SANTA YNEZ COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Loch Dreizler, General Manager (Director Padelford)

DATE: April 16, 2025

SUBJECT: Discuss the potential impact of tariffs on the price of a truck and the impact of California's Advanced Clean Fleets (Electric Vehicles) requirements.

Proposed Motion / Recommendation

No motion is necessary for this Board Discussion; Staff direction would be an appropriate option.

Policy Implications

Not applicable to this discussion currently

Fiscal Implications

It will be clearer as we approach a final decision

Alternatives Considered

See below

Discussion

Alternative One: Tariff Impact on New F-250 Pricing

The potential tariffs currently under consideration are projected to have a minimal effect on the acquisition cost of a new Ford F-250 for the District. This outlook is supported by several factors: Government fleet pricing, which typically insulate us from sudden market shifts. The F-250's primary assembly is in the United States, which limits some import tariff exposure; an emerging equilibrium in tariff negotiations suggests a tempered outcome. While slight cost fluctuations are possible due to the global sourcing of specific components, such as electronics or steel, these are unlikely to disrupt fleet costs meaningfully, keeping the F-250 price relatively stable.

Alternative Two: California's Advanced Clean Fleets - Electric Vehicles

Despite the stable pricing environment, purchasing an additional F-250 before January 2027 may be wise to replace our 2007 Chevrolet 2500. The Chevy is nearly 20 years old and more prone to mechanical issues and higher repair costs. Effective January 2027, California's Advanced Clean Fleets regulations will require that new truck purchases be electric, potentially straining our budget with higher costs for the vehicle, up to twice the price, and installing a charging station. With only two cars to maintain, replacing the 2007 Chevy with an F-250 before January 2027 could give us more time to plan for electric vehicle integration.

Summary:

Thanks to domestic manufacturing, stable fleet pricing, and a moderating tariff landscape, tariffs are expected to have minimal impact on F-250 pricing, although minor supply chain variables remain a concern. Proactively replacing our aging 2007 Chevrolet 2500 with an F-250 before California's January 2027 electric truck mandate will ensure fleet reliability and cost control for our two-vehicle operation while postponing the complexities of an EV vehicle and charging station.

Attachments: More information on Tariff Variables and California's Advanced Clean Fleet

There are many variables to determine if an F-250 will cost significantly less this month than next, especially if the District can secure a fleet price while also considering California's Advanced Clean Fleet.

Predicting whether an F-250 will cost significantly less this month (April 2025) than next month (May 2025), especially for a California public agency utilizing fleet pricing, involves numerous variables and complexities. While it's impossible to have with absolute certainty without real-time data, we can logically analyze this based on general trends and factors that affect vehicle pricing.

Like California, fleet pricing for public agencies typically results from negotiated contracts with manufacturers or dealers, such as Ford's government fleet programs or statewide contracts through the California Department of General Services. These contracts generally establish rates for a specified period, sometimes months or even years, which helps minimize short-term price volatility compared to retail purchases. However, even with fleet pricing, costs can vary due to several factors:

1. **Supply and Demand**: If Ford has a surplus of F-250s in April due to production schedules or lower retail demand, they might offer better incentives or discounts to move inventory, even to fleet buyers. By May, if demand spikes (say, due to construction season ramping up), prices could edge higher.
2. **Incentives and Rebates**: Manufacturers occasionally roll out fleet-specific incentives or rebates that can shift month to month. These aren't always predictable without insider info, but April might catch the tail end of a quarter-close push, while May could see new offers—or none.
3. **Economic Factors**: Inflation, fuel prices, and interest rates can subtly affect vehicle costs. For instance, if raw material costs (steel, aluminum) rise in May, Ford might adjust base prices, though fleet contracts often somewhat buffer this.
4. **Model Year Timing**: Since it's April 2025, the 2025 F-250 is already on the market, but if Ford plans a mid-year refresh or a 2026 model announcement later in the year, they might discount 2025 inventory in May to clear lots—potentially lowering costs then, not now.
5. **Agency-Specific Contracts**: California agencies often buy through pre-negotiated statewide contracts (like those managed by DGS), which can stabilize pricing. If the contract term spans from April to May, the fleet price might not change much unless the agency negotiates a one-off deal or a new contract kicks in.
6. **Regional Variables**: California's market—high demand for heavy-duty trucks due to agriculture, construction, and public works—could keep F-250 prices steady or push them up if supply tightens. Local dealer stock and competition also play a role.

