

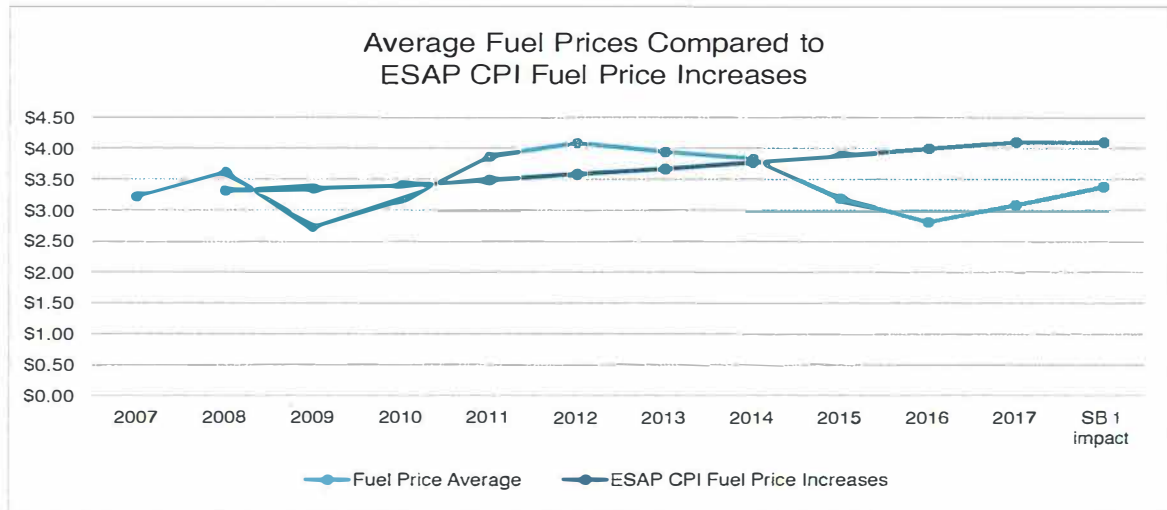
Advance Agenda Material

**Please retain for February 6th, 2018
Board Meeting**



Fresno County ESAP SB 1 Survey Inventory				November 2016 - December 2017						
	Count	Granite Solid Waste	Industrial Waste & Salvage	Mid-Valley Disposal	Miramonte Sanitation	Peña's Disposal	Republic (Allied)	Tule Trash Company	Waste Management	Western/Ponderosa
REPORTED - SB 1 ESAP										
Total Revenues	1						Y			
Fuel Inventory	7			Y	Y	Y	Y	Y	Y	Y
Fuel % of ESAP Costs	5			Y	Y		Y	*	Y	
Fuel Contracts	0									
Fuel Receipts	1							Y		
Truck Inventory	7			Y	Y	Y	Y	Y	Y	Y
DMV Data 2017	6			Y	Y	Y	Y	Y	Y	
DMV Data 2018	5			Y	Y	Y	Y		Y	
DMV Registration Copies	4					Y	Y	Y	Y	
DMV Fee % of ESAP Costs	7			**	**	**	Y	Y	**	**
	No Submittal									
* Submitted but incomplete or math error										
** Number submitted was the same as ESAP Use % (not applicable)										

The following graph is an excerpt, located in page 2, of the consultant's analysis (included as attachment 1) which provides a comparison of fuel costs from 2007 through 2017, including the SB1 adjustment. Based on this information, the consultant has determined that the CPI increases over the years have already provided the haulers compensation that addresses fuel price variances and the impact of SB1.



If you have any questions, please contact John R. Thompson, Deputy Director of Resources and Administration at 559-600-4313.



Fresno County Exclusive Service Area Program Senate Bill 1 Cost Analysis

Prepared for:
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January 18, 2018

Summary

Senate Bill 1 (SB1) has an impact on fuel prices (an estimated \$0.30 per gallon). However, the Exclusive Service Area Program (ESAP) rate methodology already takes into account increases in fuel costs and ESAP haulers are already compensated for these increases through the rates.

The ESAP rates include fuel price increases of 27% since 2007, while the average price of fuel (including the SB1 surcharges) is only 5% more in 2018 than it was in 2007. Should the Board of Supervisors elect to increase rates due to SB1 fuel surcharges, these new charges will automatically be escalated again in 2019. Essentially, the rate payers will be charged twice and this increase would be compounded annually for the life of the contracts.

