



Department: Utilities
Cost Center: 6107
For Agenda of: 4/1/2025
Placement: Consent
Estimated Time: N/A

FROM: Aaron Floyd, Utilities Director

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SUBJECT: SECOND READING OF ORDINANCE NO. 1744 (2025 SERIES) AND ORDINANCE NO. 1745 (2025 SERIES) RESTATING THE CITY'S EXISTING SOLID WASTE, RECYCLING, AND ORGANICS FRANCHISE AGREEMENTS WITH SAN LUIS GARBAGE COMPANY AND AMENDING SECTION 8.04.070 OF THE MUNICIPAL CO

RECOMMENDATION

1. Adopt Ordinance No. 1744 (2025 Series) entitled, "An Ordinance of the City Council of the City of San Luis Obispo, California, restating its existing franchise agreements with San Luis Garbage Company into one Discarded Materials Agreement"; and
2. Adopt Ordinance No. 1745 (2025 Series) entitled, "An Ordinance of the City Council of the City of San Luis Obispo, California, amending Section 8.04.070 (Use of Disposal Service Mandatory – Collection Charges) of the Municipal Code modifying the process of collecting delinquent solid waste collection and disposal accounts."

POLICY CONTEXT

Pursuant to Article X of the City Charter, prior to adopting the hauler franchise agreements, the City Council must first pass a Resolution declaring its intention to do so, stating the character of the franchise and the terms and conditions upon which it is proposed to be granted, hold a noticed Public Hearing at which the Ordinance restating the franchise agreements will be introduced, and conduct a second reading of the Ordinance. On [January 21, 2025](#), the City Council adopted Resolution No. 11539, declaring the City's intent to restate the existing franchise agreements, and at the public hearing held on March 18, 2025, Council approved the introduction of two Ordinances to restate the franchise agreements and amend Section 8.04.070 of the City's Municipal Code to enhance clarity on the delinquent solid waste collection fee process.

DISCUSSION

Discarded Materials Franchise Agreement

The proposed Ordinance approving the restated franchise agreement combines the City's three existing franchise agreements with San Luis Garbage Company for the collection, transportation, and disposal of solid waste, recycling, and organics into a new,

consolidated Discarded Materials Agreement (Agreement) that would merge all three services under a single contract with one expiration date. These agreements define service obligations, including collection schedules, landfill diversion goals, outreach responsibilities, and regulatory compliance.

The new Agreement aims to enhance service delivery and customer satisfaction by incorporating community feedback gathered through ongoing engagement with residents and businesses. Key improvements include formalizing service enhancements such as a low-income Customer Assistance Program, no cost bulky/large item collection, residential container replacements, and no cost in-tact holiday tree collection. Additionally, the new agreement introduces a rate setting methodology to develop future rates that prioritizes rate stability, predictability, fairness, transparency, ease of administration, cost-effectiveness, compliance with the noticing requirements of Proposition 218, and is consistent with standard practices within the solid waste industry. By consolidating agreements and implementing these enhancements, the City seeks to maintain high-quality waste collection and disposal services while streamlining oversight and ensuring long-term sustainability.

Delinquent Solid Waste Collection Account Process

The new Agreement also includes provisions modifying the procedure for collecting delinquent solid waste accounts, reducing the frequency at which the City Council must hold a Public Hearing to consider a resolution directing the San Luis Obispo County Auditor to place the amounts due as liens against the properties. As a result, an amendment to the City's Municipal Code is required as outlined in Attachment B, which changes the frequency of the hearings to as often as agreed upon by the garbage company and the City and includes the statutory requirements to offer greater clarity on the requirements of the process. The proposed franchise agreement further clarifies that the process may occur every five years or when total delinquent amounts equal \$50,000, whichever occurs first.

Previous Council or Advisory Body Action

On [January 21, 2025](#), as part of the presentation to Council on the Resolution of Intent to restate the franchise agreements, staff notified Council of staff's intent to propose amendments to Section 8.04.070 of the Municipal Code to reduce the frequency of collecting delinquent solid waste accounts. On that date, Council adopted Resolution [No. 11539](#) declaring its intention to restate the existing hauler franchise agreements and set a noticed Public Hearing to introduce the Ordinance and consider rate adjustments following compliance with Proposition 218 noticing and protest procedures. On March 18, 2025, Council approved the introduction of two Ordinances to 1) restate the franchise agreements and 2) amend Section 8.04.070 of the City's Municipal Code to enhance clarity on the delinquent solid waste collection fee process.

