



# *Progress Report and Next Steps for TIM Fee Cost Reduction Effort*

Department of Transportation  
Prepared for the Board of Supervisors  
December 19, 2011

Legistar Item # 08-1466

# *Purpose of today's presentation:*

1. Provide the Board with a progress report on DOT's efforts to-date to identify cost reduction options in the TIM Fee Program,
2. Answer any questions,
3. Request direction from the Board of Supervisors on Next Steps.

# *Agenda*

- Background
- Discussion of Cost Reduction Process and Results
- Direction from Board of Supervisors and Next Steps

# *Background:*

- On January 25, 2011, the Board directed staff “to define the uniqueness of Zone 8 to allow a study of a TIM Fee Reduction Program for Age-Restricted Housing, including cost and timing.”
- On April 19, 2011 DOT communicated to the Board that it would explore four areas for possible cost reduction ideas which would give the Board options to make changes to the TIM Fee Program such as reducing fees, creating new fee categories, etc.

## *The four areas include:*

- A) Deletion of projects not absolutely necessary for Traffic Impact Mitigation. The trigger would be compliance with General Plan LOS requirements.
- B) Deletion of the remaining HOV Lane Project (Bass Lake Road to Cameron Park Drive section) from the Fee Program, as it is expected the Casino revenue will cover the costs.
- C) Reduction of the “Traffic Signal” line item in the TIM Fee Program. This has implications as to what the County will need to require from developers (i.e., developer constructed signals with no reimbursement).
- D) Identify the likely impacts of eliminating any expenditure on the State Highway System with the exception of the Silva Valley Parkway Interchange Project.

## *DOT added a fifth category:*

- E) Establish a third party outside review committee to review cost estimates for DOT CIP Projects.
  - This outside CIP Cost Estimate Review Committee (CCERC) would review the 2011 CIP.

# *Summary of the Cost Estimate Reduction Process that DOT has applied:*

- **Step 1:** Prior to beginning analysis of areas A) through E), staff identified projects that required estimate revisions and updated those;
- **Step 2:** Begin the analysis of areas A) through E) as identified in the March 31, 2011 letters addressed to the Board of Supervisors;
- **Step 3:** Provide results;
- **Step 4:** Provide recommendations based on the results.

# *Summary of the Results from Step 1:*

**Step 1:** Prior to beginning analysis of areas A) through E), staff identified the projects that required estimate revisions:

- To date, Step 1 results in a total cost reduction of **\$34.5M**.
- The largest reductions are from:
  - Project 62\*: White Rock Rd: Widen from County line to Manchester Dr, 2 to 4 lanes divided: **\$9.6M**
    - » Savings come from work already completed on CIP project 72360
  - Project 72: Silva Valley Pkwy - Interchange with US 50: **\$15.7M**
    - » Right of way appraisals came in at approximately one-half of the original estimate

*\* Project numbers refer to projects listed in Legistar attachment 7B*

# *Summary of the Results from Step 2:*

**Step 2:** Begin the analysis of areas A) through E):

## **A) Delete projects not absolutely necessary for LOS Mitigation**

- DOT recommends removal of the Forni Rd (Project 19) and Ray Lawyer Drive Extension (Project 44) studies because they are not needed for Traffic Impact Mitigation.
- This results in a reduction of **\$0.4M**
- Other projects for possible deletion will be identified once the update of the Traffic Model is completed (part of the General Plan Amendment process already underway).
- DOT estimates that the Traffic Model Update will take approx. 12 to 18 months once started.
- The Traffic Model Update will also enable staff to analyze proposed discretionary projects, potentially simplifying the traffic study process, thus, reducing time and costs for discretionary projects.

***There is no guarantee that updating the Traffic Model will result in the removal of any projects from the Program and it is possible that new projects could be identified.***

## *Summary of the Results from Step 2 (cont.):*

**Step 2:** Begin the analysis of areas A) through E):

### **B) Deletion of the remaining HOV Lane project**

- DOT's recommendation from the March 31, 2011 letter to the Board was to remove the remaining US Hwy 50 High Occupancy Vehicle (HOV) Lane Project from Bass Lake Road to Cameron Park Drive) because this will be funded by grants and/or payments under the MOU with the Shingle Springs Band of Miwok Indians.
- This results in a reduction of **\$24.3M**.

