



Fresno County Exclusive Service Area Program Senate Bill 1 Proposal Analysis

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Background

Senate Bill 1, approved by the Governor on April 28, 2017, increases several taxes and fees to raise approximately \$52.4 billion dollars over 10 years to improve state highways, local roads and transit systems. The law increases the excise tax on diesel fuel by \$0.20 per gallon and the sales tax on diesel fuel by 4% starting November 1, 2017.

Fresno County Exclusive Service Area Program (ESAP) haulers have submitted proposals to increase the solid waste collection rates based on the estimated fuel increase impacts. The proposed increases are included in Exhibit 1.

Methodology

The ESAP haulers have estimated that the total fuel surcharge based on the SB1 impacts would be \$0.30 per gallon. Diesel prices in Fresno range from \$2.67 per gallon to \$3.89 per gallon.¹ A 4% sales tax increase would be \$0.10 to \$0.15 per gallon based on these cost ranges. We assume that the ESAP haulers are able to take advantage of favorable fuel rates and concur that the total increase to fuel rates based on SB1 is likely to be \$0.30 per gallon (\$0.20 per gallon excise tax plus the estimated \$0.10 per gallon sales tax). Each ESAP hauler:

- 1) Estimated the average number of gallons of diesel fuel used per month
- 2) Multiplied this by the \$0.30 per gallon surcharge
- 3) Divided this by the number of customers and the number of services per month

Rate Increase Proposals

This resulted in a total monthly price increase for each cart customer and total price per bin per service level (e.g., 3 cubic yards picked up 3 times per week) for each bin customer.

The lowest rate increases proposed for cart customers ranged from 0.1% to 0.7% or \$0.08 to \$0.28 per household per month. The lowest rate increases proposed for bin customers ranged from 0.2% to 1.28% or \$0.34 to \$3.44 per service level per month.² The projected impacts to the proposed rates are included in Exhibit 2.

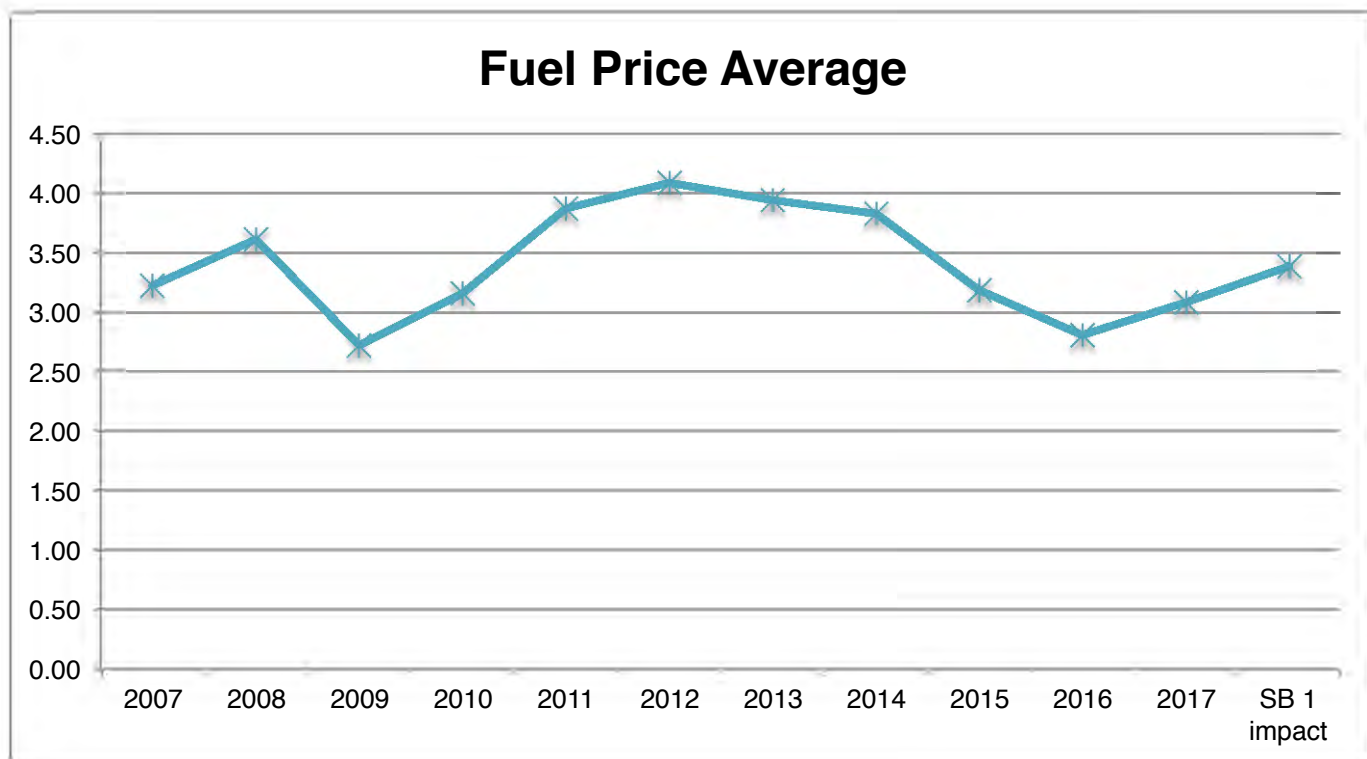
Cart Service Monthly Rate (effective 2-28-17)				
	Zone 1	Zone 2A	Zone 2B	Zone 3
30 gallon	\$26.17	NA	NA	NA
60 gallon	\$31.50	\$40.45	\$34.54	\$45.87
90 gallon	\$39.21	\$46.15	\$41.13	\$51.90
Cart Service Monthly Rate (lowest rate increase percentage)				
30 gallon	0.7%	NA	NA	NA
60 gallon	0.6%	0.7%	0.6%	0.2%
90 gallon	0.5%	0.6%	0.5%	0.2%
Cart Service Monthly Rate (lowest rate increase)				
30 gallon	\$0.19	NA	NA	NA
60 gallon	\$0.19	\$0.28	\$0.19	\$0.08
90 gallon	\$0.19	\$0.28	\$0.19	\$0.08