Public Engagement

Staff gathered feedback from community members to identify which service enhancements are most impactful and which priorities should be negotiated into the restated Agreement through customer complaints and while attending local community events such as Farmers Market and Earth Day.

Staff shared the negotiated proposed service enhancements to customers via Farmers Market, an informational session for all customers to ask questions, an emailed news release, Frequently Asked Questions on the City's [website](#), and a notice of the Public Hearing in the local newspaper.

CONCURRENCE

The City Attorney's Office has reviewed and approved the draft restated Agreement and the proposed changes to the Municipal Code as to form. The main principles contained in the proposed restated Agreement were negotiated with San Luis Garbage Company and input on the rate setting methodology was gathered from ten local agencies, including the Cities of San Luis Obispo, Arroyo Grande, Pismo Beach, Grover Beach, and the Los Osos, Avila Beach, Cayucos, Oceano, Cambria, and Nipomo Community Services Districts, who have an exclusive franchise agreement with Waste Connections.

ENVIRONMENTAL REVIEW

Restating the Agreement and the proposed municipal code revision is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Sections 15308 (Actions by Regulatory Agencies for Protection of the Environment) and 15061(b)(3) (common sense exemption). The collection and disposal of solid waste is an essential service for public health, safety, and welfare. The Agreement with San Luis Garbage Company includes mandates for compliance with state law for the disposal of multiple waste streams in a manner that ensures the protection of the environment. In addition to the protection of the environment, it can be seen with certainty that there is no possibility that the restatement of the franchise agreement will have a significant effect on the environment; therefore, the actions would meet the standard for the "common sense exemption". Following Council's final action at the subsequent Public Hearing, which would include a CEQA determination, City staff will file a Notice of Exemption.

Similarly, adoption of the ordinance to amend Section 8.04.070 of the municipal code is exempt from CEQA because such action creates no potential for causing significant effects on the environment (Section 15061(b)(3) (common sense exemption).)

FISCAL IMPACT

Budgeted: N/A

Budget Year: N/A

Funding Identified: N/A

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$	\$	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$	\$	\$	\$

There is no direct fiscal impact to the City from the recommendation to amend section 8.04.070 of the City's Municipal Code or to restate the Agreement. However, the new rate setting methodology listed as Exhibit A in the Agreement was used to develop the 2025 solid waste rates and will be used for future rate setting, which will impact the City as a commercial customer and will provide additional franchise fee revenue to the City.

ALTERNATIVES

1. ***Council could decide not to adopt an Ordinance restating the franchise agreements with San Luis Garbage Company and direct staff to open a competitive bidding process for only the solid waste and recycling franchise agreements.*** The City could conduct a competitive procurement process for solid waste and recycling services only at this time as the organics agreement does not expire until 2038. Doing so would potentially mean facilitating operations of two or more haulers in the community with different routing operations, outreach and education, customer services, customer rates, and billing. Additionally, San Luis Garbage Company continues to be a key partner within the City, abides by the performance metrics listed within their agreement, and continues to provide collection and disposal service at a competitive rate. Pursuant to [Public Resources Code Section 40059](#), the City may elect to not go through a competitive bidding process to determine the franchised hauler for solid waste handling services.
2. ***Council could decide not to adopt an Ordinance amending section 8.04.070 of the City's Municipal Code offering clarity with state law and reducing the frequency that delinquent solid waste accounts are collected.*** If Council decides not to amend the Municipal Code changing the frequency of collecting solid waste accounts, then the current process listed in the Municipal Code would continue, which outlines an annual Public Hearing process to consider adopting a resolution directing the San Luis Obispo County Auditor to place the amounts due for delinquent solid waste accounts more than 120 days past due as liens against the properties. Additionally, the proposed negotiated Agreement would need to be amended to remove the provision reducing the frequency of the process to every five years or when the total amount of delinquent accounts reaches \$50,000, whichever comes first.

3. ***Council could decide to make substantive changes or amendments to either introduced Ordinance.***

If Council decides to make substantive changes or amendments to the introduced Ordinances, the Ordinance will not go into effect and staff would come back to Council at a later date to re-introduce the Ordinance with the incorporated changes and hold a second reading of the Ordinance if approved at the introduction.

ATTACHMENTS

A - Ordinance No. 1744 (2025 Series) (restating existing franchise agreements)

B - Ordinance No. 1745 (2025 Series) (amending Section 8.04.070 of the Municipal Code)