

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

I. Upcoming Meetings:

- A. *Next Meeting: Thursday, February 21, 2008 from 6:30pm to 8:30pm in the Placerville Main Library at the corner of Ray Lawyer Drive and Fairlane.*
- B. *We will continue to meet every 3rd Thursday of the month in the Placerville Main Library.*
- C. *The group decided that all the remaining topics for discussion are important; DOT staff will come back with answers to questions from this meeting as well as prepare background materials for discussion of the remaining topics. One item was removed from our discussion list, "What is in the CIP". This topic will be discussed at the special Board meeting called for 2/11/08.*
- D. *The topics remaining to be discussed are:*
 - 1. Additional sources of funding
 - a. The Casino – What funds will be available, what additional projects need to be included and how will this impact the fee rates? (first check anticipated Fall 09)
 - b. Federal and State "matching dollar" opportunities – using TIM fee money to leverage other sources
 - c. Are we getting any kind of priority for \$ from state and federal because of our TIM fee program? What have we gotten to match the \$ we have contributed to TIM fees?
 - d. Inclusion of Safety and Intelligent Transportation System (ITS) "local match share" items into project list along with other potential grant funding opportunities
 - 2. The 84% Residential, 16% Commercial split
 - 3. Impacts from the slow-down in residential development (e.g., growth in the county affects the road plan)
 - 4. Format/Style to be used for annual Government Code compliance report
 - 5. Can we discuss the "uniqueness" that affects the El Dorado County TIM FEE Program? Do we spend more or less for example because of the # of Highway 50 improvements than other counties do? Do others have other funding sources that we don't have?

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

I. Homework for DOT:

- A. *Provide descriptions of what the other inflation indices are composed of (i.e., other than Caltrans index, is ENR index smoothed? Does the ENR index always go up; never down? Caltrans has gone down in some years in the past).*
 - 1. How do they do their calculations specifically?
- B. *Look at the option of using a blended index – i.e., Caltrans index for highways and ENR for local roads.*
- C. *Graph DOT experience on unit prices compared to Caltrans commodities (look at our bid history) e.g., ag base, roadway excavation, asphalt, concrete*
 - 1. Chart this vs. the indices (e.g., Caltrans, etc.)
- D. *Graph a “fees over time” chart.*
 - 1. Create a “one pager” on what % of the total program is in the CIP
- E. *For the 84% residential/16% commercial split:*
 - 1. History of how this was developed
 - 2. Develop an example of a 60/40 split
- F. *Interview other Counties/Cities:*
 - 1. What do they include in their inflation indices and what has been their actual bid history? (Reference Don Barnett’s survey of other cities and counties)
 - 2. How do they get their roads built? Where do they get their funding?
 - 3. Get copies of their CIPs:
 - We will need to find out which projects they are paying for vs. developers
 - Create a table of this information by city/county and include El Dorado
- G. *How does DOT estimate ROW cost for projects in the CIP and out of the CIP?*
 - 1. For estimates outside of CIP, we used interim fees matrix, took what URS did and increased it by the inflation index to come up with the new matrix.
- H. *The total fee program is composed of adding the two estimates together (i.e., the 5 years out portfolio plus the CIP portfolio). DOT will calculate what the total increase is for the total portfolio.*

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

II. Discussion:

A. NOTE: THIS IS A RECORD OF WHAT WAS DISCUSSED. THE USE OF “WE” DOES NOT IMPLY CONSENSUS BUT, RATHER, IS JUST A STATEMENT BY THE SPEAKER. ALSO, THE COMMENTS REFLECT WHAT THE SPEAKER SAID AND MAY NOT REFLECT OTHERS’ THOUGHTS OR OPINIONS.