¹ Gas Buddy Fresno <http://www.fresnogasprices.com/index.aspx?fuel=D>

² Note that one outlying proposal including rate increases between \$360.00 and \$2,520.00 per service level per month.

Analysis

Fuel prices are volatile. Current average prices are actually 4% lower in 2017 than they were in 2007. The impact of the SB1 surcharge could raise 2017 prices to approximately 5% higher than they were in 2007.³



Over this same period of time, the ESAP haulers have received rate increases based on the percentage increase of the Consumer Price Index (CPI). Under the ESAP agreement, cart customers are assessed an annual rate increase based on 75% of CPI and bin customers are assessed an annual increase based on 65% of CPI. This differential takes into account the fixed and variable costs.

This has resulted in CPI-based rate increases of 13.8% for bin customers and 15.9% for cart customers since 2007.⁴ Total rate increases have also included pass-throughs for increases in landfill tipping fees.

The CPI includes an energy component. The “all items” index rose 1.7 percent for the 12 months ending July 2017. The index for all items less food and energy also rose 1.7 percent for the 12-month period. The energy index rose 3.4 percent over the last year.⁵

³ U.S. Energy Information Administration San Francisco Gasoline and Diesel Retail Prices, https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_y05sf_w.htm

⁴ Consumer Price Index, All Urban Consumers for San Francisco-Oakland-San Jose, CA https://www.bls.gov/regions/west/data/consumerpriceindex_sanfrancisco_table.pdf

CPI-Based Rate Increases				
Year	CPI Annual Average	CPI Percentage	65% of CPI	75% of CPI
2007	216.048			
2008	222.767	3.1%	2.0%	2.3%
2009	224.395	0.7%	0.5%	0.5%
2010	227.469	1.4%	0.9%	1.0%
2011	233.39	2.6%	1.7%	2.0%
2012	239.65	2.7%	1.7%	2.0%
2013	245.023	2.2%	1.5%	1.7%
2014	251.985	2.8%	1.8%	2.1%
2015	258.572	2.6%	1.7%	2.0%
2016	266.344	3.0%	2.0%	2.3%
Total increase since 2007			13.8%	15.9%

Based on the first quarter of 2017, it is likely that the ESAP haulers will receive another CPI-based increase of 1.7% to 2%.⁶

It is not known what portion of the overall solid waste collection rate can be attributed to fuel costs. The ESAP Agreements do not determine actual costs for the services provided. Instead, the ESAP Agreements relied on a negotiated process in 2005 that established the maximum rates for services, escalated by CPI. The proposed ESAP Amended and Successor Agreements have continued this same approach.

