



City Council Agenda Item

City Council Meeting Date: February 3, 2026

TO: Dean Albro, City Manager

FROM: Christie Donnelly, Management Services Director
c_donnelly@ci.lompoc.ca.us

SUBJECT: Consideration of Solid Waste Rate Adjustments; Schedule and Notice a Public Hearing for April 21, 2026, for Proposed Solid Waste Rate Adjustments, in Accordance with Proposition 218

Recommendation:

Staff recommends the City Council:

- 1) Receive a report and presentation on the financial condition and creditworthiness of the Solid Waste Utility;
- 2) Review and provide direction on three alternative scenarios for adjusting solid waste customer rates beginning July 1, 2027, each designed to restore the financial stability and creditworthiness of the Solid Waste Utility;
- 3) Provide direction to staff regarding the adjustment of rates for the three year period from July 1, 2027, through June 30, 2030;
- 4) Authorize the distribution of a Prop 218 45-day notice to ratepayers regarding the adjustment of rates; and
- 5) Set a public hearing for the proposed Solid Waste Utility rate adjustments for April 21, 2026, in accordance with Proposition 218.

Background:

The Solid Waste Enterprise Fund is currently experiencing financial stress due to operating costs and capital expenditures that have exceeded the assumptions used in the City's 2023 Cost of Service Study. While the rate adjustments approved in 2023 were appropriate based on information available at that time, actual operating results have been less favorable than projected. As a result, the enterprise fund has incurred negative cash balances, increased reliance on interfund borrowing, and reduced creditworthiness.

The City has an obligation to maintain the Solid Waste Utility as a financially self-supporting enterprise. Adequate cash reserves and sufficient debt service coverage are necessary to ensure operational stability, maintain essential infrastructure, and preserve

the City's ability to finance major capital improvements, including repayment of funds borrowed from the Water Enterprise Fund for construction of the landfill stormwater drainage system.

To address these challenges, staff and the City's financial consultant have evaluated three alternative rate adjustment scenarios that would restore the financial health and creditworthiness of the Solid Waste Utility over time. Each scenario continues the previously approved rate adjustment scheduled for July 1, 2026, but differs in the timing and magnitude of additional rate adjustments beginning July 1, 2027. The scenarios range from an accelerated recovery approach, which restores creditworthiness more quickly but has higher near-term impacts to ratepayers, to a gradual recovery approach, which spreads rate increases over a longer period but results in slower financial recovery.

All three scenarios are designed to align revenues with the actual cost of providing solid waste services, comply with the requirements of Proposition 218, and ensure that rates do not exceed the proportional cost of service to ratepayers. Landfill tipping fees are proposed to increase gradually under all scenarios in recognition of competitive disposal market conditions within Santa Barbara County.

The primary reason for initiating this rate adjustment process at this time is to improve the Solid Waste Utility's ability to qualify for external financing to repay funds borrowed from the Water Enterprise Fund. The Water Enterprise Fund loan was used to finance construction of the landfill stormwater drainage system, a critical regulatory compliance project, and repayment of that loan is an important financial objective for the City.

Potential lenders evaluate the creditworthiness of the Solid Waste Utility based on factors such as cash reserves, operating margins, and debt service coverage. Under the currently approved rate structure, the Solid Waste Utility is projected to have insufficient cash balances and debt service coverage to qualify for a long-term loan on reasonable terms. Potentially, the utility may not qualify for financing at all.

By adjusting rates now, the City can demonstrate a clear and credible financial plan that restores operating surpluses, rebuilds cash reserves, and improves debt service coverage to levels typically required by lenders. Establishing this financial trajectory in advance of seeking financing increases the likelihood that the Solid Waste Utility will be able to obtain a loan to repay the Water Enterprise Fund at a reasonable interest rate, thereby reducing interfund financial risk and maintaining the integrity of both enterprise funds.

Staff is seeking City Council direction on which rate recovery approach best balances financial stability, creditworthiness, and ratepayer impacts. Following City Council direction, staff will proceed with the Proposition 218 noticing process and return to the City Council for a public hearing and final consideration of the proposed rate adjustments.

Discussion:

The 2023 Cost of Service Study and Rate Adjustment Plan

In June 2023, the City Council authorized a five year plan to annually adjust collection rates and landfill tipping fees to meet the financial obligations of the Solid Waste Enterprise Fund. The 2023 five year rate plan was based on a cost-of-service study prepared by MSW Consultants. Table 1 and Table 2 below show the rate adjustments approved in 2023 for the most common levels of solid waste collection service, and most common landfill tipping fees, respectively.

| Effective Date of Increase | 7/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
|------------------------------------|----------|----------|----------|----------|----------|
| Rates Effective During Fiscal Year | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| 65 - Gallon Container | \$36.97 | \$42.51 | \$48.89 | \$56.22 | \$57.91 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 3.0% |
| 95 - Gallon Container | \$46.96 | \$54.01 | \$62.11 | \$71.42 | \$73.57 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 3.0% |
| 300 - Gallon Container | \$91.34 | \$105.04 | \$120.79 | \$138.91 | \$143.08 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 3.0% |
| 450 - Gallon Container | \$112.62 | \$129.51 | \$148.93 | \$171.27 | \$176.41 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 3.0% |

Table 1 – Collection Rate Adjustments Approved in 2023

| Effective Date of Increase | 7/1/2023 | 7/1/2024 | 7/1/2025 | 7/1/2026 | 7/1/2027 |
|-------------------------------------|----------|----------|----------|----------|----------|
| Fees Effective During Fiscal Year | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| Passenger Vehicle (per load) | \$15.00 | \$16.00 | \$17.00 | \$18.00 | \$19.00 |
| | | 6.7% | 6.3% | 5.9% | 5.6% |
| Weighed Tons - Refuse (per ton) | \$100.00 | \$105.00 | \$110.00 | \$115.00 | \$120.00 |
| | | 5.0% | 4.8% | 4.5% | 4.3% |
| Weighed Tons - Greenwaste (per ton) | \$65.00 | \$65.00 | \$65.00 | \$65.00 | \$65.00 |
| | | 0.0% | 0.0% | 0.0% | 0.0% |

Table 2 – Landfill Tipping Fee Adjustments Approved in 2023

Table 1 shows that the City’s collection rates are scheduled to be adjusted by 15% effective July 1, 2026, and again by 3% effective July 1, 2027. Table 2 shows that landfill fees are scheduled to be adjusted effective on those same dates. These are the last two currently authorized rate adjustments for the Solid Waste Utility.

