

CITY OF CHICO

Internal Affairs Committee Agenda

Regular Meeting

Monday, August 17, 2026

1:00 p.m. to 3:00 p.m.

Meeting Location: Municipal Center, Third Floor Lobby, 411 Main St. Chico, CA

A Committee of the Chico City Council: Councilmember Winslow, Vice Mayor Bennett, and Chair O'Brien

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REGULAR AGENDA

A. SOLID WASTE FRANCHISE AGREEMENT DISCUSSION

At its meeting of 7/14/26 the City Council voted (5-1-1, Hawley no, van Overbeek absent) to refer the three options provided by staff regarding solid waste franchise agreements, and to explore any issues with current haulers to the Internal Affairs Committee for further discussion.

RECOMMENDATION:

Gather input from the public, discuss possible options, and provide recommendations to the Council.

B. ADJOURNMENT AND NEXT MEETING

The meeting will adjourn to the next regular Internal Affairs Committee meeting scheduled for Monday, September 14, 2026 at 1:00 p.m.

SPEAKER ANNOUNCEMENT

NOTE: Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda. In order to maintain an accurate and complete record, the following procedural guidelines are being implemented:

1. Speaker Cards – speakers will be asked to print his/her name on a speaker card to address the Committee and provide card to the Clerk prior to the completion of the Staff Report.
2. The Clerk will call on speakers in the order the cards are received.
3. Speakers may address the Committee one time per agenda item.
4. Speakers will have three minutes to address the Committee.



City Council	
TO:	FROM: Skyler Lipski, Public Works Director - Operations & Maintenance
RE:	SOLID WASTE FRANCHISE AGREEMENT DIRECTION

REPORT IN BRIEF:

The City's current exclusive residential and commercial solid waste franchise agreements with Waste Management and Recology terminate on June 30, 2029. Pursuant to the franchise agreements, each franchisee may request up to two additional five-year extensions subject to City Council approval.

Due to the long lead time required to negotiate, procure, transition, or restructure solid waste collection services, staff is seeking City Council direction regarding the preferred future structure for solid waste collection services within the City of Chicago.

Council may direct staff to pursue one of the following options:

1. Negotiate five-year franchise extensions with the existing haulers;
2. Initiate a competitive Request for Proposals/Qualifications (RFP/RFQ) process for future franchise agreements; or
3. Transition toward an open market system without exclusive franchise agreements.

No final contract action is requested at this time. Any proposed franchise extension, amended agreement, new procurement, or open market regulatory framework would return to Council for further consideration and approval.

RECOMMENDATION:

Provide policy direction to staff regarding the City's preferred solid waste collection structure and authorize staff to proceed accordingly.

FISCAL IMPACT: Budgeted: N/A

Supplemental Required: N/A

Depending on Council direction, future costs may include staff time, City Attorney review, consultant assistance, rate analysis, procurement support, public outreach, contract compliance review, and transition planning.

See the *fiscal impact* section included for each option below.

DISCUSSION:

The City currently maintains exclusive franchise agreements for residential and commercial solid waste, recycling, and organics collection services with Waste Management and Recology. The agreements were established in 2017 to provide coordinated collection services, stable customer rate structures, customer service standards, environmental compliance oversight, diversion reporting, and operational accountability.

Since the agreements were executed, State solid waste regulations have continued to evolve, particularly with respect to SB 1383 organics requirements, contamination monitoring, recycling and diversion reporting, and organics processing. These requirements have increased the importance of reliable reporting, clear performance standards, processing capacity, and enforceable accountability measures.

The current agreements expire on June 30, 2029. Each franchisee may request up to two five-year extensions. The City is not required to approve any extension. If the City considers extensions, staff believes they should be tied to updated agreement terms addressing current regulatory, operational, customer service, reporting, rate, and accountability needs.

Council has three primary options:

Option 1 — Negotiate Five-Year Extensions with Existing Haulers

This option would maintain the current exclusive franchise structure while allowing the City to negotiate updates to the existing agreements before any extension is brought back to Council.