Given these factors, the difference between April and May is unlikely to be substantial (e.g., thousands of dollars) for a fleet purchase unless a significant external event—such as a sudden economic shift or a Ford-specific promotion- intervenes. Fleet pricing tends to smooth out month-to-month fluctuations compared to retail, where MSRP may vary from $45,000 for a base XL trim to over $90,000 for a fully loaded Platinum or Limited trim. A typical fleet discount might reduce MSRP by 5-15%, depending on the contract terms, order volume, and negotiation power.

Without knowing the exact details of the fleet contract (e.g., is it fixed through June 2025? Does it allow for periodic adjustments?), It's a toss-up whether April surpasses May by a significant margin. Historically, month-to-month variations for fleet buyers are typically in the hundreds, not thousands, of dollars, hardly "substantial" for a truck costing over $ 50,000. Our best option would be to check with the agency's procurement office or Ford's fleet sales team for April-specific pricing and any anticipated changes for May. Otherwise, too many unknowns turn it into a guessing game.

Because the District only has two vehicles, the impact of the state's fleet vehicle requirements, particularly concerning the push to purchase electric trucks, depends on several key regulations and exemptions related to fleet size and vehicle type. Since our agency has a small fleet, let's break this down based on the relevant mandates as of April 2025.

The Advanced Clean Fleets (ACF) regulation, enforced by the California Air Resources Board (CARB), is one of the key rules impacting public agency fleets. It requires transitioning to zero-emission vehicles (ZEVs), such as electric trucks, for medium- and heavy-duty vehicles (generally those over 8,500 lbs. GVWR). For state and local government agencies, the ACF stipulates that 50% of vehicle purchases must be ZEVs starting January 1, 2024, and 100% by January 1, 2027. However, vehicles owned by local municipalities or agencies in certain low-population counties (e.g., those with fewer than 50,000 residents) may delay compliance until 2027. With only two vehicles, our agency likely qualifies for this small-fleet provision, which means we are not yet required to purchase electric trucks in 2025.

The ACF applies if our two vehicles are medium- or heavy-duty trucks (e.g., F-250s or larger, provided they exceed 8,500 lbs. GVWR). If they're light duty (under 8,500 lbs.), different rules may apply, such as promoting ZEVs for lighter vehicles by 2035, though this is less pressing for our 2025 timeline. For a small fleet like ours, the 2027 deadline for small public fleets is the more relevant marker under the ACF. Until then, we're not strictly required to purchase electric trucks, but we need to plan for ZEV compliance by 2027 if we replace any vehicles.

California's electrification push, including the Department of General Services (DGS) mandates, prioritizes zero-emission vehicles (ZEVs) for state fleets (50% of light-duty purchases since 2020, with medium and heavy-duty targets increasing). Local agencies often adhere to similar procurement guidelines, but our small size allows for some flexibility. If we're considering replacing the Chevy 2500 soon, an electric option (e.g., Ford F-150 Lightning or a medium-duty electric vehicle, if available) might be viable, yet cost and infrastructure remain challenges. Electric trucks can cost 1.5 to 3 times more upfront than their diesel counterparts (e.g., $ 70,000+ for an electric F-250 compared to $45,000 for a diesel version), though rebates like this could offset $20,000 to $120,000 per vehicle, depending on class. Our agency would also require charging infrastructure. Level 2 chargers that cost approximately $5,000 to $10,000 to install, in addition to permitting and electrical upgrades.

Electric trucks face operational limitations. A diesel F-250 can travel 500-600 miles on a tank and re-fuel in 10 minutes. In contrast, an electric equivalent (an F-150 Lightning modified for heavier duty) may only manage 230-300 miles, requiring 6-9 hours on a Level 2 charger or 40 minutes on a DC fast charger, if available. For an agency with few vehicles, this could disrupt service during long hauls or emergencies.

Given our fleet size, the immediate impact in 2025 is likely low—we're not compelled to purchase electric now. However, by 2027, we will need a ZEV plan. With two vehicles, we might replace one with an electric truck (post-rebate cost: $50,000-$60,000) and install a charger (totaling $5,000-$15,000), taking advantage of state incentives. The push is real, but our small scale gives us a little more time and flexibility to make a decision.