



City Council Agenda Item

City Council Meeting Date: September 3, 2024

TO: Dean Albro, City Manager

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SUBJECT: Non-Resident Fee Surcharges – Lompoc Landfill

Recommendation:

Staff recommends the City Council make no changes to the Lompoc Landfill (Landfill) fee structure for non-jurisdictional users (more commonly referred to, but inexactly, as non-residents). The revenue impact would likely be minimal. However potential outcomes include: increases in adversarial encounters with customers of the Landfill, increased queuing time for all customers, reduced rather than increased revenues due to more competitive fee structures at neighboring Landfills, increased risk of illegal dumping of waste in the City's alleys and streets, as well as other possible negative results.

Background:

The City Council requested a review of Landfill rates as they apply to Landfill customers who do not receive Solid Waste collection services (non-customers). (Non-customers will be used throughout this report as Solid Waste collection services include City residents as well as a small subset of Santa Barbara County residents, as discussed below.) Specifically, the request is to evaluate charging non-customers rates that exceed the rate charged to customers.

For services of water treatment and delivery, wastewater collections and treatment, and solid waste collections, (Water, Sewer, and Solid Waste) the City is prohibited from charging rates that exceed the cost of providing that service for customers within the City's jurisdiction. However, the City is, from time to time, requested to provide these services to customers outside the City's jurisdiction.

For Water, Sewer, and Solid Waste customers outside City Limits, the City is acting as a market participant as the services can be provided by others and/or are voluntary services the customer chooses to acquire. As a market participant, the City can charge what the market will bear, even if the charge is greater than the City's cost of providing the service.

The City has set Water, Sewer and Solid Waste service charges for customers outside the City Limits at 1.5 times the service or volume charge rates applied to customers inside the City Limits.

The City also has a practice of charging utility customers outside the City at the same rates as it charges customers inside the City Limits. A primary example of a utility service that is charged similarly to customers inside and outside the City Limits are the City's electric utility service and volume charges. Typically, an out-of-agency agreement for electrical service is required that is likely approved by the City, Pacific Gas & Electric (the electric distribution provider for customers in our area of Santa Barbara County), and LAFCO. Another example is the provision of water services to some customers served by the City's surface water system. Service charges are based upon long standing agreements between the original property owners and the City. Many of these agreements provide services to the property owners at rates less than the cost of providing the service.

There is currently no difference in landfill fees between residents, non-residents, or non-customers. Landfill fees are provided by the City as a market participant for Landfill services. As such, charges are based on what the market will bear as approved by the City Council. As part of this review, it is important to note that the City is not the only landfill provider in the area and the City's rates and volume received at the Landfill are in competition with the other local landfills.

Discussion:

It is not unreasonable to consider charging higher Landfill fees to non-customers. As taxpayers, residents of the City undertake greater risk by sharing in the ownership of the Landfill; more so than non-residents. However, non-resident customers (those receiving Solid Waste Collection services as out-of-agency customers) support services provided by the Solid Waste Division either at the Landfill or at Solid Waste's other facilities in the City without that ownership risk but at a higher service charge level than customers inside the City Limits.

The decision to charge non-customers at a different rate than customers should consider factors such as customer service, revenue requirements, competition for services, potential for conflict or illegal dumping, and other potential outcomes.

Revenue Requirements

As part of the most recent rate study, the City conducted a cost of service study for both collection services and landfill services. The evaluation of the cost for each service included assumptions of the volume of disposal at the Landfill. For the City to achieve the desired level of revenue to support the costs of providing landfill services, both the rate and volume anticipated are critical components of the revenue equation. To achieve the desired level of revenue is as dependent on total volume delivered to the Landfill as the rate charged for each ton of material delivered. Variations are to be expected, typically due to economic factors. A good economy will typically increase the volume of material delivered while volume may lag in an economy in recession.