# *Summary of the Results from Step 2 (cont.):*

**Step 2:** Begin the analysis of areas A) through E):

## **C) Reduction of Traffic Signal Line Item**

- After review of the Traffic Signal line item (Project 75), DOT determined that further analysis will be required included in the update of the Traffic Model.
- However, DOT was able to evaluate the cost estimates for individual bridge projects in the Bridge line item (Project 73), and determined that it could be reduced from \$15.7M to \$10M.
  - This results in a reduction of **\$5.7M**.
- In addition, the Traffic Signal line item (Project 75) was reduced as part of the analysis of Area E) by 19% (cost reductions are shown under Area E).

# *Summary of the Results from Step 2 (cont.):*

**Step 2:** Begin the analysis of areas A) through E):

## **D) Elimination of Expenditures for Interchange Projects**

- This would represent a major change in direction in the County’s General Plan.
- Prior to initiating work in this area, DOT recommends that the County Traffic Model be updated.
  - Staff can then run “what-if” scenarios to evaluate the impacts of making any changes to interchange projects.
  - Upon completion of scenario analysis, DOT would return to the Board to present findings and request direction.

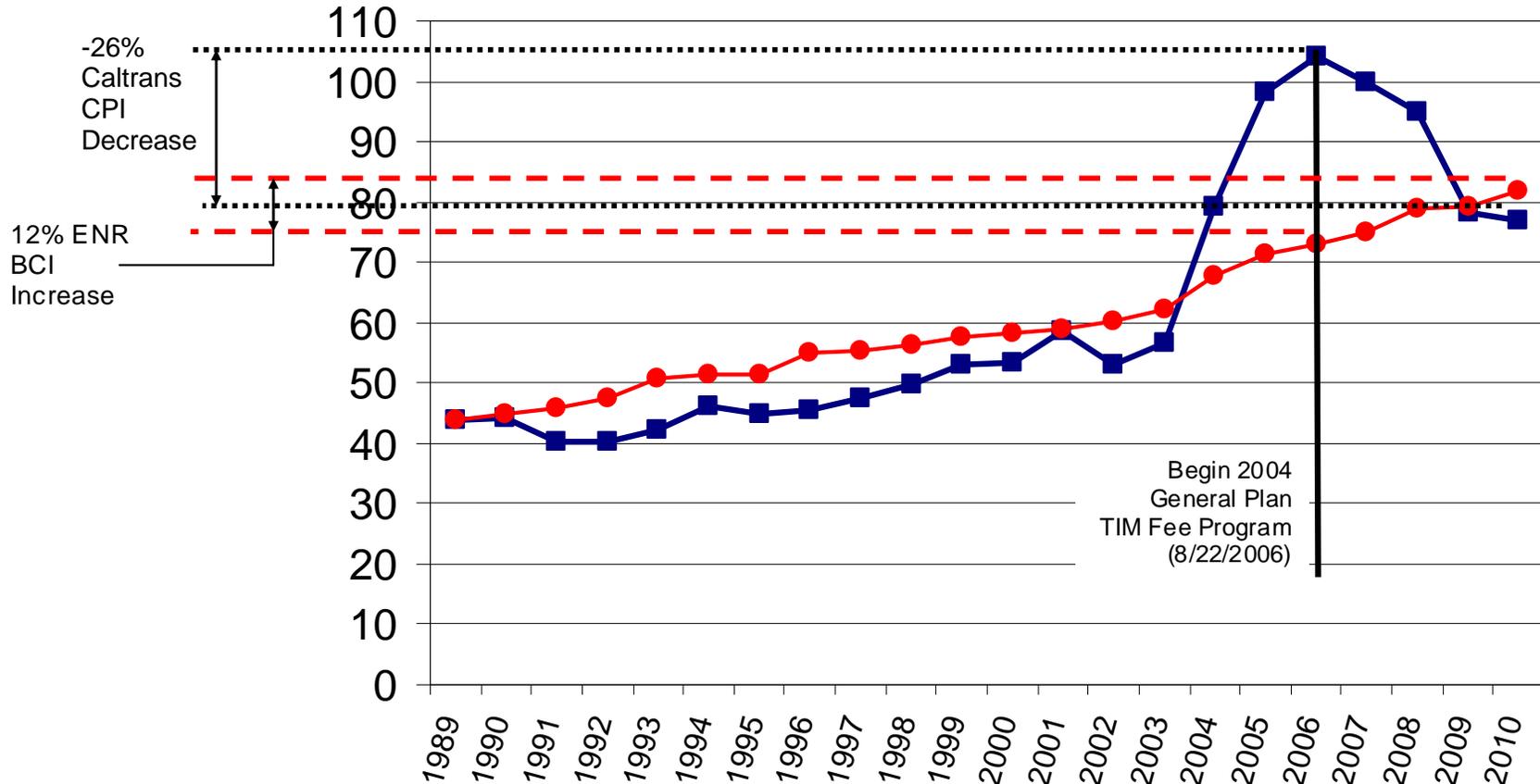
# *Summary of the Results from Step 2 (cont.):*