The percentage increase in fuel costs attributable to SB1 is significantly lower than the CPI-based increases, which include a fuel component of the energy index in the calculation of the CPI. The relatively minor impact of SB1 of between 0.1% and 1.28% may not warrant a rate increase and will likely be reflected in future CPI adjustments.

⁵ U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, Consumer Price Index Summary, August 11, 2017, <https://www.bls.gov/news.release/cpi.nr0.htm>

⁶ Consumer Price Index, All Urban Consumers for San Francisco-Oakland-San Jose, CA https://www.bls.gov/regions/west/data/consumerpriceindex_sanfrancisco_table.pdf

Exhibit 1

ESAP Hauler SB 1 Proposals

Cart Service Monthly Rate Adjustment Proposals				
	Zone 1	Zone 2a	Zone 2b	Zone 3
Granite			\$0.20	\$0.21
IWS				
Mid Valley	\$0.38	\$0.35	\$0.19	\$0.08
Miramonte			\$0.26	\$0.38
Pena's				\$0.64
Ponderosa		\$2.23		\$0.60
Republic	\$0.19	\$0.28		
Tule				
Waste Management	\$0.34	\$0.77		
Lowest rate	\$0.19	\$0.28	\$0.19	\$0.08

Bin Service Monthly Rate Adjustment Proposals							
Zone 1							
	1 X	2 X	3 X	4 X	5 X	6 X	7 X
Granite							
IWS							
Mid Valley	\$1.61	\$2.15	\$2.68	\$3.22	\$3.76	\$4.29	\$4.83
Miramonte							
Pena's	\$1.97	\$3.95	\$5.92	\$7.90	\$9.87	\$11.84	\$13.82
Ponderosa	\$3.42	\$4.56	\$5.70	\$6.84	\$7.98	\$9.12	\$10.26
Republic	\$0.89	\$1.19	\$1.48	\$1.78	\$2.08	\$2.37	\$2.67
Tule							
Waste Management	\$3.42	\$4.56	\$5.70	\$6.84	\$7.98	\$9.12	\$10.26
Lowest rate	\$0.89	\$1.19	\$1.48	\$1.78	\$2.08	\$2.37	\$2.67

Bin Service Monthly Rate Adjustment Proposals							
Zone 2A							
	1 X	2 X	3 X	4 X	5 X	6 X	7 X
Granite							
IWS	\$0.34	\$0.67	\$1.01	\$1.34	\$1.68	\$2.01	\$2.35
Mid Valley	\$1.27	\$1.70	\$2.12	\$2.54	\$2.97	\$3.39	\$3.81
Miramonte							
Pena's							
Ponderosa	\$2.44	\$3.25	\$4.07	\$4.88	\$5.69	\$6.51	\$7.32
Republic	\$0.86	\$1.15	\$1.44	\$1.73	\$2.01	\$2.30	\$2.59
Tule							
Waste Management	\$2.44	\$3.25	\$4.07	\$4.88	\$5.69	\$6.51	\$7.32
Lowest rate	\$0.34	\$0.67	\$1.01	\$1.34	\$1.68	\$2.01	\$2.35

Bin Service Monthly Rate Adjustment Proposals							
Zone 2B							
	1 X	2 X	3 X	4 X	5 X	6 X	7 X
Granite	\$6.50	\$9.74	\$12.99	\$16.24	\$19.49	\$22.73	\$25.98
IWS							
Mid Valley	\$0.98	\$1.47	\$1.96	\$2.46	\$2.95	\$3.44	\$3.93
Miramonte	\$5.72	\$8.57	\$11.43	\$14.29	\$17.15	\$20.00	\$22.86
Pena's							
Ponderosa							
Republic							
Tule							
Waste Management							
Lowest rate	\$0.98	\$1.47	\$1.96	\$2.46	\$2.95	\$3.44	\$3.93