Competition for Services

The City’s Landfill is not the only provider of landfill services in the immediate area. The Santa Maria and Santa Barbara County’s (County) Tajiguas landfills are both close enough to Lompoc to provide services to Lompoc Valley residents. Tajiguas only accepts waste from commercial providers. Below are two tables showing common landfill fees for the Lompoc and Santa Maria landfills:

Approved Lompoc landfill fees – selected common services

Description	Unit	Effective Date				
		1-Jul-23	1-Jul-24	1-Jul-25	1-Jul-26	1-Jul-27
Car	per load	\$15.00	\$16.00	\$17.00	\$18.00	\$19.00
Minimum Fee (up to 500 lbs.)	per load	\$25.00	\$26.00	\$27.00	\$28.00	\$29.00
Tip Fee for Weighed Tons	per ton	\$100.00	\$105.00	\$110.00	\$115.00	\$120.00

Published Santa Maria landfill fees – selected common services

Description	Unit	Effective Date		
		1-Jan-23	1-Jan-24	1-Jan-25
Car	per load	\$ 20.00	\$ 21.00	\$ 22.00
Minimum Fee (up to 800 lbs for 2023, 1,000 lbs after)	per load	\$ 30.00	\$ 45.00	\$ 50.00
Tip Fee for Weighted tons	per ton	\$ 79.00	\$ 90.00	\$100.00

Santa Maria’s Car and Minimum Fees are significantly more than the City’s comparable rates while their commercial Tip Fee is lower than the City’s Tip Fee. The County’s Tajiguas Tip Fee was \$170 per ton in 2023 and \$189 per ton currently, substantially greater than either Lompoc’s or Santa Maria’s per ton rates.

Below is a summary of the current and prior rates for the three competitive landfills showing the annual increases at each and the variance between Lompoc’s most common rates and the other two landfill’s rates.

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Landfill	Rates effective 7-1-2024			Rates effective 7-1-2023			Percentage Increase		
	Car	Minimum	Per Ton	Car	Minimum	Per Ton	Car	Minimum	Per Ton
Lompoc	\$ 16	\$ 26	\$ 105	\$ 15	\$ 25	\$ 100	7%	4%	5%
Santa Maria	21	45	90	20	30	79	5%	50%	14%
Tajiguas	n/a	n/a	189	n/a	n/a	170			11%

Landfill	Percentage variance - Lompoc to Santa Maria and Tajiguas - below/(above)					
	Car	Minimum	Per Ton	Car	Minimum	Per Ton
Santa Maria	31%	73%	-14%	33%	20%	-21%
Tajiguas	n/a	n/a	80%	n/a	n/a	70%

The City's July 1, 2023, tipping fee increase of \$16 from \$84 to \$100 per ton was overlooked by the County in their franchise hauler contracts even though the increase was noticed by the City to the County. This exposed the contract hauler to the higher tipping fee without being able to pass the additional cost on to their customers. The contract hauler's response was to cease hauling to the Landfill and divert their waste stream to the Santa Maria Landfill for approximately a 3-month period of time (between mid-October 2023 to mid-January 2024). This component of non-customer volume is the majority of all non-customer volume delivered to the Landfill. Total non-customer business between franchise and individual haulers is about 9% of the entire wastestream accepted at the Landfill. The diversion by the franchise waste hauler only stopped when Santa Maria adjusted their tipping fee from \$79 to \$90 per ton effective January 1, 2024.

Following are tables showing possible non-customer rates compared with Santa Maria's single rate structure:

Santa Maria's single rate structure:

Description	Unit	Effective Date		
		1-Jan-23	1-Jan-24	1-Jan-25
Car	per load	\$ 20.00	\$ 21.00	\$ 22.00
Minimum Fee (up to 800 lbs for 2023, 1,000 lbs after)	per load	\$ 30.00	\$ 45.00	\$ 50.00
Tip Fee for Weighted tons	per ton	\$ 79.00	\$ 90.00	\$100.00

Lompoc's bifurcated non-customer rate structure (1.5x customer rates)

Description	Unit	Effective Date		
		1-Jul-23	1-Jul-24	1-Jul-25
Car	per load	\$ 15.00	\$ 24.00	\$ 25.50
Minimum Fee (up to 500 lbs.)	per load	\$ 25.00	\$ 39.00	\$ 40.50
Tip Fee for Weighted tons	per ton	\$100.00	\$157.50	\$165.00

Variance between Santa Maria’s and Lompoc’s non-customer rates

Description	Unit	Effective Date		
		1-Jul-23	1-Jul-24	1-Jul-25
Car		\$ (5.00)	\$ 3.00	\$ 3.50
Minimum Fee (up to 500/800 lbs.)		\$ (5.00)	\$ (6.00)	\$ (9.50)
Tip Fee for Weighted tons		\$ 21.00	\$ 67.50	\$ 65.00

(Negative amounts denotes Lompoc’s rates less than Santa Maria’s rates while Positives amounts denotes Lompoc’s rates more than Santa Maria’s rates.)