**Step 2:** Begin the analysis of areas A) through E):

## **E) CIP Cost Estimate Review**

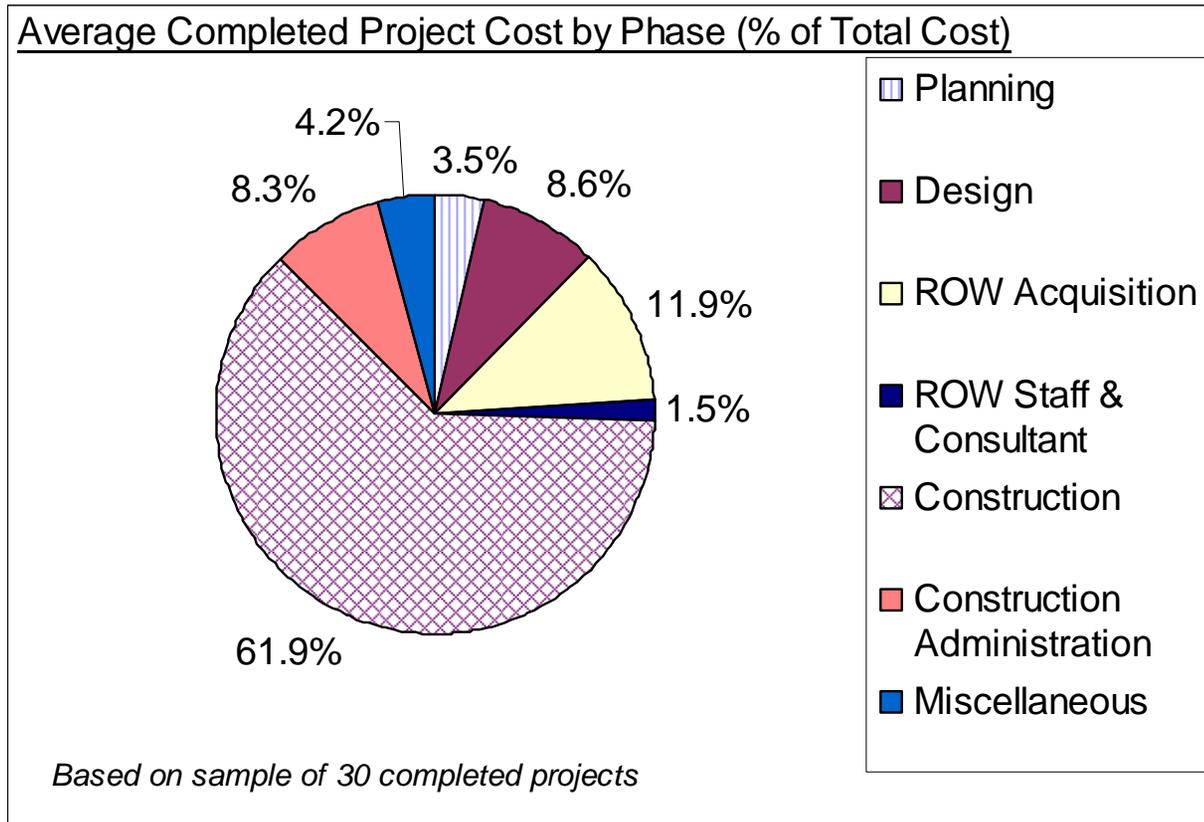
- Based on an analysis of current construction and recent right of way costs by CCERC and DOT, total project costs for eligible projects in the 2010 CIP could be decreased by a total of 19%:
  - 15% for construction (hard) costs, and
  - 4% for right-of-way costs.
- DOT believes this change is appropriate given the downward trend in construction costs and land values that can be seen in recently bid projects, and in DOT's right of way acquisition costs, respectively.
- This results in a reduction of **\$126.6M.**