Pros:

- Maintains operational continuity and service stability.
- Avoids disruption to residents and businesses.
- Preserves existing collection infrastructure and routing efficiencies.
- Reduces administrative burden and procurement costs associated with an RFP process.
- Maintains existing SB 1383 implementation structure and reporting systems.
- Allows the City to negotiate targeted operational improvements and updated performance requirements.

Cons:

- Limits competitive market testing of pricing and service models.
- Reduces opportunity for new vendors or alternative technologies.
- Existing operational concerns and contractor performance issues could continue unless specifically addressed through amended terms.
- Public perception concerns may arise regarding extension without competitive solicitation.

Operational Considerations:

During recent contractor performance reviews and operational discussions, staff identified instances where reported operational conditions and field observations were not always fully aligned. While many of these matters were resolved through ongoing coordination between City staff and the contractor, they underscore the importance of clear reporting, operational transparency, performance verification, and accountability measures in the administration of future franchise agreements.

Diversion performance and processing compliance remain important long-term considerations. Recent reviews identified concerns regarding achievement of certain diversion and material recovery objectives, as well as inconsistencies between reported conditions and field observations. These issues warrant further evaluation of processing capacity, diversion infrastructure, reporting standards, contamination monitoring, and performance accountability before entering into additional long-term franchise extensions.

The City's residential organics collection program remains constrained by the absence of a local mixed-organics transfer and processing facility available to Waste Management. Although Waste Management has identified construction of a future transfer facility as a potential long-term solution, the City has not been provided with a defined project scope, implementation schedule, capital cost estimate, or projected customer rate impacts.

As a result, additional infrastructure investments and associated operational costs may be required if the City extends the existing franchise structure. Staff anticipates that any future transfer, processing, or mixed-organics handling solution would likely result in additional rate increases beyond the routine annual CPI-based franchise adjustments.

By comparison, some regional solid waste providers currently operate mixed-organics transfer and processing infrastructure capable of supporting residential organics compliance requirements.

Should the Council pursue an extension, staff recommends that negotiations include (at a minimum):

- Strengthened reporting requirements
- Enhanced operational auditing authority
- Updated environmental compliance provisions
- Improved customer service performance metrics
- Clearer enforcement mechanisms
- Periodic performance review benchmarks
- Infrastructure readiness to meet regulations
- Enhanced operational transparency and field verification standards

Fiscal Impact:

Minimal near-term City administrative costs would be associated with extending the existing franchise agreements. Existing franchise fee revenues and annual rate adjustment methodologies would remain in place unless renegotiated.

However, unresolved mixed-organics transfer/processing infrastructure needs, future compliance-related operational requirements, and potential capital investment associated with future processing solutions may result in additional customer rate increases beyond the routine CPI-based franchise adjustments currently contemplated under the agreements.

Option 2 — Initiate a Competitive RFP/RFQ Process

Council could direct staff to initiate a formal procurement process for future solid waste collection franchise agreements.

Pros:

- Provides the City an opportunity to competitively evaluate future rates, service models, operational capabilities, and infrastructure readiness.
- Allows modernization of franchise agreement provisions to address evolving State mandates, SB 1383 compliance requirements, environmental standards, and customer service expectations.
- Enables the City to assess regional processing and mixed-organics infrastructure capabilities before committing to long-term franchise extensions.
- Creates an opportunity to strengthen accountability, transparency, reporting, and operational performance standards.
- Allows evaluation of alternative technologies, collection methodologies, and diversion strategies.
- Positions the City to proactively address future compliance and infrastructure challenges prior to expiration of the current agreements.
- Demonstrates procurement transparency and good governance practices through a competitive public process.