Background

Senate Bill 1, approved by the Governor on April 28, 2017, increases several taxes and fees. The law 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. The law also levies a Transportation Improvement Fee (TIF) on vehicle registrations issued by the CA Department of Motor Vehicles (DMV) on a sliding scale based upon the current market value of the vehicles.¹

The Board of Supervisors directed staff on October 31, 2017 to review the cost increases to Fresno County Exclusive Service Area Program (ESAP) haulers associated with SB1 and recommend whether a rate increase should be approved to address these costs.

SB1 Cost Estimate Methodology

The ESAP haulers estimated that the total fuel surcharge based on the SB1 impacts would be \$0.30 per gallon of diesel fuel. We concur that the total increase to fuel rates based on SB1 is \$0.30 per gallon (\$0.20 per gallon excise tax plus an estimated \$0.10 per gallon sales tax).

Most ESAP haulers submitted the following data for the County to determine the cost impacts:

- Fuel – amount of fuel used monthly over the past year and price per gallon
- Trucks – numbers and registration information used to provide ESAP services (to ensure unique identifiers)
- DMV registration fees – amount of actual fees paid for licenses over the past year, and actual or projected DMV registration fees for 2018 (they are billed on a rolling basis 12 months from when they first were licensed). Commercial vehicles with an unladen weight of more than 10,000 pounds are exempt from the TIF (which exempts most vehicles used for ESAP services)

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, to provide a common basis of comparison, we calculated the percent of projected ESAP costs compared to total ESAP revenues. Total ESAP revenues were calculated for each hauler based on the 1% franchise fees ESAP haulers paid to Fresno County over the past year. The percent

¹DMV Vehicle Industry News, VIN 2017-25, [New Transportation Improvement Fee](#), based on California Revenue & Taxation Code, §§11050, 11051, and 11052; For more information: DMV Customer Communications Section at (916) 657-6560;

of ESAP cost increases to total ESAP revenues were then evaluated for both fuel and DMV fees.

Based on the fuel costs and truck counts provided by the ESAP haulers responding to our request, we calculated that on average 4.1% of ESAP costs are attributed to fuel. These costs are 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 per gallon.

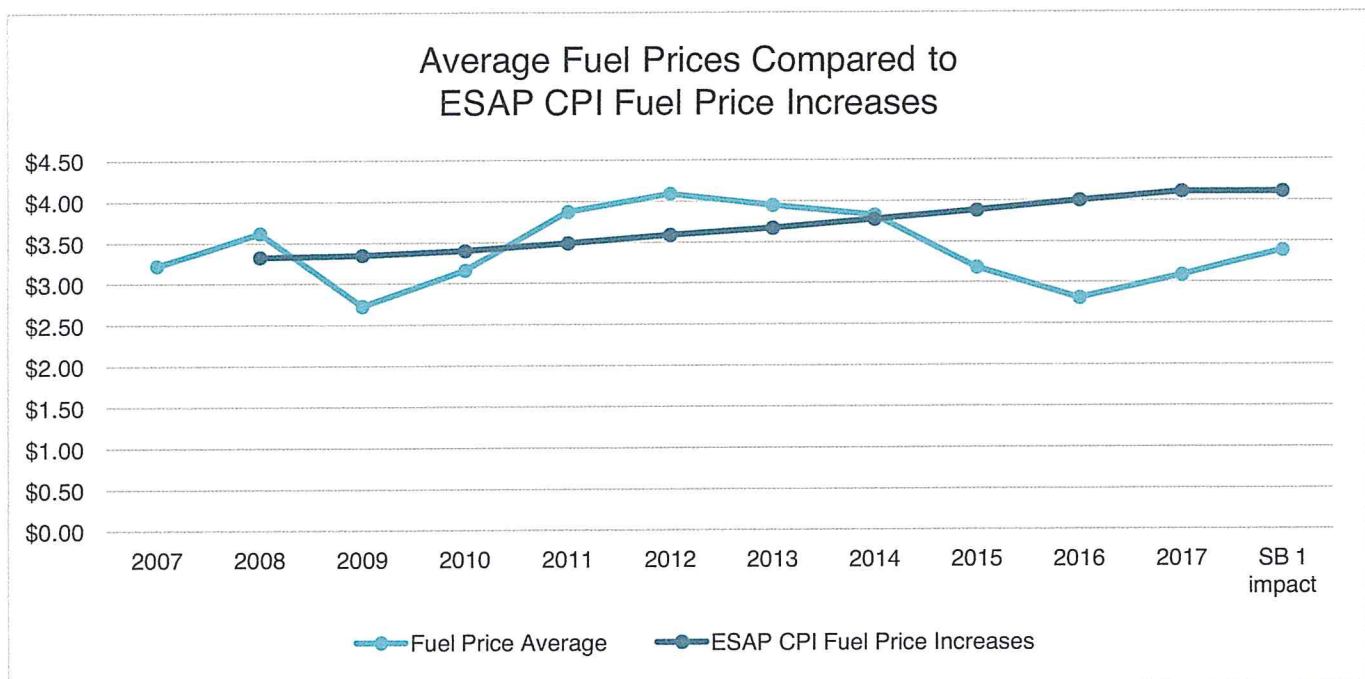
Since ESAP collection vehicles are exempted from SB1 DMV registration fees, no cost impact from the SB1 increase to DMV fees is anticipated.

