

DATE: October 27, 2016  
TO: RMP Steering Committee  
FROM: Philip Trowbridge, RMP Manager  
RE: Dredger Fee Structure

On behalf of dredging participants in the RMP, the Bay Planning Coalition has proposed a new formula for calculating dredging fees. The new formula aims to increase the contributions from dredgers to meet the 17.5% of RMP fees that is expected from this participant group. The new fees would apply to dredging completed in calendar year 2017, which would be effective for the RMP 2018 budget. The proposal is described in the attached letter from BPC (Attachment A) and draft memo (Attachment B).

For the 2017 RMP budget, the old formula from the 2013 policy (Attachment C) will still be used to calculate the dredger fees. The five “Annual Fee” dredgers will be assessed their fees based on the five-year average of in-Bay disposal. The smaller “Project Dredgers” will be assessed their fees based on in-Bay disposal in the prior fiscal year (FY16). The cost per cubic yard for the fees will be the same as it has been since 2013. The only change will be to update the average in-Bay disposal volumes for Annual Fee Dredgers with data from FY11-FY15 per the 2013 policy. Continuation of the old fee formula will result in an approximate deficit of \$162,500 in dredger fees paid to the RMP for the year. However, most of this shortfall (\$150,000) is attributed to a federal interagency transfer between the U.S. Army Corps of Engineers and the U.S. Geological Survey that has not been adjusted for inflation since 1993.

Due to the transition from a fiscal year to a calendar year reporting schedule, there will be a 6-month gap in the periods used to assess fees for Project Dredgers. For the 2017 budget, the Project Dredger fees will be invoiced in November for in-Bay disposal between 7/1/15 and 6/30/16. For the 2018 budget, the Project Dredger fees will be invoiced in March 2018 for in-Bay disposal between 1/1/17 and 12/31/17. Therefore, to fill the 6-month gap between 7/1/16 and 12/31/16, the Project Dredgers will be issued a supplemental invoice in October 2017. Fees for this period (~\$50,000) will not be attributed to a certain budget year but rather will be used to create a new dredger reserve with a positive balance to offset years with lower than expected dredger fees.

#### **REQUESTED ACTION**

- Approve the new fee formula for CY2017 dredging, which will take effect for the RMP 2018 budget.
- Approve the extension of the old fee formula for dredgers using in-Bay disposal volumes from FY11-FY15 for the Annual Dredgers and from FY16 for the Project Dredgers.
- Approve the collection of additional fees in 2017 for in-Bay disposal by Project Dredgers between 7/1/16 and 12/31/16 to build up a dredger reserve.

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Philip Trowbridge  
San Francisco Estuary Institute  
4911 Central Avenue  
Richmond, CA 94804

Dear Mr. Trowbridge,



On behalf of the Dredging and Beneficial Reuse Committee (Committee), thank you for the time and effort you and others at the San Francisco Estuary Institute and the San Francisco Bay Regional Water Quality Control Board (RWQCB) have given to address the questions and concerns of the dredging community as they relate to the Regional Monitoring Program (RMP). After thoughtful consideration, Bay Planning Coalition proposes the following to the RMP Steering Committee for the dredger sector of the 2017-2019 fee schedule. Note that this in part based on calculations made in the enclosed spreadsheet. In addition, it is our intention that the requests outlined below are in effect for dredging operations performed in the years 2017, 2018 and 2019.

- Billing cycle based on calendar year
- Fee structure designed for a 3-year period
- Fees to be determined and publicized prior to the first dredging year of that 3-year period
- Use of a 5-year average to calculate projected volumes
- In-Bay only fee application
- Maintain fee difference between annual dredgers and project dredgers
- Maintain sliding scale fee for project dredgers
- Continued encouragement of dredging-related studies with RMP fees collected through dredging operations

As discussed during our meeting with you and Tom Mumley on August 23, 2016, the Committee and those representing the dredging community on the Steering Committee are committed to advocating for greater fund allocation toward dredging-related studies. In doing so, Committee member Shannon Alford of Port of San Francisco will join the RMP's Technical Review Committee.

Again, thank you for your time. We look forward to future collaboration.

Sincerely yours,



John A. Coleman  
Chief Executive Officer

Enclosure: 2011-2015 volumes spreadsheet

John A. Coleman  
Chief Executive Officer

RMP 2011-2015 Volumes

		<b>In-Bay Only Option</b>		
		Annual Dredger's \$\$/cyd		\$ 0.80
		Project Dredger's \$\$/cyd		\$ 0.51
Organization	2016 Fees (Paid)	Estimated In-Bay Disposal Volumes****	2017 Fees (using existing fee formula)	2017 Fees Proposed
PORT OF SAN FRANCISCO	\$34,986	52,948	\$31,769	\$42,358
CHEVRON RICHMOND	\$60,443	43,479	\$26,088	\$34,783
VALERO REFINERY TERMINAL	\$15,793	7,522	\$4,513	\$6,017
PHILLIPS 66 COMPANY	\$6,094	7,908	\$4,745	\$6,326
PORT OF OAKLAND	\$46,211	18,785	\$11,271	\$15,028
PROJECT DREDGERS SUBTOTAL	\$51,317	249,235	\$77,263	\$127,110
USACE TOTAL	\$250,000		\$250,000	\$400,000
<b>GRAND TOTAL</b>	<b>\$464,844</b>		<b>\$405,648</b>	<b>\$631,623</b>

(\$230K shortfall)

