

TO: FINANCE AND AUDIT COMMITTEE

FROM: RAY DIENZO, P.E. *RWD*
GENERAL MANAGER

AGENDA ITEM

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APRIL 16, 2026

DATE: APRIL 13, 2026

REVIEW ALTERNATIVE USES FOR SOLID WASTE FRANCHISE FEES

ITEM

Review alternative uses for solid waste franchise fees [RECEIVE REPORT AND MAKE RECOMMENDATIONS]

BACKGROUND

South County Sanitary Services ("SCSS") provides solid waste collection services to homes throughout southern San Luis Obispo County. SCSS provides these services to Nipomo Community Services District ("District") customers under a franchise agreement with the District.

Under the active Franchise Agreement ("Agreement"), the District is required to administer the annual lien process for the collection of delinquent solid waste payments and administer Proposition 218 Rate proceedings that are required to adopt solid waste rate increases. The District charges the solid waste fund 10% against annual franchise income for administering the solid waste franchise.

The Solid Waste Fund #300, as identified in the District Annual Budget, is funded solely from the franchise fee it collects from SCSS. The fees are to cover solid waste activities such as Nipomo Clean Streets, garbage collection in the downtown area, and for SCSS to respond to and remove illegally dumped materials in the public road right-of-ways within the District's service boundaries. The District's most recent Cash Reserve Policy ("Policy") is found in Resolution No. 2023-1655.[Attachment A] The Policy identifies the Targeted Criteria for the Solid Waste Fund to be minimum of \$150,000.

DISTRICT RESOLUTION 2018-1492

The District's Board of Directors ("Board") passed Resolution 2018-1492 ("Resolution"), [Attachment B] governing the use of solid waste franchise fees. The Resolution directed staff as follows:

4. If, during the annual review of the Solid Waste Fund #300 reserve level, it is anticipated that the reserve level balance will exceed \$300,000 or twice the reserve level set in NCSD's Cash Reserve Policy by the end of the current fiscal year, then staff will recommend to the Board of Directors that a rate holiday be included in the next fiscal year budget.

In October 2023 and October 2025, the District accumulated reserves that exceeded this threshold and approved a rate holiday for December and January of the following years. The District used franchise fees to pay for its customers' solid waste fees. At the most recent rate holiday approval, the Board also directed staff to explore alternative ways to use the franchise fees, including increasing services or reducing rates for customers.

Staff conferred with SCSS staff to generate some alternatives that are consistent with both NCSD Policies and the SCSS franchise agreements. Those alternatives are outlined below.

- Update the bulk pick-up voucher to allow two free items per same-day pick-up. This means customers can have up to four free items picked up per year, spread across two pickups.
- The new rate manual requires a potential rate review every five years (next in 2030). Given changing regulations and operational costs, rates are likely to increase. The district could consider setting aside funds to cover future increases, so customers are not impacted. This approach could also be paired with a reduction in franchise fees at that time.
- Each year, there is a CPI adjustment. The district could cover this adjustment instead of passing it on to customers.
- The new rate manual allows for one free cart exchange per year. We could consider offering the replacement of all three carts once a year instead.
- The clean up week idea can also be revisited and staff can explain the pros and cons of what has happened in the past.

Staff recommends that the Committee review these alternatives, present other alternatives during discussion, and direct staff on future actions. When direction is given, staff will quantify the values of the recommended options.

FINANCIAL IMPACT

There is no fiscal impact

RECOMMENDATION

It is recommended that the Committee review the alternatives and make recommendations.

ATTACHMENTS - NONE