CPI Rate Adjustment Methodology

ESAP rates are adjusted annually 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. Total rate increases have also included pass-throughs for increases in landfill tipping fees.

Fuel prices are volatile. Average prices were actually 4% lower in 2017 than they were in 2007. The impact of the SB1 surcharge could raise 2018 prices to approximately 5% higher than they were in 2007² and 10% higher than they were in 2017. However, based on the CPI increases since 2007, the ESAP rates include fuel price increases of 27% since 2007 and will be increased again by the ESAP CPI percentages in 2019.

Thus, the ESAP rate methodology already takes into account increases in fuel costs and ESAP haulers are already compensated for these increases through the rates. Should the Board of Supervisors elect to increase rates due to SB1 fuel surcharges, these new charges will automatically be escalated again in 2019. Essentially, the rate payers will be charged twice.



SB1 Adjustment Analysis

Should the Board of Supervisors elect to increase rates based on the increase in ESAP costs attributable to the SB1 fuel surcharges, the rates could be increased by 0.41% (10% of 4.1%) as shown in the tables below. As discussed, we believe that these costs will be addressed through the ESAP CPI rate adjustment methodology.

SB1 Adjustment Analysis							
MAXIMUM RESIDENTIAL CART RATES							
(\$ per month, per customer)							
Subject to Board of Supervisor Approval							
Zone 1				Zone 2 (b)			
Cart Size	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	Cart Size	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost
30-gal cont	\$26.17	\$0.11	\$26.28	30-gal cont	N/A	N/A	N/A
60-gal cont	\$31.50	\$0.13	\$31.63	60-gal cont	\$34.54	\$0.14	\$34.68
90-gal cont	\$39.21	\$0.16	\$39.37	90-gal cont	\$41.13	\$0.17	\$41.30
Zone 2 (a)				Zone 3			
Cart Size	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	Cart Size	ESAP Rate (with 6% reduction)	SB1 Incremental Cost	Rate with SB1 Cost
30-gal cont	N/A	N/A	N/A	30-gal cont	N/A	N/A	N/A
60-gal cont	\$40.45	\$0.17	\$40.62	60-gal cont	\$45.87	\$0.19	\$46.06
90-gal cont	\$46.15	\$0.19	\$46.34	90-gal cont	\$51.90	\$0.21	\$52.11