At the time of the 2023 Cost of Service Study, operating expenses exceeded revenues, resulting in recurring annual shortfalls within the enterprise fund. Many of the City’s route

collection vehicles had come to the end of their useful lives and needed to be replaced. The operating cash reserves in the enterprise fund were trending downward such that they were projected to be fully depleted during Fiscal Year (FY) 2024-25.

Additionally, the City had received a notice of violation from the Central Coast Water Quality Control Board regarding stormwater runoff at the Lompoc Landfill. To maintain the landfill's permit to operate, the City was required to construct a comprehensive stormwater drainage system at the landfill. The stormwater infrastructure project was scheduled to be constructed in FY 2024-25, and expected to cost approximately \$6.2 million. However, the City did not have adequate cash reserves to fund the stormwater drainage system.

The 2023 rate adjustment plan was based on the assumption that the Solid Waste Enterprise Fund would borrow approximately \$7.2 million from the City's Water Enterprise Fund on a short term basis. After the drainage system was constructed, the City planned to issue debt of approximately \$7.1 million to repay the Water Enterprise Fund and essentially finance the capital expenditure for the drainage system over 15 years.

Projected vs. Actual Operating Results and Cash Balance

In anticipation of the \$7.1 million debt issuance, the City again retained MSW Consultants to conduct a cost of service study and to compare the utility's recent actual operating results with those projected in the 2023 cost of service study.¹ In their review, MSW Consultants found that the actual operating results for the Solid Waste Utility that underpinned the 2023 rate adjustment plan were less favorable than projected. This was primarily due to higher than expected labor and health insurance expenditures, and increased vehicle and equipment operating costs. In addition, the City incurred some unplanned capital expenditures, and the cost of the landfill stormwater system (completed in 2024) was greater than expected.

The following four tables explain the difference between the projected and actual cash and operating results for the Solid Waste Utility over the four year period from July 1, 2021, through June 30, 2025 (FYs 2022-25).

Table 3 on the following page compares the projected and actual changes in the enterprise fund's cash balance over the four year period beginning with the cash balance on July 1, 2021, through the cash balance on June 30, 2025.

¹ MSW Consultants' Solid Waste Rate Study can be found at Attachment 1.

| Description | Projected | Actual | Difference | % |
|---|-----------|-----------|------------|---------|
| Beginning Cash July 1, 2021 | \$3,773 | \$3,773 | \$0 | 0.0% |
| Surplus/(Shortfall) | (3,549) | (6,189) | (2,641) | -42.7% |
| Temp Loans/(repayment) from/(to) Water Fund | 7,243 | 7,100 | (143) | 2.0% |
| Rate-Funded Cap-Ex | 0 | (845) | (845) | -100.0% |
| Landfill Storm Water | (6,200) | (7,911) | (1,711) | -21.6% |
| Transfers from Landfill Reserve | 0 | 0 | 0 | 0.0% |
| Other Changes to Cash | \$593 | \$2,451 | \$1,857 | -75.8% |
| Ending Cash - June 30, 2025 | \$1,861 | (\$1,623) | (\$3,483) | |

(000s)

Table 3 – Projected vs. Actual Cash Balance – Four Years Ended June 30, 2025

The projected column in Table 3 shows that the Solid Waste Enterprise Fund had approximately \$3.8 million in operating cash as of July 1, 2021. Even with the planned rate adjustments, the utility was projected to experience shortfalls over this four-year period equal to a cumulative loss of approximately \$3.6 million. This cumulative shortfall was expected to be offset by the \$7.2 million loan from the Water Enterprise Fund and other changes to cash. As a result, the cash in the enterprise fund was projected to decrease to approximately \$1.9 million by June 30, 2025.

However, the Solid Waste Enterprise Fund had a negative cash balance of approximately \$1.6 million as of June 30, 2025, rather than the positive balance originally projected. The actual column in Table 3 shows that instead of a cumulative shortfall of approximately \$3.6 million, the actual shortfall over the four year period was approximately \$6.2 million. As a result, the cumulative shortfall was approximately \$2.6 million worse than expected.

In addition, the utility incurred approximately \$845,000 in unplanned rate-funded capital expenditures, and the cost of the landfill drainage project was approximately \$1.7 million greater than planned. Instead of decreasing to a positive balance of approximately \$1.9 million, the cash in the Solid Waste Utility decreased to a *negative* balance as of June 30, 2025.

Table 4 on the following page compares the utility’s projected and actual operating results over the four year period ending June 30, 2025. Table 4 shows that the greater than expected shortfall of approximately \$2.6 million was primarily due to operating expenditures being greater than expected. As shown, while revenues were only \$121,000, or 0.3%, less than projected, operating expenditures were approximately \$2.5 million, or 5.1%, greater than expected over the four-year period.

| Description | Projected | Actual | Difference | % |
|------------------------------|-----------|-----------|------------|-------|
| Total Revenues | \$42,889 | \$42,768 | (\$121) | -0.3% |
| Operating Expenditures | \$46,437 | \$48,957 | \$2,520 | 5.1% |
| Operating Suplus/(Shortfall) | (\$3,549) | (\$6,189) | (\$2,641) | 42.7% |

(000s)

Table 4 – Projected vs. Actual Operating Results - Four Years Ended June 30, 2025

Table 5 below shows that operating expenditures exceeded projections by approximately \$2.5 million, or 5.1%, over the four-year period. The primary contributors to this variance included higher-than-expected collection vehicle and landfill equipment maintenance costs, increased salary and benefit expenses (particularly health insurance), and unplanned capital expenditures.

