



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works
Department No.: 054
For Agenda Of: June 4, 2024
Placement: Departmental
Estimated Time: 15 Minutes
Continued Item: Yes
If Yes, date from: May 14, 2024
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Chris Sneddon, P.E., Public Works Director, (805) 568-3010
Director(s)
Contact Info: Jeanette Gonzales-Knight, Interim Deputy Director,
(805) 882-3605

SUBJECT: **Solid Waste Tipping Fees, Collection Rates, and Parcel Fees for FY 2024/25 - All Supervisorial Districts**

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Adopt a resolution, to be effective July 1, 2024, setting the fee schedules for solid waste handling and disposal fees at County solid waste facilities for Fiscal Year 2024/25;
- b) Adopt a resolution, to be effective July 1, 2024, setting the Parcel Fee Schedule for the Cuyama Valley for Fiscal Year 2024/25;
- c) Adopt a resolution, to be effective July 1, 2024, setting the fee schedules for solid waste collection rates in the unincorporated Zones 1, 2, 3, 4 and 5 service areas for Fiscal Year 2024/25; and
- d) Determine that the proposed actions are for the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for the purpose of meeting operating expenses; that no expansion of services or facilities will result, and therefore the proposed actions are exempt from California Environmental Quality Act pursuant to guidelines 14 CCR 15273(a) (1), (2), (3) and (4) and approve the filing of the attached Notice of Exemption on that basis.
- e) Determine that pursuant to CEQA Guidelines Section 15162, that one new capital project (Tajiguas Landfill Capacity Increase) to be funded by the proposed rates, has been subject to separate environmental review and approval by the Board of Supervisors, that no new effects

will occur and no new mitigation would be required and therefore the action to approve rates and fees to support construction this project is within the scope of Subsequent Environmental Impact Report 23EIR-00001 certified by the Board on March 19, 2024 prepared for the Tajiguas Landfill Capacity Increase Project and that no new environmental document is required. The environmental documents for this project are available at <https://www.countyofsb.org/1165/Environmental-Documents>.

Summary Text:

This item is on the agenda in order to consider recommendations for setting fees and rates for solid waste management services for Fiscal Year 2024/25. Each year, your Board approves fees charged at County-operated solid waste management facilities, parcel fees for New Cuyama, and maximum rates charged by the franchised service provider(s) to collect waste from residential and commercial customers.

Background:

This Board Letter provides each of the proposed fee and rate schedules for FY 2024/25 for County-operated solid waste management facilities, parcel fees for New Cuyama, and rates charged by the franchised solid waste service provider.

Tipping Fees at County Facilities

Tipping fees at County solid waste facilities are set each year based on the actual cost of providing the service the prior fiscal year, as well as complying with the Resource Recovery & Waste Management Division's long-term financial proforma for funding of debt obligations, capital, regulatory compliance, and closure/post-closure requirements associated with its solid waste management system.

The ReSource Center began processing material in February 2021. It was constructed to support the region's compliance with AB 1826 and SB 1383, which require the recovery of organics from landfilling and the development of facilities capable of processing organic waste from the municipal waste stream in an effort to reduce the statewide generation of carbon emissions, in addition to conserving valuable landfill disposal capacity.

The ReSource Center consists of a materials recovery facility to recover and process recyclables, an anaerobic digestion facility to process organic materials, and an energy system that converts the site's landfill gas and the biogas generated by the anaerobic digestion facility into energy to power the Center. Excess renewable energy from the anaerobic digestion engines is currently sold to SCE.

The mechanism to set the franchise disposal rates charged at the County facilities is established in the Material Delivery Agreements between the County and the participating jurisdictions and in the financing documents for the construction and operation of the ReSource Center. During FY 2024/25, the proposed franchise disposal rates will increase 7.39% from \$176 to \$189 per ton. Most other rates for waste handled at County facilities, including the Community Hazardous Waste Collection Center at UCSB are proposed to increase by an average rate of 5.49%. The full proposed fee schedule is included as Attachment A to this Board Letter.

Parcel Fees in New Cuyama

The Cuyama Valley is served by two County-operated transfer stations built in 1996, which replaced the local landfills upon their closure. In accordance with Section 25830 of the California Government Code, property owners in the Cuyama Valley pay for solid waste disposal services through parcel fees according to a schedule that was established with the adoption of a resolution by the Board of Supervisors in 1982 (Resolution Number 82-360). The current single-family occupied dwelling rate is \$77.00 per year. Other parcel fees are based on a waste generation factor, comparing the single-family dwelling rate to that of waste generated by other land uses.