Bin Service Monthly Rate Adjustment Proposals							
Zone 3							
	1 X	2 X	3 X	4 X	5 X	6 X	7 X
Granite	\$4.98	\$7.47	\$9.96	\$12.45	\$14.94	\$17.43	\$19.92
IWS							
Mid Valley	\$1.22	\$1.83	\$2.44	\$3.05	\$3.66	\$4.27	\$4.88
Miramonte	\$6.89	\$10.34	\$13.78	\$17.23	\$20.68	\$24.12	\$27.57
Pena's	\$0.34	\$0.68	\$1.02	\$1.37	\$1.71	\$2.05	\$2.39
Pondarosa							
Republic							
Tule (a)	\$360.00	\$720.00	\$1,080.00	\$1,440.00	\$1,800.00	\$2,160.00	\$2,520.00
Tule (b)	\$180.00	\$360.00	\$540.00	\$720.00	\$900.00	\$1,080.00	\$1,260.00
Tule (c)	\$120.00	\$240.00	\$360.00	\$480.00	\$600.00	\$720.00	\$840.00
Tule (d)	\$240.00	\$480.00	\$720.00	\$960.00	\$1,200.00	\$1,440.00	\$1,680.00
Waste Management							
Lowest rate	\$0.34	\$0.68	\$1.02	\$1.37	\$1.71	\$2.05	\$2.39

Exhibit 2

SB1 Adjustment Proposals MAXIMUM RESIDENTIAL CART RATES

(\$ per month, per customer) -- Adjusted for AADS Increase in Tip Fee July 2017
SER Rate Tables Effective (February 28, 2018)

Zone 1

Cart Size	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018
30-gal cont	\$26.17	\$26.36	\$0.20
60-gal cont	\$31.50	\$31.69	\$0.36
90-gal cont	\$39.21	\$39.40	\$0.54

Zone 2B

Cart Size	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018
30-gal cont	N/A	N/A	N/A
60-gal cont	\$34.54	\$34.73	\$0.36
90-gal cont	\$41.13	\$41.32	\$0.54

Zone 2A

Cart Size	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018
30-gal cont	N/A	N/A	N/A
60-gal cont	\$40.45	\$40.73	\$0.36
90-gal cont	\$46.15	\$46.43	\$0.54

Zone 3

Cart Size	New Rate (with 6% reduction)	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018
30-gal cont	N/A	N/A	N/A
60-gal cont	\$45.87	\$45.95	\$0.36
90-gal cont	\$51.90	\$51.98	\$0.54

SB1 Adjustment Proposals
MAXIMUM BIN COLLECTION RATES

(\$ per month, per customer) --Adjusted for American Avenue Tip Fee Increase July 2017
 (SER Rates effective February 28, 2018)