| Description | Projected | Actual | Difference | % |
|----------------------------------|-----------|----------|------------|--------|
| Vehicle Maintenance (Collection) | \$4,316 | \$5,516 | \$1,200 | 21.8% |
| Insurance (Landfill) | 307 | 670 | 362 | 54.1% |
| Equipment Maintenance (Landfill) | 2,096 | 3,229 | 1,134 | 35.1% |
| Landfill Closure Expense | 624 | 979 | 355 | 36.3% |
| Salaries and Benefits | 13,309 | 14,876 | 1,566 | 10.5% |
| Enterprise Reimbursement | 2,807 | 3,039 | 232 | 7.6% |
| All Other Expenditures | \$22,977 | \$20,648 | (\$2,329) | -11.3% |
| Total Operating Expenditures | \$46,437 | \$48,957 | \$2,520 | 5.1% |

(000s)

Table 5 – Projected vs. Actual – Major Costs – Four Years Ending June 30, 2025

Creditworthiness of the Solid Waste Enterprise Fund

Because its actual operating results have been less favorable than projected, the Solid Waste Enterprise Fund is currently in poor financial health. The current outlook for the Solid Waste Utility is shown graphically in Chart 1 on the following page, which shows the operating performance and cash balance of the Solid Waste Enterprise Fund over time.

The red and green bars in Chart 1 represent the utility's operating expenses and revenues, respectively. The blue bars represent the enterprise fund's amount of outstanding long term debt. The green line represents the balance of operating cash. The yellow line represents the operating cash target balance, which is equal to 25% of operating expenses.

The utility's *debt service coverage ratio* is the total amount of annual cash net income (i.e., surplus), divided by annual debt service (principal plus interest). The debt service

coverage ratio is used by lenders as an indicator of creditworthiness. Many lenders require a debt service coverage ratio of at least 1.3. A debt service coverage ratio of less than 1 often indicates a higher risk of default. The debt service coverage ratio is measured by the values on the right side of Chart 1.

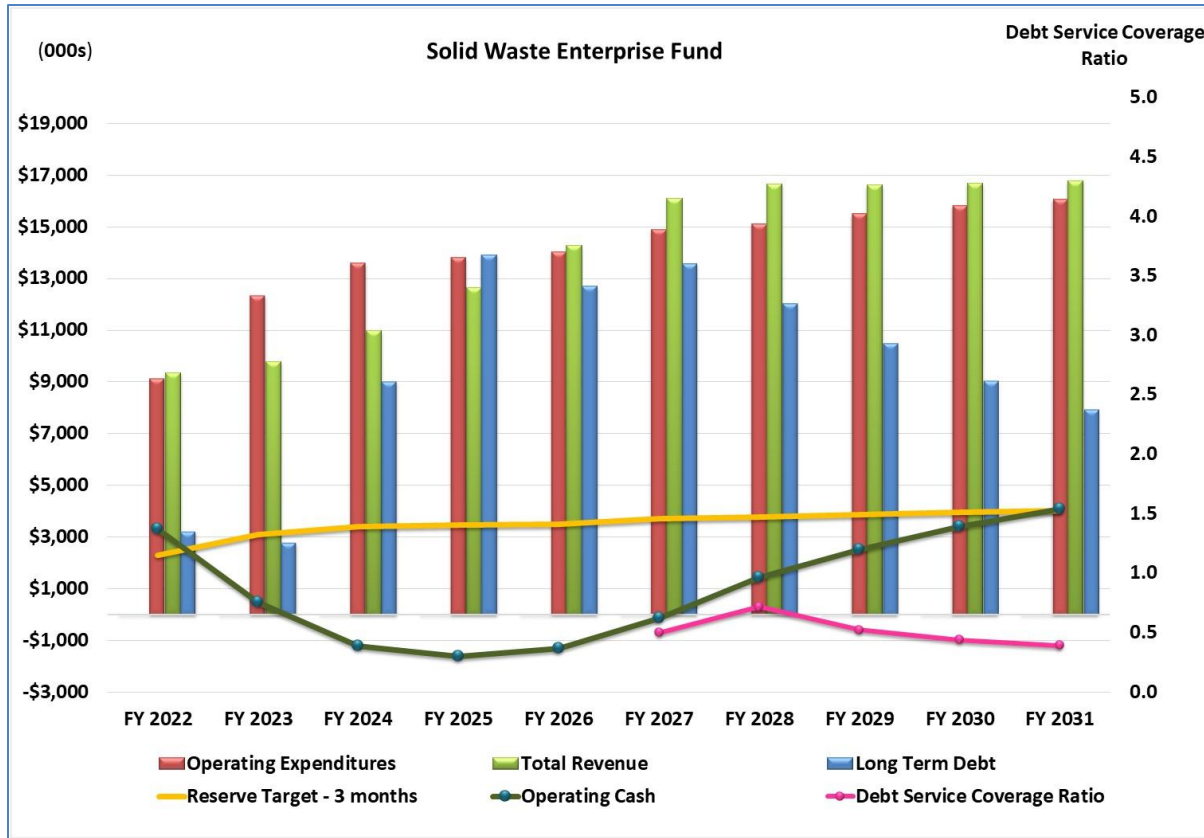


Chart 1 – Solid Waste Enterprise Fund – Current Outlook

Chart 1 shows how the shortfalls in FYs 2023-25 resulted in negative cash balances. Under the current rate plan (which includes the \$7.1 million loan from the Water Utility), cash is projected to again be negative at the end of FY 2026, and then begin to trend upward due to the recent rate adjustments. Revenue is expected to slightly exceed expenses beginning in FY 2026.

However, under the currently approved rates, the utility is not expected to reach its target cash balance until FY 2030. In addition, the utility has a significant amount of long term debt, and its debt service coverage ratio is expected to remain well below 1.0 for the foreseeable future.