The fees currently collected do not cover the full cost to operate the transfer stations and properly manage the waste material. In recent years, operational changes have been made to decrease this shortfall, which continues to be funded by other revenues in the Division's Enterprise Fund.

The Department is proposing no increase in the Cuyama Valley parcel fees for FY 2024/25; however, an increase is currently under consideration for FY 2025/26. Public Works requests that the Treasurer-Tax Collector continue to bill and collect the current fees as part of the regular County property tax system. The entire proposed parcel fee schedule for waste handled at the Cuyama Valley transfer stations is included as Attachment B to this Board Letter.

Residential and Commercial Collection Rates

Annually, the Board of Supervisors sets the maximum rates charged to residential and commercial customers by the franchised solid waste collection service provider(s) in the unincorporated areas of the County. Factors affecting these rates (detailed below) include: 1) cost to collect (which can vary depending on the location); 2) changes in landfill disposal costs and recycling and organics processing fees; and 3) fees charged by the County for solid waste management programs.

Collection: Pursuant to the County's solid waste franchise agreements, a consumer price index (CPI) adjustment is applied to the collection portion of each rate to reimburse the service provider for their operational costs of collection. The CPI adjustment is based on the U.S. Department of Labor index for "All Urban Consumers" in the Los Angeles-Long Beach-Anaheim area, for Calendar Year 2023. For this time period, the CPI was 3.5%.

Per the franchise agreement, for Zones 1-3, a carry-forward CPI value of 1.2% from FY 23/24 was applied to the FY 2024/25 rates, as the previous year's CPI exceeded the 5.0% annual cap. The total CPI applied to the FY 2024/25 rates is thus 4.7% (3.5% plus 1.2%).

For Zones 4 and 5, the Board of Supervisors approved and authorized the execution of a new franchise agreement with MarBorg Industries, Inc., that goes into effect on July 1, 2024. The FY 2024/25 rates for Zones 4 and 5 establish a new baseline from which subsequent year adjustments will be made. Because the initial collection rates proposed by MarBorg Industries, Inc. were provided in Franchise Year 2022-23, two annual CPI adjustments were applied when calculating the FY 2024/25 rates. The CPI adjustment for Calendar Year 2022 was 7.4%, which was capped at 5.0% with no carry-over (as stipulated in the franchise agreement for the baseline rates). As noted above, the CPI adjustment for Calendar Year 2023 was 3.5%. The FY 2024/25 rates for Zones 4 and 5 incorporate both 5.0% and 3.5% CPI adjustments as applied to the initially proposed collection rates from Franchise Year 2022-23.

Landfill tipping fees and recyclables and organics processing fees: The second component of the rate charged to customers is the cost to process or dispose of waste, which varies depending on the facilities that are used for each zone and their associated tipping fees. As mentioned above, in FY 2024/25, the County is proposing to change the tipping fee for trash and commingled recyclables from \$176 to \$189 per ton in accordance with the financing documents and regional service agreements between the County and the participating cities for the development of the ReSource Center. The cost to process green waste will increase from \$53 to \$56 per ton. The collection zones impacted by this change are South County Zones 1, 2, and 3, and Zone 4 Santa Ynez.

For Zone 4 Lompoc Valley and Zone 5 Santa Maria Valley, waste is delivered to either the City of Lompoc Landfill or the City of Santa Maria Landfill. The Lompoc Landfill increased the per ton tip fee from \$84.34 to \$100 (an 18.6% increase) effective July 1, 2023, and will increase the per ton tip fee again from \$100 to \$105 (a 5.0% increase) effective July 1, 2024. The City of Santa Maria Landfill increased the per ton tip fee from \$79 to \$90 (a 13.9% increase) effective January 1, 2024, and will increase the per ton tip fee again from \$90 to \$100 (an 11.1% increase) effective January 1, 2025. For the Zone 4 Lompoc Valley rates, the \$105/ton landfill tipping fee was applied. For the Zone 5 Santa Maria Valley rates, a landfill tipping fee of \$95 per ton (an average of \$90 and \$100 per ton) was used, considering the County's fiscal year will span six months each under the \$90 and \$100 per ton tip fee. Commingled recyclables from Zone 4 Lompoc Valley and Zone 5 are processed at the ReSource Center under the spot market commingle rate which the County is proposing to increase from \$114 per ton to \$120 per ton (a 5.3% increase). Organic waste from Zone 4 Lompoc Valley and Zone 5 Santa Maria Valley is processed at Engel & Gray's composting facility in Santa Maria. Engel & Gray's organics processing tip fee will increase from \$59.50 to \$61.58, an increase of 3.5%.