Service Description	Service Area Rate											
	Zone 1			Zone 2 (a)			Zone 2 (b)			Zone 3		
	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18
1 cu yd, 1 pickup/wk	\$69.78	\$70.67	\$1.14	\$79.80	\$80.14	\$1.14	\$81.13	\$82.11	\$1.14	\$80.54	\$80.88	\$1.14
1 cu yd, 2 pickups/wk	\$129.10	\$130.29	\$2.28	\$139.08	\$139.75	\$2.28	\$138.05	\$139.52	\$2.28	\$141.39	\$142.07	\$2.28
1 cu yd, 3 pickups/wk	\$188.39	\$189.87	\$3.41	\$202.71	\$203.72	\$3.41	\$206.12	\$208.08	\$3.41	\$209.03	\$210.05	\$3.41
1 cu yd, 4 pickups/wk	\$247.66	\$249.44	\$4.55	\$271.62	\$272.96	\$4.55	\$279.79	\$282.25	\$4.55	\$281.81	\$283.18	\$4.55
1 cu yd, 5 pickups/wk	\$306.99	\$309.07	\$5.69	\$343.98	\$345.66	\$5.69	\$360.68	\$363.63	\$5.69	\$355.76	\$357.47	\$5.69
1 cu yd, 6 pickups/wk	\$366.28	\$368.65	\$6.83	\$419.56	\$421.57	\$6.83	\$450.53	\$453.97	\$6.83	\$432.85	\$434.90	\$6.83
1.5 cu yd, 1 pickup/wk	\$81.12	\$82.01	\$1.71	\$92.79	\$93.13	\$1.71	\$90.24	\$91.22	\$1.71			
1.5 cu yd, 2 pickups/wk	\$150.20	\$151.39	\$3.41	\$164.43	\$165.10	\$3.41	\$154.95	\$156.42	\$3.41			
1.5 cu yd, 3 pickups/wk	\$219.27	\$220.75	\$5.12	\$240.81	\$241.82	\$5.12	\$230.24	\$232.20	\$5.12			
1.5 cu yd, 4 pickups/wk	\$288.32	\$290.10	\$6.83	\$323.04	\$324.38	\$6.83	\$315.21	\$317.67	\$6.83			
1.5 cu yd, 5 pickups/wk	\$357.38	\$359.46	\$8.53	\$408.54	\$410.22	\$8.53	\$408.62	\$411.57	\$8.53			
1.5 cu yd, 6 pickups/wk	\$426.45	\$428.82	\$10.24	\$497.27	\$499.28	\$10.24	\$507.24	\$510.68	\$10.24			
2 cu yd, 1 pickup/wk	\$91.66	\$92.55	\$2.28	\$106.06	\$106.40	\$2.28	\$99.50	\$100.48	\$2.28	\$113.15	\$113.49	\$2.28
2 cu yd, 2 pickups/wk	\$170.87	\$172.06	\$4.55	\$189.77	\$190.44	\$4.55	\$171.82	\$173.29	\$4.55	\$207.13	\$207.81	\$4.55
2 cu yd, 3 pickups/wk	\$250.13	\$251.61	\$6.83	\$278.90	\$279.91	\$6.83	\$254.35	\$256.31	\$6.83	\$284.11	\$285.13	\$6.83
2 cu yd, 4 pickups/wk	\$329.39	\$331.17	\$9.10	\$374.48	\$375.82	\$9.10	\$350.67	\$353.13	\$9.10	\$390.07	\$391.44	\$9.10
2 cu yd, 5 pickups/wk	\$408.63	\$410.71	\$11.38	\$473.22	\$474.90	\$11.38	\$456.60	\$459.55	\$11.38	\$493.84	\$495.55	\$11.38
2 cu yd, 6 pickups/wk	\$487.86	\$490.23	\$13.65	\$574.90	\$576.91	\$13.65	\$563.94	\$567.38	\$13.65	\$602.11	\$604.16	\$13.65
3 cu yd, 1 pickup/wk	\$111.76	\$112.65	\$3.41	\$134.51	\$134.85	\$3.41	\$122.55	\$123.53	\$3.41	\$147.62	\$147.96	\$3.41
3 cu yd, 2 pickups/wk	\$210.30	\$211.49	\$6.83	\$244.26	\$244.93	\$6.83	\$213.36	\$214.83	\$6.83	\$274.62	\$275.30	\$6.83
3 cu yd, 3 pickups/wk	\$308.86	\$310.34	\$10.24	\$360.61	\$361.62	\$10.24	\$318.22	\$320.18	\$10.24	\$368.49	\$369.51	\$10.24
3 cu yd, 4 pickups/wk	\$407.42	\$409.20	\$13.65	\$484.78	\$486.12	\$13.65	\$434.99	\$437.45	\$13.65	\$505.69	\$507.06	\$13.65
3 cu yd, 5 pickups/wk	\$506.00	\$508.08	\$17.06	\$612.59	\$614.27	\$17.06	\$553.87	\$556.82	\$17.06	\$641.76	\$643.47	\$17.06
3 cu yd, 6 pickups/wk	\$604.53	\$606.90	\$20.48	\$743.71	\$745.72	\$20.48	\$682.34	\$685.78	\$20.48	\$780.66	\$782.71	\$20.48

SB1 Adjustment Proposals
MAXIMUM BIN COLLECTION RATES

(\$ per month, per customer) --Adjusted for American Avenue Tip Fee Increase July 2017
 (SER Rates Effective February 28, 2018)