Although the Solid Waste Enterprise Fund is expected to gradually replenish its cash balance over the next five years, it will continue to have a low degree of creditworthiness due to its high levels of long term debt and low debt service coverage ratio. As a result, the Solid Waste Utility may be unable to qualify for external financing on reasonable terms, which could limit the City’s ability to repay the Water Enterprise Fund loan and finance future capital needs.

Fiscal Impact:

Restoring the Creditworthiness of the Solid Waste Utility

To restore its creditworthiness and to increase the likelihood that the Solid Waste Utility will be able to qualify for a loan to repay the Water Utility, three rate adjustment options have been developed. These options are intended to restore the financial health of the Solid Waste Utility over time. These include accelerated, moderate, and gradual recovery scenarios.

Landfill Fees

Under each of the following rate adjustment scenarios, landfill fees will continue to be increased gradually. Users of the Lompoc Landfill have other disposal options in Santa Barbara County. Landfill fees must be set with a mind toward competitive market forces. As a result, it is proposed that landfill fees continue to be increased gradually. The adjustments to the most common types of landfill fees are shown below in Table 6.

| Service | Actual | Approved | Approved | Proposed | Proposed | Proposed |
|-------------------------------------|----------|----------|----------|-----------------|-----------------|-----------------|
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
| Passenger Vehicle (per load) | \$17.00 | \$18.00 | \$19.00 | \$20.00 | \$21.00 | \$22.00 |
| | 6.3% | 5.9% | 5.6% | 5.3% | 5.0% | 4.8% |
| Weighed Tons - Refuse (per ton) | \$110.00 | \$115.00 | \$120.00 | \$125.00 | \$130.00 | \$135.00 |
| | 4.8% | 4.5% | 4.3% | 4.2% | 4.0% | 3.8% |
| Weighed Tons - Greenwaste (per ton) | \$65.00 | \$65.00 | \$65.00 | \$65.00 | \$65.00 | \$65.00 |
| | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Table 6 – Proposed Landfill Fee Adjustments FYs 2027-31

Each of the three scenarios assume that the previously approved rate adjustment scheduled for July 1, 2026, will occur as planned. However, these options also assume that the previously approved rate adjustment planned for July 1, 2027, will be replaced by one of these new rate adjustment options.

Each of these scenarios is described on the following pages by showing the impact on the Solid Waste Utility with a chart similar to Chart 1 followed by a table that shows the impact on monthly collection rates charged to customers.

Scenario 1 – Accelerated Restoration of Creditworthiness

Scenario 1 entails an accelerated approach to restoring the creditworthiness of the Solid Waste Utility by continuing the 15% rate adjustment already planned for July 1, 2026, followed by a single rate adjustment of 15% effective July 1, 2027.

Chart 2 on the following page shows the operating performance and cash balance of the Solid Waste Enterprise Fund under Scenario 1. Chart 2 shows that the actual cash balance would come close to the targeted amount, and the debt service coverage ratio would increase to approximately 1.5, by FY 2028. Chart 2 also shows that if the City were

to implement a new rate adjustment of 15% effective July 1, 2027, it could accelerate the restoration of the creditworthiness of the Solid Waste Utility.

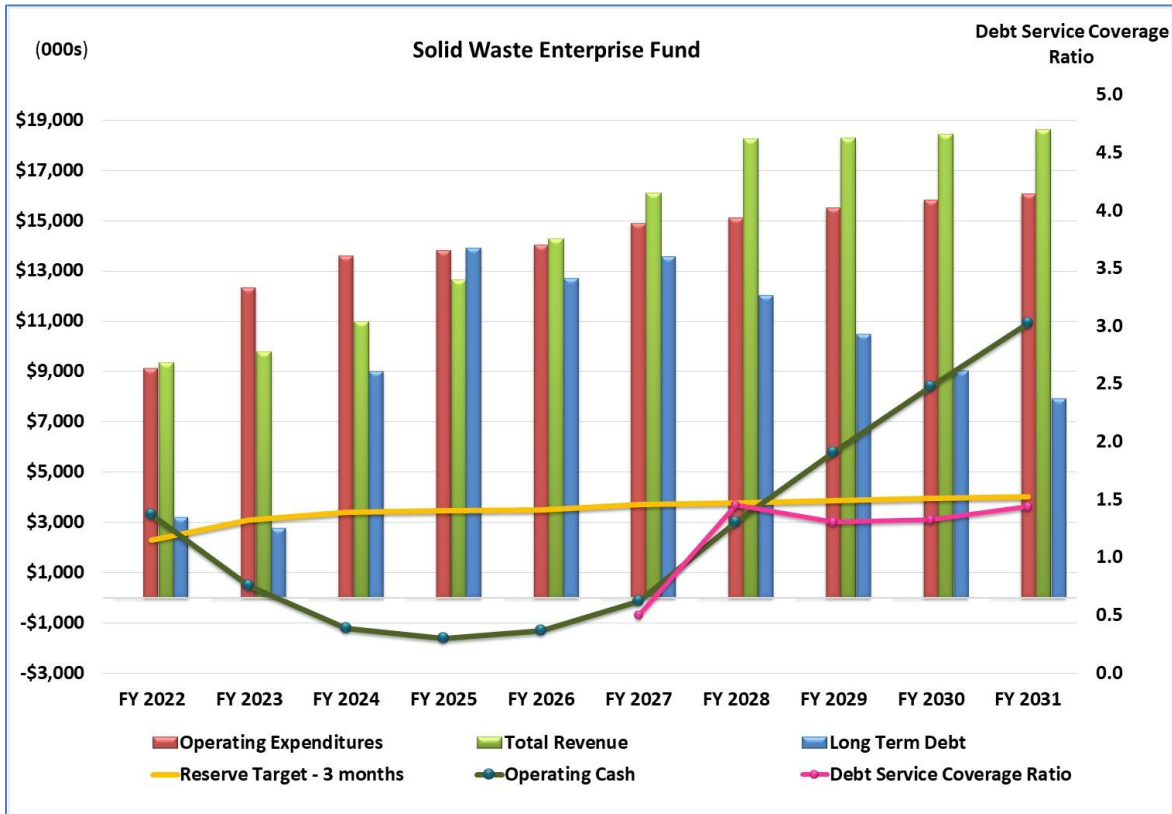


Chart 2 – Solid Waste Enterprise Fund – Accelerated Restoration

Table 7 on the following page shows in bold the Scenario 1 rate adjustments for the most common levels of solid waste collection service. Table 7 shows that the current monthly rate for a 65 gallon residential cart is \$48.89. This monthly rate is currently approved to increase to \$56.22 effective July 1, 2026. The 15% rate adjustment proposed under Scenario 1 would increase this monthly rate to \$64.65 effective July 1, 2027. Thereafter, rates are not proposed to be increased.