# Caltrans and ENR construction cost trends:



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Caltrans Price Index	43.9	44.1	40.4	40.4	42.2	46.2	45	45.6	47.6	49.9	52.9	53.5	58.7	53.1	56.6	79.1	98.1	104.1	100	95	78.4	76.8
ENR Index normalized to Caltrans scale	43.9	44.8	45.9	47.6	50.6	51.3	51.5	54.9	55.4	56.4	57.7	58.4	59.0	60.1	62.1	67.8	71.4	73.0	75.1	78.8	79.1	81.9

# *Background on proposed construction and right of way reductions:*



- **Construction averages 61.9% of total project cost x 25% reduction = approx. 15%**
- **Right of way (ROW) prices have dropped between about 30 and 60%**
- **ROW acquisition averages 11.9% of total project cost x 30% reduction = approx. 4%**

# *Summary of the Results from Steps 1&2:*

- Step 1 Reduction: \$34.5M
- Step 2
  - Area A) Reduction: \$0.4M
  - Area B) Reduction: \$24.3M
  - Area C) Reduction: \$5.7M
  - Area D) Reduction: \$0M at this time
  - Area E) Reduction: \$126.6M

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TOTAL REDUCTION: \$191.5M\* - \$52.9M = **\$138.6M\*\***

*\* \$191.5M As compared to 2010 TIM Fee Program Total Cost*

*\*\* \$138.6M As compared to 2008 TIM Fee Program Total Cost*

## *Step 3: Provide Results*

The total proposed reduction in the TIM Fee Program is \$138.6M, a 14.7% decrease compared to the Adopted 2008 TIM Fee Program's total cost (\$942.9M).

- Recall that fees have been held flat since 2008, although Program costs have risen by \$52.9M (\$191.5M - \$52.9M = \$138.6M).
- That gap must be addressed in order to keep the Program “whole”.

	Total Program Cost (\$M)	Zones 1-7 TIM		Zone 8 TIM		Highway 50 TIM	
		%	\$M	%	\$M	%	\$M
<b>Proposed 2012</b>	804.3	38%	305.6	40%	321.7	22%	176.9
<b>2010 Adopted</b>	995.8	37%	369.1	40%	401.2	23%	225.5
<b>2008 Adopted</b>	942.9	38%	355.7	39%	371.0	23%	216.1
<b>Delta 2012 vs. 2008</b>	-138.6		-50.1		-49.3		-39.2
<b>Delta 2012 vs. 2008 (%)</b>	-14.7%		-14.1%		-13.3%		-18.1%

## *Step 4: Conclusions and Recommendations*

1) DOT is requesting direction regarding what to do with the \$138.6M of cost reductions identified thus far. Options include:

- **Option 1:** Lower Fees associated with each fund:

- Zone 1-7 TIM - 14.1%
- Zone 8 TIM - 13.3%
- Hwy 50 TIM - 18.1%

- **Option 2:** Lower Fees and Add Age-Restricted Categories:

- Lower the TIM Fees in Zone 1-7 by 14.1%
- Add Age-Restricted Categories in Zone 8 at the rate of 38% of the Zone 8 fees for Single and Multi-Family Categories
- Lower the TIM Fees in Zone 8 by the balance of the savings in Zone 8 after creation of an Age-Restricted Category
- Allocate the Savings in the Hwy 50 TIM to Zones 1-7, Zone 8, and Zone 8 Age-Restricted accordingly

## *Step 4: Conclusions and Recommendations (cont.)*

- **Option 3:** Direct the cost reductions from the Highway 50 fee component toward funding County participation in the Highway 50 Corridor Mobility Partnership.
  - Current estimate for El Dorado County's participation is \$11M.
  - Any unused cost reduction can be allocated to reducing fees in the Highway 50 component of the TIM Fee Program.
  - Option 3 can be combined with Options 1 and 2.