Solid waste program fee: There is no proposed change to the current program fee for the FY 2024/25 rates. The third component of the collection rate is the solid waste program fee which is used by the County to support State-mandated solid waste management programs provided to the community, such as hazardous waste management, code enforcement, State-required reporting, electronics recycling, commercial recycling and organics diversion, and edible food recovery, as well as other waste reduction and recycling programs and projects, such as backyard composting, textiles reuse, public facility tours, and school education, among others. In accordance with State law, the County Code, and the franchise agreements, the County may assess a fee on solid waste collection rates to fund these activities based on the costs of administering the franchise agreements and complying with various State laws on waste collection, reduction, and reporting, including, but not limited to, AB 939, AB 341, AB 1826, AB 901, AB 827, and SB 1383. Additionally, the solid waste program fee is imposed based on the specific benefits conferred and privileges granted for franchise collection services, as well as the value of rights accorded only to the franchise haulers to regularly utilize roads, streets, and right of ways for purposes of collection services. The proposed rates for FY 2024/25 include no change to the current program fee of 11%.

Attachment C to this Board Letter contains the proposed residential and commercial solid waste collection rates by collection zone.

CEQA Review

CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies which the public agency finds are for

the purpose of meeting operating expenses, purchasing or leasing supplies, equipment, or materials, meeting financial reserve needs and requirements, and obtaining funds for capital projects, necessary to maintain service within existing service areas. Rate increases to fund capital projects for the expansion of a system remain subject to CEQA.

Pursuant to CEQA Guidelines Section 14 CCR 15273(a) (1), (2), (3) and (4), the rates proposed for approval support the ongoing provision of solid waste collection, management and disposal for the communities served by the County and are therefore statutorily exempt from CEQA. One capital project, the Tajiguas Landfill Capacity Increase, will be funded by the proposed rates and has been subject to separate environmental review and approval by the Board of Supervisors. Construction and operation of the Tajiguas Landfill Capacity Increase Project was analyzed in SEIR 23EIR-00001 certified by the Board on March 19, 2024 and pursuant to CEQA Guidelines Section 15162 the establishment of rates supporting construction of this project is within the scope of the prior environmental review.

Construction and operation of the ReSource Center was analyzed in Subsequent Environmental Impact Report (SEIR) 12EIR-00000-00002 (SCH #20122041068) and revision letter certified by the Board of Supervisors on July 12, 2016 and SEIR Addendum dated August 2017 (revised October 26, 2017), considered by the Board of Supervisors on November 14, 2017 and Addendum dated August 15, 2023 considered by the Board on October 3 and November 7, 2023. Construction of this project was completed in prior years and the proposed rates support the ongoing operating expenses.

The environmental documents for the ReSource Center and Capacity Increase projects are available at <https://www.countyofsb.org/1165/Environmental-Documents>.

Performance Measure:

County solid waste facilities charge rates identified in the attached rate schedules and the contracted waste collection service provider(s) charge rates no greater than in the attached rate schedules. These rates are based on projected costs to provide the services. County staff conducts periodic billing audits to ensure that its service provider(s) is charging the Board-approved rates.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Narrative: Tipping fees charged at County-operated solid waste management facilities provide revenue to the Resource Recovery and Waste Management Enterprise Fund. Fees proposed in this Board Letter are included in the Division's budget for FY 2024/25, which projects total revenue for the Division to be \$46,245,000. Fees charged to residential and commercial customers for collection services are billed by the service provider(s), who receives payments directly from the ratepayers, and are not included in the Division's budget.

Special Instructions:

Please return a copy of the signed Resolutions to the Public Works Department, Resource Recovery and Waste Management Division at 130 E. Victoria Street, Suite 100, Santa Barbara, CA 93101 - Attention: Mackenzie Forgey.

If approved on June 4, 2024, please have the Clerk of the Board date stamp and post the Notice of Exemption (Attachment D).

Attachments:

Attachment A: Resolution of the Board of Supervisors regarding solid waste handling and disposal fees at County owned/operated facilities for FY 2024/25

Attachment B: Resolution of the Board of Supervisors regarding parcel fees for waste disposal in New Cuyama Valley for FY 2024/25

Attachment C: Resolution of the Board of Supervisors establishing solid waste collection rates for the unincorporated areas for FY 2024/25

Attachment D: Notice of Exemption

Authored by:

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