permit proportionate to the amount of work required to process and inspect it.



Questions and Discussion