| Effective Date | July-23 | July-24 | July-25 | July-26 | July-27 | July-28 | July-29 |
|------------------------|----------|----------|----------|----------|----------|----------|----------|
| Rates Effective During | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| 65 - Gallon | \$36.97 | \$42.51 | \$48.89 | \$56.22 | \$64.65 | \$64.65 | \$64.65 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 15.0% | 0.0% | 0.0% |
| 95 - Gallon | \$46.96 | \$54.01 | \$62.11 | \$71.43 | \$82.14 | \$82.14 | \$82.14 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 15.0% | 0.0% | 0.0% |
| 300 - Gallon | \$91.34 | \$105.04 | \$120.79 | \$138.91 | \$159.75 | \$159.75 | \$159.75 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 15.0% | 0.0% | 0.0% |
| 450 - Gallon | \$112.62 | \$129.51 | \$148.93 | \$171.27 | \$196.96 | \$196.96 | \$196.96 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 15.0% | 0.0% | 0.0% |

Table 7 – Proposed Rate Adjustments – Accelerated Restoration

Scenario 2 – Moderate Restoration of Creditworthiness

Scenario 2 entails moderately restoring the creditworthiness of the Solid Waste Utility by continuing the 15% rate adjustment already approved for July 1, 2026, followed by two annual rate increases of 8% effective July 1, 2027, and 7% effective July 1, 2028.

Chart 3 on the following page shows the operating performance and cash balance of the solid waste enterprise fund under Scenario 2. Chart 3 shows that the actual cash balance would reach and exceed the targeted amount, and the debt service coverage ratio would increase to approximately 1.3, by FY 2029. If the City were to implement a new rate adjustment of 8% effective July 1, 2027, followed by another rate adjustment of 7% effective July 1, 2028, it could moderately restore the creditworthiness of the Solid Waste Utility.

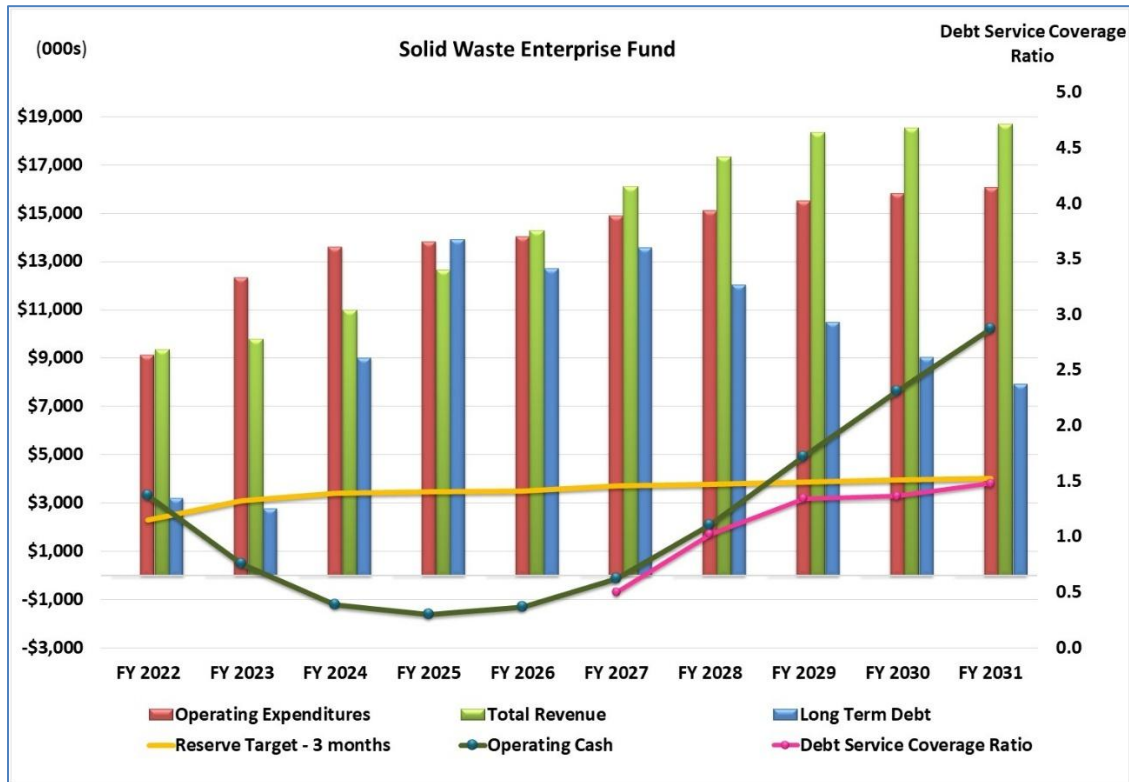


Chart 3 – Solid Waste Enterprise Fund – Moderate Restoration

Table 8 on the following page shows in bold the Scenario 2 rate adjustments for the most common levels of solid waste collection service. Table 8 again shows that the current monthly rate for a 65 gallon residential cart is \$48.89. This rate is currently approved to increase to \$56.22 per month effective July 1, 2026. The 8% and 7% sequential rate increases proposed under Scenario 2 would increase this rate to \$60.72 effective July 1, 2027, and \$64.97 effective July 1, 2028. Thereafter, rates are not proposed to be increased.