## ***Step 4: Conclusions and Recommendations (cont.)***

- 2) Direct DOT to coordinate with Economic Development Advisory Committee (EDAC) to update the County Traffic Model in coordination with the General Plan Amendment process.
- 3) Direct DOT on whether or not to evaluate Age-Restricted Categories in other TIM Fee Zones.
- 4) Direct DOT to continue to work with CCERC to look for further reductions in the TIM Fee Program.
- 5) Direct DOT to return to the Board as necessary to provide information and receive direction.

## *Issues for Further Consideration:*

1. A question has been raised about the appropriateness of lowering costs of projects that won't be constructed until later years:
  - a) Costs of those projects will be greater at a later date (e.g., 5 years out), putting a larger burden on those who will pay for those projects later;
  - b) There will be fewer units in the future to pay future project costs, thus increasing the per-unit cost of future projects.

## ***DOT's Response to Issue 1:***

- The TIM Fee Program is based on current dollars.
- Every year, the Program is updated to reflect current costs.
- Funds are not being set aside today for projects that will be built in later years.
- Every five years DOT is to update the Program based on updated 20-year growth projections.
  - Infrastructure needs should be proportional to anticipated growth.

## *Issues for Further Consideration (cont.):*

2. Federal/State Grants: The TIM Fee Program includes an assumption that \$180.6M of other revenues from Federal and State grants will come to fruition over the life of the Program.
  - DOT assumes 71% of the funds will come to the County, and 29% of the funds would go to City of Placerville (\$254.1M forecasted by EDCTC x 71% = \$180.6M)
  - To date, DOT should have received approx. \$54M in grants toward the TIM Fee Program's projects and has received \$53M.
    - This assumes DOT will receive approx. \$9M per year for 20 years.

## *Issues for Further Consideration (cont.):*

3. Reducing construction and right of way cost estimates results in a greater risk of having actual project costs exceed their estimates.
  - The Program’s cost is adjusted every year based on actual costs of completed projects and revised cost estimates for all other projects.
  - Thus, if a project costs more to construct than the estimate in the Fee Program, the cost of the Program (and in theory, the fees) would be raised after-the-fact to address the under-estimate in the Program.
  - However, historically, construction costs have escalated faster than the County has adjusted the Program’s costs, thus resulting in a need to play “catch up” (the recent slow down is an exception). They have also gone down faster than the fees in the Program.
  - This does not create a significant liability because the County is delivering approximately two to three CIP Projects per year.
  - If it is found that project costs are underestimated, DOT can update the estimates and the TIM Fee Program accordingly.

## *Issues for Further Consideration (cont.):*

4. Reductions in TIM Fees may reduce revenues, which could contribute to current cash flow challenges.
  - Lower fees, coupled with lower permit activity, means there will be less revenue in the near term to reimburse existing Reimbursement Agreements, especially in Zone 8, and less revenue available to work on critical CIP Projects.
  - However, lower fees may actually stimulate permit activity and potentially increase revenues.
  - In either scenario, DOT's current cash flow forecasts are fairly low in the near term, so lowering the fees is not anticipated to significantly impact total revenue at this time.

# ***DOT is requesting direction:***

1) DOT is requesting direction regarding what to do with the \$138.6M of cost reductions identified thus far.

Options include:

- **Option 1:** Lower Fees associated with each fund;
- **Option 2:** Lower Fees and Fund Age-Restricted Categories in Zone 8;
- **Option 3:** Direct a portion of the cost reductions from the Highway 50 fee component toward funding County participation in the Highway 50 Corridor Mobility Partnership.
  - Option 3 can be combined with either Options 1 or 2

## ***DOT is requesting direction (cont.):***

- 2) Direct DOT to coordinate with Economic Development Advisory Committee (EDAC) to update the County Traffic Model in coordination with the General Plan Amendment process.
- 3) Direct DOT on whether or not to evaluate Age-Restricted Categories in other TIM Fee Zones.
- 4) Direct DOT to continue to work with CCERC to look for further reductions in the TIM Fee Program.
- 5) Direct DOT to return to the Board as necessary to provide information and receive direction.