SB1 Adjustment Analysis												
MAXIMUM BIN COLLECTION RATES												
(\$ per month, per customer) - Subject to Board of Supervisor Approval												
Service Description	Service Area Rate											
	Zone 1			Zone 2 (a)			Zone 2 (b)			Zone 3		
	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost
1 cu yd, 1 pickup/wk	\$69.78	\$0.29	\$70.07	\$79.80	\$0.33	\$80.13	\$81.13	\$0.33	\$81.46	\$80.54	\$0.33	\$80.87
1 cu yd, 2 pickups/wk	\$129.10	\$0.53	\$129.63	\$139.08	\$0.57	\$139.65	\$138.05	\$0.57	\$138.62	\$141.39	\$0.58	\$141.97
1 cu yd, 3 pickups/wk	\$188.39	\$0.77	\$189.16	\$202.71	\$0.83	\$203.54	\$206.12	\$0.85	\$206.97	\$209.03	\$0.86	\$209.89
1 cu yd, 4 pickups/wk	\$247.66	\$1.02	\$248.68	\$271.62	\$1.11	\$272.73	\$279.79	\$1.15	\$280.94	\$281.81	\$1.16	\$282.97
1 cu yd, 5 pickups/wk	\$306.99	\$1.26	\$308.25	\$343.98	\$1.41	\$345.39	\$360.68	\$1.48	\$362.16	\$355.76	\$1.46	\$357.22
1 cu yd, 6 pickups/wk	\$366.28	\$1.50	\$367.78	\$419.56	\$1.72	\$421.28	\$450.53	\$1.85	\$452.38	\$432.85	\$1.77	\$434.62
1.5 cu yd, 1 pickup/wk ⁽¹⁾	\$81.12	\$0.33	\$81.45	\$92.79	\$0.38	\$93.17	\$90.24	\$0.37	\$90.61			
1.5 cu yd, 2 pickups/wk	\$150.20	\$0.62	\$150.82	\$164.43	\$0.67	\$165.10	\$154.95	\$0.64	\$155.59			
1.5 cu yd, 3 pickups/wk	\$219.27	\$0.90	\$220.17	\$240.81	\$0.99	\$241.80	\$230.24	\$0.94	\$231.18			
1.5 cu yd, 4 pickups/wk	\$288.32	\$1.18	\$289.50	\$323.04	\$1.32	\$324.36	\$315.21	\$1.29	\$316.50			
1.5 cu yd, 5 pickups/wk	\$357.38	\$1.47	\$358.85	\$408.54	\$1.68	\$410.22	\$408.62	\$1.68	\$410.30			
1.5 cu yd, 6 pickups/wk	\$426.45	\$1.75	\$428.20	\$497.27	\$2.04	\$499.31	\$507.24	\$2.08	\$509.32			
2 cu yd, 1 pickup/wk	\$91.66	\$0.38	\$92.04	\$106.06	\$0.43	\$106.49	\$99.50	\$0.41	\$99.91	\$113.15	\$0.46	\$113.61
2 cu yd, 2 pickups/wk	\$170.87	\$0.70	\$171.57	\$189.77	\$0.78	\$190.55	\$171.82	\$0.70	\$172.52	\$207.13	\$0.85	\$207.98
2 cu yd, 3 pickups/wk	\$250.13	\$1.03	\$251.16	\$278.90	\$1.14	\$280.04	\$254.35	\$1.04	\$255.39	\$284.11	\$1.16	\$285.27
2 cu yd, 4 pickups/wk	\$329.39	\$1.35	\$330.74	\$374.48	\$1.54	\$376.02	\$350.67	\$1.44	\$352.11	\$390.07	\$1.60	\$391.67
2 cu yd, 5 pickups/wk	\$408.63	\$1.68	\$410.31	\$473.22	\$1.94	\$475.16	\$456.60	\$1.87	\$458.47	\$493.84	\$2.02	\$495.86
2 cu yd, 6 pickups/wk	\$487.86	\$2.00	\$489.86	\$574.90	\$2.36	\$577.26	\$563.94	\$2.31	\$566.25	\$602.11	\$2.47	\$604.58
3 cu yd, 1 pickup/wk	\$111.76	\$0.46	\$112.22	\$134.51	\$0.55	\$135.06	\$122.55	\$0.50	\$123.05	\$147.62	\$0.61	\$148.23
3 cu yd, 2 pickups/wk	\$210.30	\$0.86	\$211.16	\$244.26	\$1.00	\$245.26	\$213.36	\$0.87	\$214.23	\$274.62	\$1.13	\$275.75
3 cu yd, 3 pickups/wk	\$308.86	\$1.27	\$310.13	\$360.61	\$1.48	\$362.09	\$318.22	\$1.30	\$319.52	\$368.49	\$1.51	\$370.00
3 cu yd, 4 pickups/wk	\$407.42	\$1.67	\$409.09	\$484.78	\$1.99	\$486.77	\$434.99	\$1.78	\$436.77	\$505.69	\$2.07	\$507.76
3 cu yd, 5 pickups/wk	\$506.00	\$2.07	\$508.07	\$612.59	\$2.51	\$615.10	\$553.87	\$2.27	\$556.14	\$641.76	\$2.63	\$644.39
3 cu yd, 6 pickups/wk	\$604.53	\$2.48	\$607.01	\$743.71	\$3.05	\$746.76	\$682.34	\$2.80	\$685.14	\$780.66	\$3.20	\$783.86