| Effective Date | July-23 | July-24 | July-25 | July-26 | July-27 | July-28 | July-29 |
|------------------------|----------|----------|----------|----------|-------------|-------------|-------------|
| Rates Effective During | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| 65 - Gallon | \$36.97 | \$42.51 | \$48.89 | \$56.22 | \$60.72 | \$64.97 | \$64.97 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 8.0% | 7.0% | 0.0% |
| 95 - Gallon | \$46.96 | \$54.01 | \$62.11 | \$71.43 | \$77.14 | \$82.54 | \$82.54 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 8.0% | 7.0% | 0.0% |
| 300 - Gallon | \$91.34 | \$105.04 | \$120.79 | \$138.91 | \$150.02 | \$160.52 | \$160.52 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 8.0% | 7.0% | 0.0% |
| 450 - Gallon | \$112.62 | \$129.51 | \$148.93 | \$171.27 | \$184.97 | \$197.92 | \$197.92 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 8.0% | 7.0% | 0.0% |

Table 8 – Proposed Rate Adjustments – Moderate Restoration

Scenario 3 – Gradual Recovery of Creditworthiness

Scenario 3 entails gradually restoring the creditworthiness of the Solid Waste Utility by continuing the 15% rate adjustment already planned for July 1, 2026, followed by three sequential annual rate adjustments of 5% each effective on July 1, 2027, 2028, and 2029.

Chart 4 on the following page shows the operating performance and cash balance of the Solid Waste Enterprise Fund under Scenario 3. Chart 4 shows that the actual cash balance would come close to the targeted amount, and the debt service coverage ratio would increase to approximately 1.0, by FY 2029. If the City were to implement a new rate adjustment of 8% effective July 1, 2027, followed by a rate adjustment of 7% on July 1, 2028, it could gradually restore the creditworthiness of the Solid Waste Utility.

Table 9 further below on the following page shows in bold the Scenario 3 rate adjustments for the most common levels of solid waste collection service. Table 9 again shows that the current monthly rate for a 65 gallon residential cart is \$48.89. This rate is currently approved to increase to \$56.22 per month effective July 1, 2026. The three annual 5% rate adjustments proposed under Scenario 3 would increase the rate to \$59.03, \$61.98, and \$65.08 effective July 1, 2027, 2028, and 2029. Thereafter, rates are not proposed to be increased.

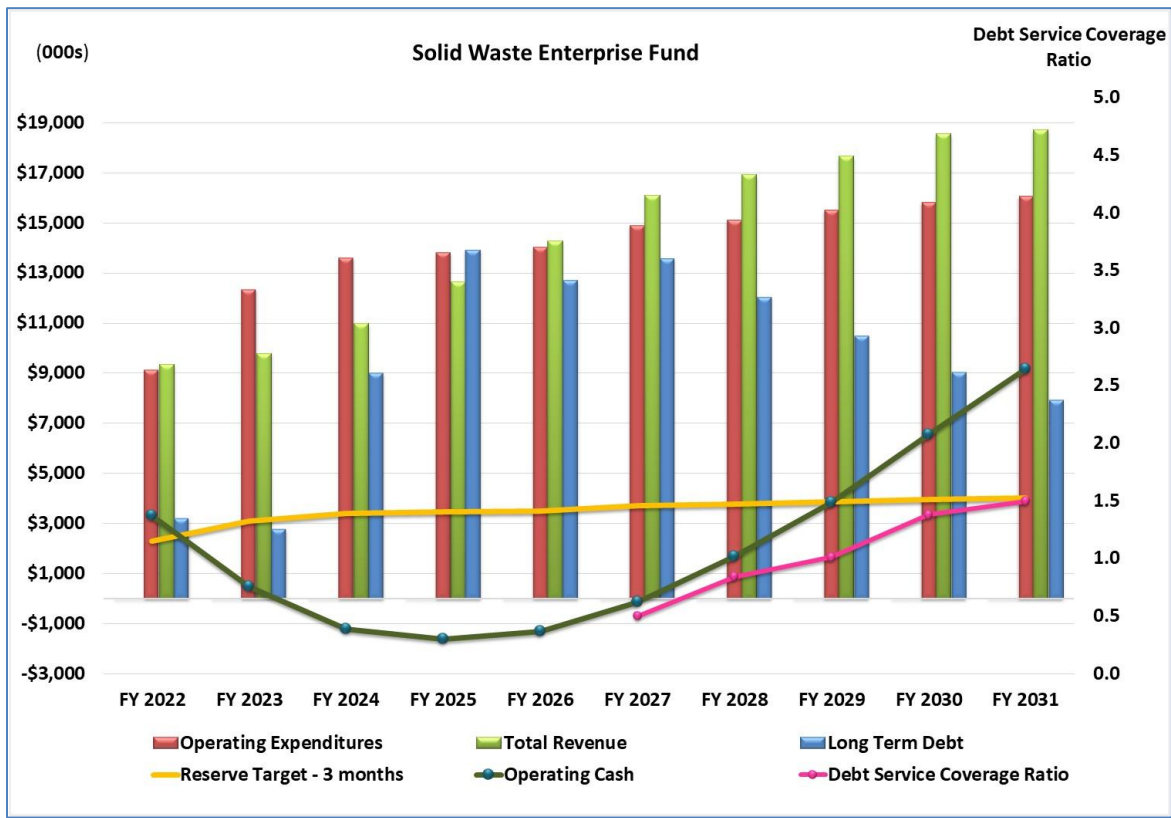


Chart 4 – Solid Waste Enterprise Fund – Gradual Restoration

| Effective Date | July-23 | July-24 | July-25 | July-26 | July-27 | July-28 | July-29 |
|------------------------|----------|----------|----------|----------|----------|----------|----------|
| Rates Effective During | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| 65 - Gallon | \$36.97 | \$42.51 | \$48.89 | \$56.22 | \$59.03 | \$61.98 | \$65.08 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 5.0% | 5.0% | 5.0% |
| 95 - Gallon | \$46.96 | \$54.01 | \$62.11 | \$71.43 | \$75.00 | \$78.75 | \$82.69 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 5.0% | 5.0% | 5.0% |
| 300 - Gallon | \$91.34 | \$105.04 | \$120.79 | \$138.91 | \$145.86 | \$153.15 | \$160.81 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 5.0% | 5.0% | 5.0% |
| 450 - Gallon | \$112.62 | \$129.51 | \$148.93 | \$171.27 | \$179.83 | \$188.82 | \$198.26 |
| Percent Increase | | 15.0% | 15.0% | 15.0% | 5.0% | 5.0% | 5.0% |