While Tip Fees for weighed tons paid by the County’s franchised haulers are passed through to the hauler’s customers via the solid waste rates for collection service, it is likely both the franchisee and the County would choose to utilize the Santa Maria landfill with such a non-customer differential as presented above.

Waste generators in the unincorporated areas are not required to subscribe for waste collection service from the County’s franchised haulers. Those waste generators are required to self-haul their waste directly to a landfill and pay the applicable fee. Such generators may consider the price differential in their decision of which landfill, if any, to use for disposing of their waste.

The loss of revenue to the Solid Waste Utility due to County contract haulers redirecting their wastestream to Santa Maria would account for a significant portion of non-customer revenues collected by the Landfill. Since the recently enacted rate authority has assumptions of volume and revenues at the Landfill, it is reasonable to conclude that the Solid Waste Utility would generate less revenue if it were to impose a rate on commercial haulers contracted by the County that would encourage them to redirect their wastestream to other landfills in the area.

At first glance, it would not be unreasonable for the City to charge a higher minimum charge and higher fee for cars and pickups/trailers to non-customers. This would reflect the benefit that residents receive from the City owning its own landfill.

Potential Increases in Negative Outcomes

Checking **all** self-haul customer identifications to verify customer vs non-customer status likely will significantly increase monitoring and time involved in verifying residency at the scalehouse. This will likely lead to a number of negative outcomes including:

- increased operational costs and efficiency losses,
- increased customer queuing time at the scale,
- reduced customer satisfaction due to delays in the disposal process, and
- potential adversarial encounters with City personnel.

In addition to negative outcomes at the scalehouse, there are concerns that non-customers could utilize City resident ID’s, bring a City resident with them, or have a City resident bring

their loads to the Landfill. Any of these possibilities would allow a non-customer to receive the customer rates rather than the non-customer rates. The differential could also create an opportunity for private enterprise to inappropriately begin to provide waste hauling services in violation of Lompoc Municipal Code section 8.04.130. Enabling County residents to use a service outside the County's franchise agreements could expose the City to potential claims from existing haulers, the County and others.

Currently, there is not a difference in disposal fees for non-customers vs. collection customers, so the Landfill does not differentiate between the two categories. In looking at available non-customer figures and tonnages, the Landfill may see a minimal increase in revenue from non-residents. If all non-customers continue to utilize the Landfill, the maximum estimated additional annual Landfill revenue would be \$9,721 or approximately 0.0043% annually. Any actual revenue increase could be substantially lower or even result in a decrease in Landfill revenue.

The City will also incur one-time and ongoing additional costs with a split rate system. The charge and tracking software will need to be updated for the new categories of rates and Landfill attendants will need to be trained to bill non-customers differently than collection customers. Existing signage, flyers, charge tickets and other materials will need to be revised to reflect the more complex billing model. These additional costs could easily outweigh any additional revenues which, as shown above, is likely \$9,721 per year at most and could be substantially lower.

Increased Risk of Illegal Dumping of Waste in the City's Alleys and Streets

While the Solid Waste Division has a robust and effective enforcement program to remove illegally placed waste in the City's alleys and streets, increasing the cost of legal disposal for non-customers may increase the prevalence of illegal dumping of waste in the City that will ultimately become a cost to City residents as the cost of enforcement and cleanup increases. While no analysis has been conducted to identify the increased cost; the cost of adding a single employee and related vehicle to the Solid Waste Division's enforcement program would likely be in excess of \$200,000 annually.

Conclusion:

Staff recommends no changes to the Landfill fees for non-customers. It is unknown whether the amount of revenue would exceed the additional costs in time, efficiency, software upgrades, informational materials and increased enforcement as well as potential and likely adversarial encounters with customers of the Landfill. Any increase in non-customer self-haul revenue could be offset by the loss of revenue due to redirection of waste to neighboring Landfills by County contract haulers or self-haul customers.

Respectfully submitted,

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APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

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