Service Description	Service Rate Area											
	Zone 1			Zone 2 (a)			Zone 2 (b)			Zone 3		
	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/2018	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18	New Rate 7/2017	SB1 Lowest Rate Proposal	SER Overlay 2/28/18
4 cu yd, 1 pickup/wk	\$122.77	\$123.66	\$4.55	\$164.77	\$165.11	\$4.55	\$147.39	\$148.37	\$4.55	\$189.85	\$190.19	\$4.55
4 cu yd, 2 pickups/wk	\$232.12	\$233.31	\$9.10	\$292.62	\$293.29	\$9.10	\$258.89	\$260.36	\$9.10	\$354.98	\$355.66	\$9.10
4 cu yd, 3 pickups/wk	\$341.41	\$342.89	\$13.65	\$447.71	\$448.72	\$13.65	\$386.70	\$388.66	\$13.65	\$477.44	\$478.46	\$13.65
4 cu yd, 4 pickups/wk	\$450.77	\$452.55	\$18.20	\$602.74	\$604.08	\$18.20	\$531.35	\$533.81	\$18.20	\$649.42	\$650.79	\$18.20
4 cu yd, 5 pickups/wk	\$560.09	\$562.17	\$22.75	\$761.72	\$763.40	\$22.75	\$678.89	\$681.84	\$22.75	\$822.24	\$823.95	\$22.75
4 cu yd, 6 pickups/wk	\$669.43	\$671.80	\$27.30	\$924.41	\$926.42	\$27.30	\$836.80	\$840.24	\$27.30	\$999.51	\$1,001.56	\$27.30
5 cu yd, 1 pickup/wk*	\$141.17	\$142.06	\$5.69	\$201.51	\$201.85	\$5.69	\$172.33	\$173.31	\$5.69			
5 cu yd, 2 pickups/wk	\$267.96	\$269.15	\$11.38	\$367.26	\$367.93	\$11.38	\$304.56	\$306.03	\$11.38			
5 cu yd, 3 pickups/wk	\$394.72	\$396.20	\$17.06	\$552.34	\$553.35	\$17.06	\$459.81	\$461.77	\$17.06			
5 cu yd, 4 pickups/wk	\$521.46	\$523.24	\$22.75	\$744.09	\$745.43	\$22.75	\$628.03	\$630.49	\$22.75			
5 cu yd, 5 pickups/wk	\$648.25	\$650.33	\$28.44	\$940.59	\$942.27	\$28.44	\$806.23	\$809.18	\$28.44			
5 cu yd, 6 pickups/wk	\$775.02	\$777.39	\$34.13	\$1,141.57	\$1,143.58	\$34.13	\$996.83	\$1,000.27	\$34.13			
6 cu yd, 1 pickup/wk	\$175.89	\$176.78	\$6.83	\$238.20	\$238.54	\$6.83	\$197.23	\$198.21	\$6.83	\$263.11	\$263.45	\$6.83
6 cu yd, 2 pickups/wk	\$333.29	\$334.48	\$13.65	\$441.85	\$442.52	\$13.65	\$350.15	\$351.62	\$13.65	\$494.21	\$494.89	\$13.65
6 cu yd, 3 pickups/wk	\$490.69	\$492.17	\$20.48	\$656.89	\$657.90	\$20.48	\$532.86	\$534.82	\$20.48	\$662.56	\$663.58	\$20.48
6 cu yd, 4 pickups/wk	\$648.05	\$649.83	\$27.30	\$885.40	\$886.74	\$27.30	\$724.70	\$727.16	\$27.30	\$894.00	\$895.37	\$27.30
6 cu yd, 5 pickups/wk	\$805.42	\$807.50	\$34.13	\$1,119.50	\$1,121.18	\$34.13	\$933.59	\$936.54	\$34.13	\$1,131.29	\$1,133.00	\$34.13
6 cu yd, 6 pickups/wk	\$962.85	\$965.22	\$40.95	\$1,358.78	\$1,360.79	\$40.95	\$1,156.92	\$1,160.36	\$40.95	\$1,374.43	\$1,376.48	\$40.95