Table 9 – Proposed Rate Adjustments – Gradual Recovery

Lompoc’s Rates Compared to Rates in Other Cities

The charts below and on the following pages compare the current rates in Lompoc to similar rates in other cities. These comparisons show that even under the accelerated recovery scenario, Lompoc’s rates remain generally within the range of comparable jurisdictions.

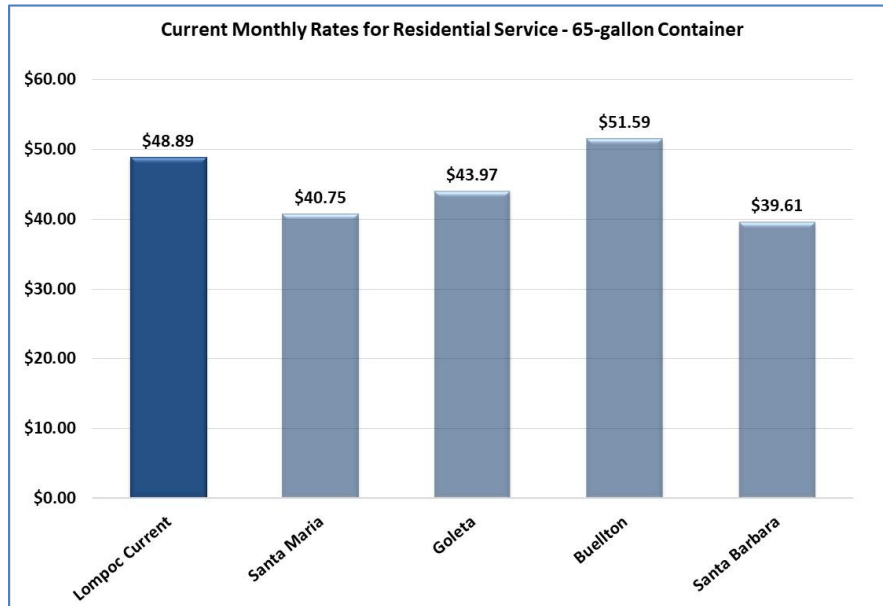


Chart 5 – Rate Comparison - Residential 65 Gallon Cart

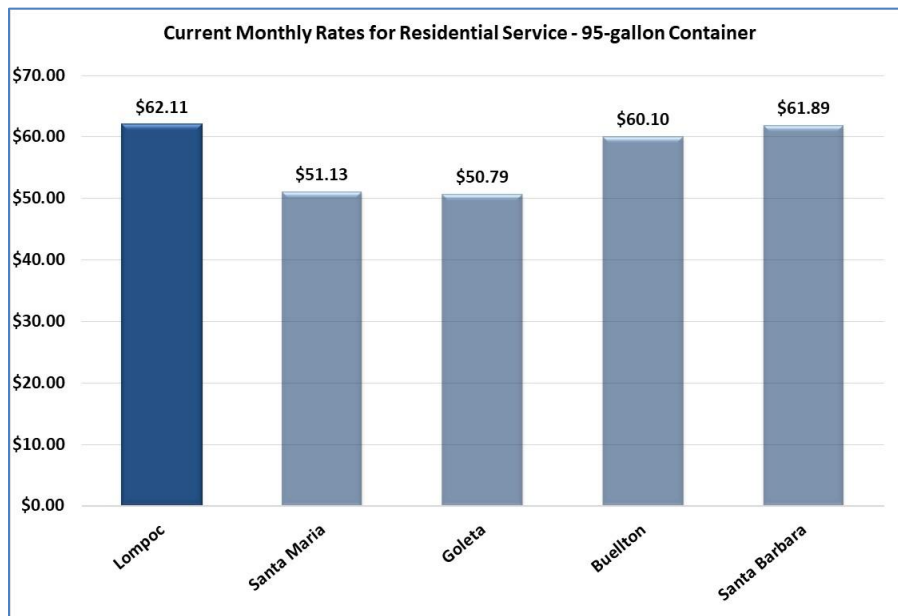


Chart 6 – Rate Comparison - Residential 95 Gallon Cart

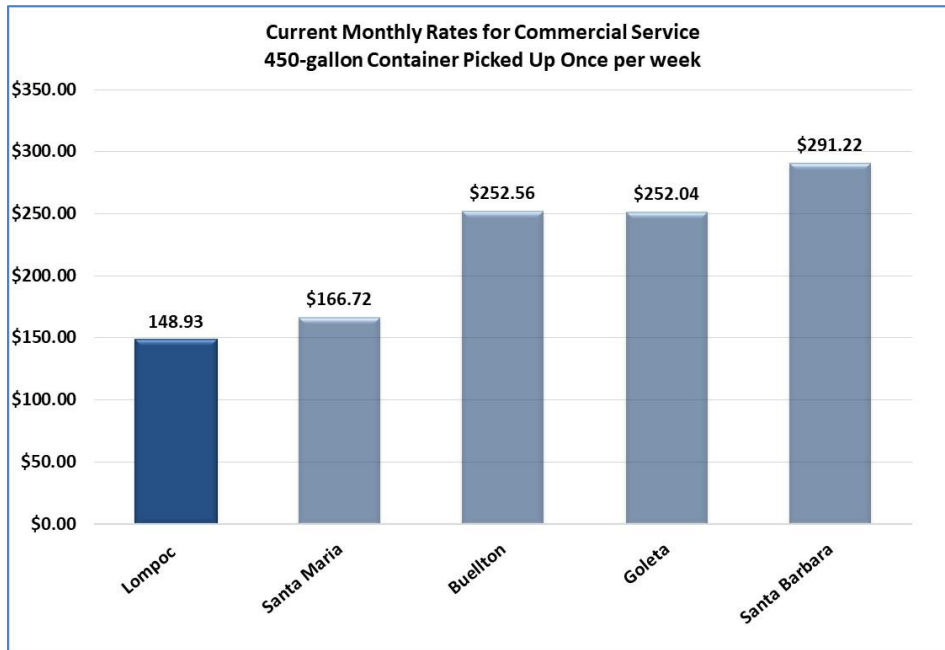


Chart 7 – Rate Comparison - Commercial 450 gal. and 2cy Bin Pick-up 1/week

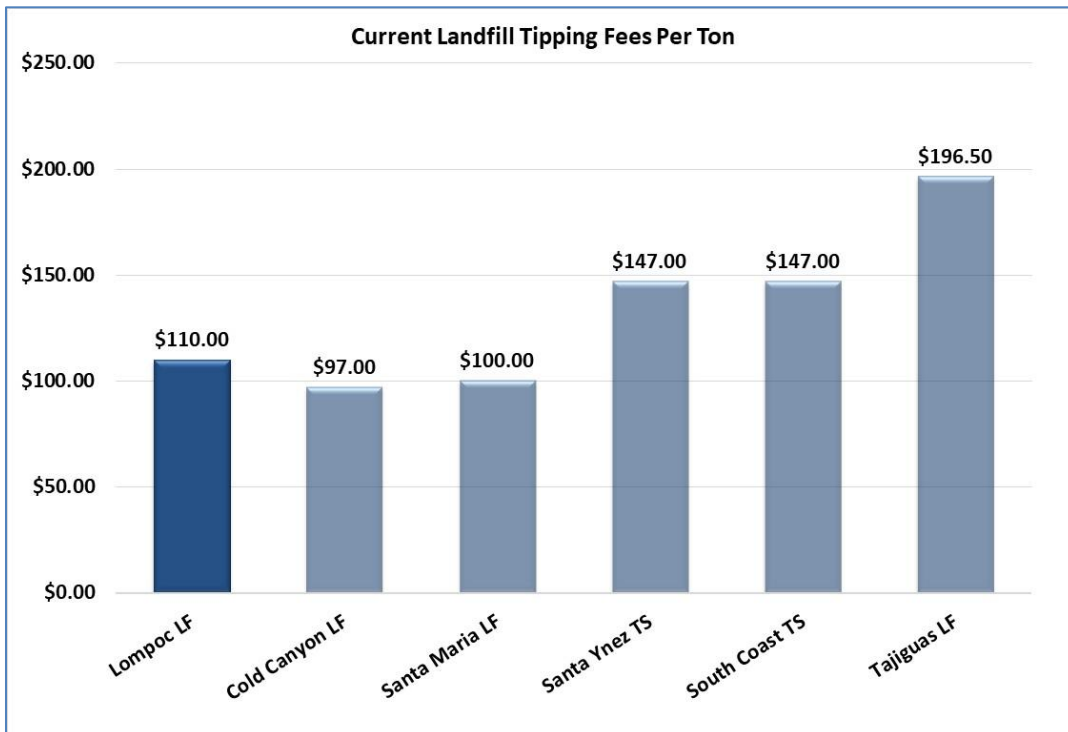


Chart 8 – Rate Comparison - Landfill – Weighed Tons

Proposition 218

The City's collection rates are subject to Proposition 218. When setting property-related user fees (such as Solid Waste collection rates), local jurisdictions must identify the nexus between the actual cost of service and the fees charged to customers. Because they are not 'property-related,' the City's tipping fees are not subject to Proposition 218.

To adjust rates subject to Proposition 218, the City is required to set a public 'majority protest' hearing, and provide all customers and property owners with 45 days prior notice of the proposed rates.² If a majority of parcels do not object to the proposed rates, then the City Council may adopt the proposed rates at the public hearing upon a majority vote. A parcel is considered to have filed a protest if any rate-paying tenant or the property owner from that parcel files a protest. Major components of the noticing process include:

- The requirement to notify all affected parties at least 45 days prior to holding a hearing at which the City Council could act on the proposed rate adjustments identified in the notice.