B. *Choice of Cost Index(s) used for inflation adjustments (See handouts)*

1. Caltrans as an index has gone up at a much faster rate than the other indices within the last 4-5 years so why use it vs. the others?
2. Caltrans info is easier to get now (via Internet); ENR is more difficult (not available via Internet)
3. Question: Is the ENR index less valid in the past versus what DOT’s actual pricing experience has been? – we need to look at this.
4. Caltrans indices are not sustainable at increases of 12-14% the last couple years.
5. Question: Shouldn’t the basis for increases be what things are actually costing? Other nearby areas used lower indices e.g., Placer County 2.1%, Amador 8%, Elk Grove 6.25%, Rancho 5.3%, 7% for Sacramento County.
 - a) Answer: We need to look at DOT’s unit prices to see how they have changed. However, we may not have enough data points to just look at our actual costs. Our unit prices vary substantially by type of project and location.
6. Question: Why isn’t everybody else using Caltrans if that’s the most appropriate index?
7. Comment: Caltrans “hard cost” components of rebar, concrete, steel, etc. are not 90% of total costs so the index is not representative of what DOT actually does.
8. Question: Have you looked at # of bids between 2004-2006 because I would guess it would have gone down and now DOT should be getting a higher # of bids and more competitive pricing.
 - a) Answer: DOT experience has been just that: e.g., we did get 8 bids on the White Rock Road job. Prior we were begging for bids because the market was so hot, no one had time/interest in building DOT’s jobs.
9. Question: Why did the Caltrans index shoot up so much and the other indices e.g., ENR, Means, did not (since about 2003/2004)? It looks like they include similar components (concrete, steel, etc.).
 - a) Caltrans is public sector and unique to California.
 - b) Caltrans’ index includes everything from jobs they bid; not sure what is included in ENR index (e.g., if they are calling around for price estimates, or just what?) ENR building index includes structures, not roads.
 - c) ENR construction cost index includes all kinds of private and public stuff e.g., dams, not just roads
 - d) The reason we used Caltrans is because they’re clearly road builders
10. Comment: School Construction uses ENR index.
11. Question: Are we going to do some more research and find answers to the questions? A 12% annual increase is not sustainable.

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

a) Answer: We can, however, all the time DOT spends on research is paid for out of TIM fees. Note that the Caltrans cost index (quarterly) graph shows a decrease in the 3rd quarter of '07 so if this trend continues, then we would go back to the Board with a recommended decrease at our next TIM FEE update. Caltrans excavation prices have increased dramatically due to fuel? and mandated requirements to use new equipment (less polluting) which is expensive

12. Comment: Information from Caltrans appears to be quite variable: e.g., the most recent prices on structural steel showed a current price of \$52/lb; however, prices ranged between about \$4 to over \$120/lb.

13. Question: All indices appear to be lagging indicators; I don't know what the indicator should be if you want to have a predictive index?

a) Answer: I'm not sure that it would be appropriate to try to forecast what the index should be because we're in a world economy, affected by others so how can we realistically come up with a predictive index?

14. The last time we hit a recessionary trough was around '92 and that's about the last time you saw a drop in the Caltrans construction cost index. ENR is normalized on a national level and is not indicative of California costs. (e.g., The Caltrans index doubled in 7 years.)

15. There is not another County like El Dorado County (e.g., that doesn't contract out the work...and we are doing 5 interchanges...and we have Measure Y), so perhaps there aren't good comparisons for us.

16. I don't think El Dorado County is so unique that we should discount what other counties and cities have picked (i.e., ENR). We should call them and find out why they picked ENR. We don't know that other Counties aren't doing the # of interchanges we are, etc.

17. We had a lot of growth without paying for the infrastructure; we let the horses out of the barn on development before the infrastructure was in place. We have to make up for that now. Quibbling over the inflation index is perhaps losing sight of the bigger picture.

18. DOT would like to pick one index and stick with it; we want to try to make the planning estimates as reflective of our industry as possible. We don't want to pick 1 index because it's going down and then switch to another index that is going down when the initial index starts going up.

19. Is Caltrans the best index for local roads? BIA could share with us what their actual cost increases have been on local roads? They may not want to share the data but we can ask.

20. Maybe we should look at a blended index – i.e., Caltrans index for highways and ENR for local roads.

21. Keep in mind that we only use the index for adjusting projects where we don't have engineering estimates (i.e., projects within the CIP have engineering estimates).

