



Board Agenda Item 8

DATE: February 6, 2018

TO: Board of Supervisors

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

SUBJECT: SB1 Rate Analysis

RECOMMENDED ACTION(S):

1. **Receive presentation addressing 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 staff to either:**
 - a. **Approve the requested adjustment of 0.41%, as determined by the County's consultant, to the Exclusive Service Area Program maximum cart and bin rates, as a pass-through expense, effective April 1, 2018 to reflect increases to rates based on Senate Bill 1 and direct staff to coordinate with haulers to provide all customers with advance written notice of approved maximum cart and bin rates 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 October 31, 2017, your Board directed staff to return and provide the findings of costs incurred by the Exclusive Service Area Program (ESAP) haulers (Haulers) associated with enactment of Senate Bill 1 (SB1), also known as the Road Repair and Accountability Act of 2017. Some Haulers provided a majority of the information requested, some provided a limited amount and two Haulers elected not to provide any information. 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 staff to prepare rate tables at a percentage lower or higher than requested 0.41% .

FISCAL IMPACT:

There are no Net County Costs associated with the recommended actions. Costs to administer the ESAP are funded by Assembly Bill 939 (AB 939) service fees remitted to County by the nine Haulers. The work associated with this agenda item is budgeted in the Public Works and Planning - Resources Org 9015 FY 2017-18 Adopted Budget and funded by the AB 939 service fees.

DISCUSSION:

SB1, approved by legislature and signed by the Governor on April 28, 2017, 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. On October 31, 2017, staff met with the County's consultant and requested that they prepare a comprehensive analysis that would address impacts to fuel increases related to SB1, and at the same time assess adjustments to the rates based on the Consumer Price Index increases from 2007 through 2017.

On November 7, 2017, staff sent out a request to the Haulers to submit documentation that would allow the Consultant to compile and analyze the information requested by your Board. The ESAP agreements do not reflect actual costs for the services provided, and therefore provide no basis for comparison. Accordingly, the Consultant calculated the percent of projected ESAP cost increases compared to total ESAP revenues. Total ESAP revenues were calculated for each hauler based on the 1% franchise fees paid to Fresno County over the past year. The percent of ESAP cost increases to total ESAP revenues were then evaluated for both fuel and DMV fee. Based on the detailed cost information provided by some of the Haulers, it was 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.

DMV fees are not included, as commercial vehicles with an unladen weight of more than 10,000 pounds are exempt from the Transportation Improvement Fee. This exemption applies to most vehicles used by the Haulers to provide ESAP services. Additionally, a review of the costs associated with the DMV registration fee, identified a negligible increase of approximately \$700 across all of the ESAP haulers.

Based on the increase in ESAP costs attributable to the SB1 fuel increases, the rates could be increased by 0.41 % (10% of 4.1%) which ranges from \$0.11 to \$0.21 per household per month for cart customers, depending on service levels. The rate increase for bin customers could range from \$0.29 to \$5.64 depending on service levels. Included as Attachment 2, are the adjusted maximum cart and bin rate tables that incorporate those proposed rate increases.

Additionally, the Consultant reviewed CPI increases to rates since 2007 and determined that the haulers are already compensated, via the CPI increases. Should the Board elect to increase rates due to SB1 fuel surcharges, these new charges will automatically be escalated again in 2019. The consultant's conclusion, as stated in Attachment 1, was that the rate-payers effectively would be charged twice, and that this increase would be compounded annually for the life of the ESAP Agreements.

REFERENCE MATERIAL:

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

ATTACHMENTS INCLUDED AND/OR ON FILE:

Attachment 1
Attachment 2
On file with Clerk - Advanced Agenda Material

CAO ANALYST:

John Hays