SB1 Adjustment Analysis												
MAXIMUM BIN COLLECTION RATES												
(\$ per month, per customer) - Subject to Board of Supervisor Approval												
Service Description	Service Rate Area											
	Zone 1			Zone 2 (a)			Zone 2 (b)			Zone 3		
	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost	ESAP Rate (07/2017)	SB1 Incremental Cost	Rate with SB1 Cost
4 cu yd, 1 pickup/wk	\$122.77	\$0.50	\$123.27	\$164.77	\$0.68	\$165.45	\$147.39	\$0.60	\$147.99	\$189.85	\$0.78	\$190.63
4 cu yd, 2 pickups/wk	\$232.12	\$0.95	\$233.07	\$292.62	\$1.20	\$293.82	\$258.89	\$1.06	\$259.95	\$354.98	\$1.46	\$356.44
4 cu yd, 3 pickups/wk	\$341.41	\$1.40	\$342.81	\$447.71	\$1.84	\$449.55	\$386.70	\$1.59	\$388.29	\$477.44	\$1.96	\$479.40
4 cu yd, 4 pickups/wk	\$450.77	\$1.85	\$452.62	\$602.74	\$2.47	\$605.21	\$531.35	\$2.18	\$533.53	\$649.42	\$2.66	\$652.08
4 cu yd, 5 pickups/wk	\$560.09	\$2.30	\$562.39	\$761.72	\$3.12	\$764.84	\$678.89	\$2.78	\$681.67	\$822.24	\$3.37	\$825.61
4 cu yd, 6 pickups/wk	\$669.43	\$2.74	\$672.17	\$924.41	\$3.79	\$928.20	\$836.80	\$3.43	\$840.23	\$999.51	\$4.10	\$1,003.61
5 cu yd, 1 pickup/wk*	\$141.17	\$0.58	\$141.75	\$201.51	\$0.83	\$202.34	\$172.33	\$0.71	\$173.04			
5 cu yd, 2 pickups/wk	\$267.96	\$1.10	\$269.06	\$367.26	\$1.51	\$368.77	\$304.56	\$1.25	\$305.81			
5 cu yd, 3 pickups/wk	\$394.72	\$1.62	\$396.34	\$552.34	\$2.26	\$554.60	\$459.81	\$1.89	\$461.70			
5 cu yd, 4 pickups/wk	\$521.46	\$2.14	\$523.60	\$744.09	\$3.05	\$747.14	\$628.03	\$2.57	\$630.60			
5 cu yd, 5 pickups/wk	\$648.25	\$2.66	\$650.91	\$940.59	\$3.86	\$944.45	\$806.23	\$3.31	\$809.54			
5 cu yd, 6 pickups/wk	\$775.02	\$3.18	\$778.20	\$1,141.57	\$4.68	\$1,146.25	\$996.83	\$4.09	\$1,000.92			
6 cu yd, 1 pickup/wk	\$175.89	\$0.72	\$176.61	\$238.20	\$0.98	\$239.18	\$197.23	\$0.81	\$198.04	\$263.11	\$1.08	\$264.19
6 cu yd, 2 pickups/wk	\$333.29	\$1.37	\$334.66	\$441.85	\$1.81	\$443.66	\$350.15	\$1.44	\$351.59	\$494.21	\$2.03	\$496.24
6 cu yd, 3 pickups/wk	\$490.69	\$2.01	\$492.70	\$656.89	\$2.69	\$659.58	\$532.86	\$2.18	\$535.04	\$662.56	\$2.72	\$665.28
6 cu yd, 4 pickups/wk	\$648.05	\$2.66	\$650.71	\$885.40	\$3.63	\$889.03	\$724.70	\$2.97	\$727.67	\$894.00	\$3.67	\$897.67
6 cu yd, 5 pickups/wk	\$805.42	\$3.30	\$808.72	\$1,119.50	\$4.59	\$1,124.09	\$933.59	\$3.83	\$937.42	\$1,131.29	\$4.64	\$1,135.93
6 cu yd, 6 pickups/wk	\$962.85	\$3.95	\$966.80	\$1,358.78	\$5.57	\$1,364.35	\$1,156.92	\$4.74	\$1,161.66	\$1,374.43	\$5.64	\$1,380.07