- At the public hearing, the City Council would be required to reject the rate adjustments if a majority of the affected parcels file written protests.
- Solid Waste collection rates must be set so that revenues do not exceed the funds required to provide the service, and the fee or charge imposed on any ratepayer must not exceed the proportional cost of the service.
- The City Council can approve a schedule of automatic rate adjustments for a period of up to five years.

Conclusion:

The Solid Waste Enterprise Fund is currently experiencing financial stress due to operating costs and capital expenditures that have exceeded the assumptions used in the City's 2023 Cost of Service Study. The City has an obligation to maintain the Solid Waste Utility as a financially self-supporting enterprise. Adequate cash reserves and sufficient debt service coverage are necessary to ensure operational stability, maintain essential infrastructure, and preserve the City's ability to finance major capital improvements, including repayment of funds borrowed from the Water Enterprise Fund for construction of the landfill stormwater drainage system.

Staff is seeking City Council direction on which rate recovery approach best balances financial stability, creditworthiness, and ratepayer impacts. Following City Council direction, staff will proceed with the Proposition 218 noticing process and return to the City Council for a public hearing and final consideration of the proposed rate adjustments.

² The Notice of Public Hearing is attached as Attachment 2.

February 3, 2026
Consideration of Solid Waste Rate Adjustments
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Respectfully submitted,

Christie Donnelly, Management Services Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Dean Albro, City Manager

Attachments: 1) Solid Waste Rate Study
2) Notice of Public Hearing