C. Cost Estimating Methodology and unit prices

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

1. For projects beyond the CIP (i.e., 5 years or more out), Inflation index is applied to everything out beyond the CIP (e.g., last year's total fee program estimate x 14.2%)
2. Conversely, if a project is in the CIP, it is costed at engineering estimates at current \$.
3. The total fee program is composed of adding the two estimates together (those from the 5 years out portfolio and those from the CIP). We haven't done the work yet to figure out what the total increase is for the total portfolio.
4. From going from TIM fee (5+ years out) to within CIP, the # of line items goes from, for example, 5 or 6 to over 80.
5. Question: Is the contingency factor of 25% really necessary for the portfolio outside of the CIP? It is usually customary to have a larger factor the farther out you are. Should it be this high? How much is the CIP of the total portfolio vs. what is outside? 50% or 25%.
6. Projects outside the CIP are reset every 5 years; we use the index to change them annually because it's a large effort to revisit them every year.
7. In the CIP it is identified where the funding comes from for each project (e.g., TIM FEE, Other)

D. Development of percentages for project delivery costs (i.e., "soft costs") such as design, construction inspection, etc. (see handout)

1. Project delivery cost are a % of what was actually paid out in construction costs; we don't take it as a % of total cost (i.e., including ROW) because we don't want the cost of ROW (the dirt) to skew the picture because ROW (the dirt) can be so variable.
2. Rule of thumb: Soft costs are roughly 40% of construction cost.
3. Question: Why are our costs actually higher vs. the URS estimates? E.g., design and ROW %s are much lower than what we have seen historically as well as Caltrans historical #s.
 - a) Answer: URS' estimates are low; they looked at their costs not including the agency oversight costs involved for each project.
4. Project delivery costs don't include cost of ROW (the dirt); we've separated that out so we can see the staff costs for project delivery.
5. Question: Is there any way to break out the ROW costs individually?
 - a) Answer: Staff time and legal assistance is about 1% of the CIP and ROW purchases (cost of dirt itself) is about 8% of the CIP.
6. Question: Harrison & Associates – their construction mgmt costs would not be higher than 5%; Design and ROW would always be in the 10% range. Even AKT costs are less.
 - a) Answer: AKT costs don't include the cost of inspection and the cost of government staff time overseeing the private contractors. We have looked at a benchmarking study by about 6 other agencies and we compare well – we come under them. We're also under Caltrans' costs.
7. Question: is DOT estimating a 40% soft cost plus 25% contingency factor (of total construction costs) for all out-year projects?
 - a) See example from URS

TIM FEE Working Group Meeting Record
January 31, 2008, 6:30 – 9:00pm
Building C Planning Commission Hearing Room

8. Question: We need to find ways to get the costs down. How do we do this?
 - a) Answer: Historically, we are competitive with other agencies. But we still need to get costs down.
 - b) Comment: I think we're trying to implement a very expensive General Plan and we need to look at what component DOT plays in that and how that compares to other counties
9. ROW Land Acquisition costs
 - a) We have about \$80M in the TIM fee program for ROW acquisition costs estimates at \$7 to \$32/sq ft. We would like to know that the costs are reasonable.
 - b) They seem really high.
 - c) DOT should get every \$ out to bid now when things are cheap.
 - d) Question: Will this cost continue to go down as we refine the CIP list to plan for real estate costs going down? Can't we buy ROW up now?
 - (1) Answer: *You have to have an environmental review done before you can acquire ROW. You have to start spending the \$ within 7 yrs after you acquire the ROW.*
 - e) Question: Can you condemn land w/o buying the ROW?
 - (1) Answer: *Individuals must be compensated for taking private land for public uses (stems from 5th amendment). We must pay fair market value.*
 - f) Suggestion: Be ready to discuss with the Board buying ROW now

III. Attendees

- A. Randy Pesses, Public Works – City of Placerville
- B. Kathye Russell, El Dorado Business Alliance
- C. Bill Center, Measure Y Committee
- D. Chad Brown, EDBE
- E. Don Barnett, Lennar
- F. Art Marinaccio, Taxpayers Association of El Dorado County
- G. Jim Miller, AKT Development
- H. Mike McDougall, AKT Development/MJM Consulting
- I. Dolly Wager, El Dorado Chamber of Commerce
- J. Kim Beal, El Dorado County Association of Realtors
- K. David Storer, DSD/CAO's Office
- L. Jim Schoeffling, DOT
- M. Craig McKibbin, DOT
- N. Richard Shepard, DOT
- O. Jim Ware, DOT
- P. Val Akana, DOT