
State Water Resources Control Board

Cost Guidelines Update

September 20, 2013

The Underground Storage Tank Cleanup Fund (Cleanup Fund) is updating the Cost Guidelines. We are asking for stakeholder input and comment on the proposed updates. This first phase of the update effort focuses on updating labor rates and unit costs, which will have the most immediate impact to reimbursements. The Cleanup Fund is fast-tracking this effort, with an anticipated official roll-out of the new unit costs and rates by the end of the calendar year.

Other future phases will focus on updating the text of the Cost Guidelines, including topics such as narrative guidelines on rental versus ownership of equipment, mobile versus fixed remedial systems, and remedial process and monitoring optimization.

Methodology: The Cleanup Fund is currently looking at various pieces of information to inform our update of the unit costs to more accurately reflect current market conditions. These include: 1) Adjustments for inflation using the Consumer Price Index (CPI); 2) current market rates charged by consultants, vendors and contractors; 3) rates and unit costs allowed by other state agencies who contract for outside environmental services, such as CalTrans; and 4) rates charged by the State Water Board for reimbursement of staff costs in other programs, such as the Site Cleanup Program.

The attached tables include 2001 unit costs and 2006 labor rate costs adjusted for inflation using the CPI Inflation Calculator on the United States Department of Labor, Bureau of Labor Statistics website (http://www.bls.gov/data/inflation_calculator.htm). The CPI Inflation calculator uses the average CPI for a given calendar year. This data represents changes in prices of all goods and services purchased for consumption by urban households. This index value has been calculated every year since 1913. While the Cleanup Fund thinks that this approach is generally valid, we also realize that some costs are influenced by factors other than simple inflation.

Requested Stakeholder Input and Comment: At the present time, we are asking for stakeholder input on the following:

1. While it appears that the CPI inflation adjustment to the 2001 unit costs and the 2006 labor rates are appropriate in increasing cost and rate amounts to be generally in line with current market costs and rates, we also realize that some costs and rates may have risen more slowly or quickly relative to common inflation. Stakeholders are asked to review the attached tables of CPI Inflation adjusted costs and rates and

comment, either in general or on specific line items, on whether these appear appropriate relative to general current market costs and rates for goods and services.

2. If stakeholders believe that the CPI Inflation adjusted unit costs and rates do not accurately reflect current market costs and rates for goods and services, the Cleanup Fund is providing the opportunity for stakeholders to provide this information to the Cleanup Fund for our consideration. Stakeholders can provide official company rate sheets, such as labor rate sheets, laboratory analysis cost schedules, and drilling contractor rate sheets for our consideration in adjusting the Cost Guidelines. These rate sheets should be current and on official company letterhead. The Cleanup Fund realizes that these rate sheets and schedules represent sensitive information for most businesses. If stakeholders choose to submit their current rate sheets to the Cleanup Fund, they may mark them as confidential, and the Cleanup Fund will treat them as “trade secret” confidential. Information from these rate sheets will be aggregated to determine industry averages, if appropriate, to help us evaluate what is currently being charged for goods and services in the industry within California. Individual company names and associated rates will not be released.
3. Stakeholders who wish to provide input or comment on either of the above items, or any other aspect of the Cost Guidelines update, should either:
 - a. Email their comments to the Cleanup Fund’s general email address at: ustcleanupfund@waterboards.ca.gov. Emails should use the words “Cost Guidelines Update” in the subject line. Or
 - b. Mail any comments to us at:

UST Cleanup Fund
PO Box 944212
Sacramento, CA 94244-2120
4. The Cleanup Fund is asking that any input or comments be submitted to the Cleanup Fund by **October 31st, 2013** to allow us to move forward on these updates as quickly as possible.

Background on the Cost Guidelines: The Cost Guidelines were developed pursuant to Section 25299.57 (h) of the California Health and Safety Code, which states, in part, that "The State Water Resources Control Board shall develop a summary of expected costs for common remedial actions. This summary of expected costs may be used by claimants as a guide in the selection and supervision of consultants or contractors."

The primary purpose of the Cost Guidelines document is to provide guidance to

claimants for evaluating proposed and incurred corrective action costs at sites eligible for participation in the Fund. Specifically, these guidelines are intended to help claimants identify reimbursable goods and services and understand how the Fund evaluates activities and costs. Claimants will also be able to judge whether additional justification will likely be required to support a given cost, or whether a call for assistance from the Fund is in order.

The Cost Guidelines is a guideline only, it does not establish reimbursement limits for the listed items and activities. It is not intended to remove the element of competition or freedom of choice from the industry. The intention of these guidelines is not to replace the three-bid requirement. The latest version of the Cost Guidelines was produced in October 2001, with updates to labor rates last produced in 2006.

Important Note: The Cost Guideline update, including the attached tables, is a work in progress. The Cleanup Fund will use the rates and costs in the current Cost Guidelines version when determining reasonable and necessary reimbursement costs until the Cost Guidelines are officially updated. Claimants should use the current version of the Cost Guidelines until informed by the Cleanup Fund that new Cost Guidelines are in effect.