



# Board Agenda Item 11

DATE: June 5, 2018

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director  
Department of Public Works and Planning

SUBJECT: Present Findings - Additional Fuel Data to Determine Impacts of Senate Bill 1 to Exclusive Service Area Program Haulers

RECOMMENDED ACTION(S):

**Receive presentation addressing additional information provided by the Exclusive Service Area Program haulers, related to the impact of Senate Bill 1, the Road Repair and Accountability Act of 2017, and direct Department of Public Works and Planning staff to either:**

- a. **Implement the calculated adjustment of 0.51%, as determined through analysis by the County's consultant, to the Exclusive Service Area Program maximum cart and bin rates, effective August 1, 2018; and direct staff to coordinate with the Exclusive Service Area Program haulers to provide all customers with advanced written notice of the approved maximum cart and bin rate increases 30 days prior to the effective date;**  
**OR**
- b. **Take no action at this time and leave the maximum cart and bin rates at current levels.**

On February 6, 2018, your Board directed staff to return on June 5, 2018 with an updated analysis, that incorporated fuel costs for three additional months incurred by the Exclusive Service Area Program (ESAP) haulers (Haulers) associated with the enactment of Senate Bill 1 (SB1), also known as the Road Repair and Accountability Act of 2017. Abbe and Associates, the County's contracted consultant (Consultant), has analyzed the information submitted by the Haulers and summarized their findings in Attachment 1. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may direct Department of Public Works and Planning staff to prepare rate tables at a percentage lower or higher than the calculated 0.51% or take no action at this time.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended action. Costs to administer the ESAP are funded by Assembly Bill 939 (AB 939) service fees remitted to the County by the nine Haulers. Sufficient appropriations for Department staff related expenses are funded with AB 939 service fees included in the Public Works and Planning - Resources Org 9015 FY 2017-18 Adopted Budget.

DISCUSSION:

SB1, approved by the California Legislature and signed by the Governor on April 28, 2017, increased the excise tax on diesel fuel by \$0.20 per gallon and the sales tax on diesel fuel by 4% starting November 1, 2017. At the October 31, 2017 meeting, the Board of Supervisors directed Department staff to review the estimated cost increases anticipated to be incurred by the Haulers associated with SB1 and submit an analysis on whether a rate increase should be approved to address these costs. At its February 6, 2018, the Board considered the first request for the SB1 rate increase and elected to postpone the request until the June 5, 2018 Board meeting, to allow for the compilation of additional statistical data to evaluate the merit of the SB1 increase to the ESAP Rates. The Board directed staff to collect cost data for the period of January through March 2018 from the Haulers in order to reevaluate, assess, and determine the impact of SB1 increases over a longer period. If approved by your Board, the rate increase would be based on a "Change in Law" as authorized, to the extent supported by substantial evidence, by Subdivision 7.2.B.1 (a) (ii) of the ESAP Agreements.

On March 6, 2018, Department staff sent out correspondence requesting that all ESAP Haulers provide Fuel and Income data for the months of January through March 2018. Four of the nine Haulers (Mid Valley Disposal, Republic Services, Waste Management, and Tule Trash) submitted the following data: a) total fleet fuel purchases, b) ESAP percent of fuel purchases, c) ESAP revenues, and d) fuel percent of overall ESAP costs. Based on the additional data submitted, the Consultant calculated that on average 5.1% of ESAP costs were attributed to fuel. These costs were estimated to increase by 10% due to the SB1 fuel surcharges of approximately \$0.30 per gallon of diesel fuel based on current average fuel prices of \$3.00 per gallon. As noted on the analysis submitted for the February 6, 2018 Board Meeting, ESAP collection vehicles were exempted from SB1 Department of Motor Vehicle (DMV) registration fees, therefore, no cost impact from the SB1 increase to DMV fees is anticipated.

The additional statistical data collected from the Haulers for the months of January through March reflect an increase from 4.1% to 5.1% on ESAP costs attributed to fuel, or a difference of 1.0%. The revised analysis indicates that the ESAP costs attributable to SB1 fuel increases, rates could be increased by 0.51 % (10% of 5.1%) which ranges from \$0.13 to \$0.26 per household per month for cart customers, depending upon service levels. The rate increase for bin customers could range from \$0.36 to \$7.01 depending upon service levels. Included as Attachment 2 are the adjusted maximum cart and bin rate tables that incorporate those proposed rate increases.

If your Board elects to increase ESAP rates based upon SB1 data, the increases will become a permanent part of the rate schedule for the life of the ESAP Agreement, and will compound beginning with the 2019 Consumer Price Index (CPI) rate adjustment process, and each subsequent CPI adjustment through 2028. The Consultant's conclusion, as stated in Attachment 1, is that the rate payers would essentially be charged twice, as the fuel is a cost component that is already addressed through the ESAP CPI rate adjustment methodology. The Department concurs with the Consultant's findings.

REFERENCE MATERIAL:

- BAI #8, February 6, 2018
- BAI #10, October 31, 2017
- BAI #7, January 31, 2017
- BAI #6, November 15, 2016
- BAI #14, January 26, 2016
- BAI #8, October 27, 2015
- BAI #19, April 21, 2015
- BAI #18, March 24, 2015
- BAI #15, March 10, 2015
- BAI #23, February 24, 2015

ATTACHMENTS INCLUDED AND/OR ON FILE:

Attachment 1

Attachment 2

CAO ANALYST:

Sonia M. De La Rosa