\*\*\*\* Volumes based on Calendar Year

RMP 2011-2015 Volumes

DREDGE PERIOD

	Disposal Location	2011	2012	2013	2014	2015	FY11-FY15 Average (cyds)
PORT OF SAN FRANCISCO	In-Bay	36,365	79,083		91,546	4,798	52,948
	Ocean	197,256	75,731	37,825	90,341	41,391	88,509
	Beneficial Reuse	0	0	13,660	0	0	2,732
CHEVRON RICHMOND, LONG WHARF	In-Bay	150,981	0	26,690	26,672	13,053	43,479
	Ocean	0	7,621	0	0	2,896	2,103
	Beneficial Reuse	41,099	142,871	121,590	106,079	89,786	100,285
VALERO REFINERY TERMINAL	In-Bay	21,324	0	16,284	0	0	7,522
	Ocean	0	0	0	0	0	0
	Beneficial Reuse	45801	43,845	31333	26582	36061	36,724
PHILLIPS 66 COMPANY, RODEO TERMINAL	In-Bay	19786	6,092	6,106	5,628	1927	7,908
	Ocean	0	0	0	0	0	0
	Beneficial Reuse	0	9,411	0	0	0	1,882
PORT OF OAKLAND	In-Bay	93927	0	0	0	0	18,785
	Ocean	0	0	121,490	0	0	24,298
	Beneficial Reuse	0	141,759	0	69157	142277	70,639
PROJECT DREDGERS	In-Bay	334,440	222,520	69,008	153,569	466,636	249,235
	Ocean	172,865	0	0	0	210,923	76,758
	Beneficial Reuse	37,959	100,254	27,886	195,151	164,610	105,172

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*Total (Average) Annual Dredgers In-Bay Disposal*      130,642

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*Total (Average) Project Dredgers In-Bay Disposal*      249,235

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**To:** RMP Dredger Participants  
**From:** Philip Trowbridge, RMP Manager  
**Date:** XXX  
**Subject:** RMP Dredger Fee Schedule for projects in 2017-2019

**Background**

The RMP Steering Committee adopted a new Dredger Participant Fee Schedule Policy starting with RMP budget year 2005. The primary goal of the revised policy was to develop an equitable fee structure that would achieve the dredging group participation target of 17.5% of the total annual RMP participant fees. RMP dredger participants were divided into two fee-paying categories: Annual Fee participants and Project-Based Fee participants.

The fee structure for dredgers is reviewed every three years with the goal of achieving the dredging group participation target of 17.5% as mentioned above. Dredger fees paid in the past three RMP budget years were cumulatively \$414k below the group participation target. Therefore, RMP staff and the Bay Planning Coalition proposed to increase the per-cubic yard (cy) multiplier for both the Annual and Project-based fees. The BPC also proposed to use in-Bay disposal volumes from the prior calendar year as the basis for the fee calculation, rather than an average of disposal volumes in the five prior fiscal years. The proposal from Bay Planning Coalition is attached.

This memorandum presents the new fee formula that will be in place for dredging done in calendar years 2017, 2018, and 2019. The revenue from these fees will be credited to RMP budget years 2018, 2019, and 2020. The new formula was approved by the RMP Steering Committee on November 1, 2016 (PENDING).

**New Dredger Fee Schedule – Rates for dredging done in Calendar Years 2017-2019**

*U.S. Army Corps of Engineers*

The Army Corps will be responsible for contributing funds to the Program through an inter-agency transfer to the U.S. Geological Survey for suspended sediment monitoring. The amount of the contribution was \$250,000 from 1993-2016. For 2017-2019, the amount of the expected contribution will be \$400,000 to adjust for inflation.

*Annual Fee Participants*

Annual fees apply only to the five largest in-Bay dredge disposal clients (Table 1). The rationale for separating these participants into a separate group was to provide fiscal budgeting certainty to these clients. The fees are calculated as \$0.80/cy times the in-Bay disposal volume reported for the prior calendar year. Annual Fee clients will be invoiced by March of each year for dredging done in the prior calendar year.

Table 1 - Annual Fee Rate for Dredging Performed in 2017 – 2019 (calendar year)

Annual Dredgers
PORT OF SAN FRANCISCO
CHEVRON RICHMOND LONG WHARF
VALERO REFINERY TERMINAL
PHILLIPS 66 CO, RODEO TERMINAL
PORT OF OAKLAND
Fee Formula
Formula: In-Bay Disposal Volume x \$0.80/cy
Invoicing Schedule
In March for dredging done in prior calendar year

*Project-Based Fee Participants*

The RMP fee for all other dredgers not listed in Table 1 is based on a sliding fee-schedule (Table 2). The fees are calculated as the base fee plus the product of the in-Bay disposal volume reported for the prior calendar year and the appropriate cost per cy multiplier. Project-Based Fee clients will be invoiced by March of each year for dredging done in the prior calendar year.

Table 2 - Project Based Fee Rate for Dredging Performed in 2017 – 2019 (calendar year)

Disposal Vol. Range (yd <sup>3</sup> )	Fee Rate
< 2,499	\$200 (base fee)
2,500 to 14,999	Vol. x \$0.45
15,000 to 34,999	Vol. x \$0.50
35,000 to 54,999	Vol. x \$0.55
> 55,000	Vol. x \$0.60

*Data Source for In-Bay Disposal Volumes*

In-Bay dredge disposal volumes used to calculate fees will be the post-dredge survey results provided to SFEI by the Regional Water Board and originally reported to the U.S. Army Corps of Engineers by dredge permit holders.

If the post-dredge survey volumes for each calendar year ending December 31 are not reported to the Regional Water Board by March 31 of the next calendar year, RMP dredger

participants will be billed based on reported bin volumes, which may overestimate the volume actually dredged.

### **Schedule for Fee Formula Review and Revision**

The fee formula for dredger clients will be reviewed in early 2019 to determine if the actual fees paid equals the total amount expected from the dredging sector. The formula and the per-cy multiplier for 2020 may be adjusted at that time. The new fee formula will be distributed to all dredging clients prior to the start of the 2020 dredging season.

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