Cons:

- Significant staff time and administrative effort would be required over multiple years.
- Procurement development, negotiations, and transition planning could impact staff capacity for other Public Works operational priorities.
- Transition planning would be required if new haulers are ultimately selected.
- Future rates would depend on market conditions, infrastructure requirements, and negotiated service levels.
- A vendor other than WM or Recology would require a year or more to establish a local presence, equipment and infrastructure to service the area.

Operational Considerations:

Staff believes there is sufficient time to complete a comprehensive RFP/RFQ process before the current franchise agreements expire, provided the process is initiated during FY 2026-27. A competitive procurement process would allow the City to evaluate available regional infrastructure, permitted processing capacity, compliance pathways, service models, operational performance, customer service standards, diversion strategies, contamination reduction programs, technology options, and future cost implications before entering into new long-term franchise agreements.

The process would also provide an opportunity to assess alternative franchise structures, service area configurations, and measurable accountability standards across multiple service providers. Initiating procurement before expiration of the current agreements would preserve adequate time to evaluate options, negotiate updated terms, address infrastructure and compliance needs, and implement any necessary transition in an orderly manner. Delaying direction could significantly compress procurement, negotiation, and transition timelines.

Although both current contractors have recently implemented operational adjustments and corrective efforts during the review process, staff believes further evaluation of long-term accountability, reporting reliability, and performance verification mechanisms remains warranted. Initiating an RFP/RFQ process would not preclude the current franchisees from participating in or being considered for future franchise agreements.

Fiscal Impact:

Initiating a competitive RFP/RFQ process would result in near-term City costs for procurement development, consultant support, legal review, proposal evaluation, negotiations, and potential transition planning. These costs would likely occur over multiple fiscal years and require staff time from Public Works and other supporting departments.

Future customer rate impacts cannot be determined until proposals are received and franchise terms are negotiated. A competitive process would allow the City to evaluate market-based pricing, compare service models and cost structures, and assess the fiscal implications of infrastructure, processing, regulatory compliance, and performance requirements.

Although competitive procurement may provide an opportunity for more favorable pricing or improved long-term cost controls, future rates would depend on market conditions, labor and equipment costs, processing and disposal costs, compliance obligations, and the final scope of services approved by the City Council. Any resulting franchise agreements would return to the City Council for consideration, including review of customer rate impacts and any related City fiscal obligations.

Option 3 — Evaluate an Open Market (Eliminate Franchise Agreement)

Council could discontinue exclusive franchise agreements and allow multiple haulers to operate independently within the City subject to applicable municipal regulations.

Pros:

- Creates direct market competition among haulers.
- Potentially increases customer choice and service flexibility.
- Reduces the City's direct role in rate-setting and franchise administration.

Cons:

- Significant reduction in City operational oversight and control.
- Increased truck traffic, roadway impacts, noise, and emissions from overlapping service routes.
- Reduced routing efficiency; impacts on other City services like Street Sweeping.
- More difficult enforcement of SB 1383 and State recycling mandates, high potential for citation/violation of State regulations.
- Potential customer confusion regarding service standards and billing.
- Likely eliminate franchise fee revenues.
- Increased complexity in contamination monitoring and reporting compliance.
- Higher likelihood of inconsistent service levels among providers.
- Potential legal and regulatory complications associated with transitioning from an exclusive franchise structure.

Operational Considerations:

Most California jurisdictions subject to SB 1383 have continued utilizing exclusive or partially exclusive franchise structures due to the significant compliance, reporting, contamination monitoring, and enforcement obligations imposed by State law.

An open market structure may significantly reduce the City's ability to uniformly enforce contamination standards, diversion requirements, route efficiency, and SB 1383 compliance obligations across multiple independent service providers.

An open market structure would require substantial revisions to the City's municipal code, permitting processes, enforcement structure, and operational oversight procedures.

Fiscal Impact:

Returning to an open market, non-exclusive hauling structure would likely eliminate franchise fee revenues currently received by the City, depending on the regulatory and permitting framework adopted. Any revenue reduction could affect funding available for solid waste program administration, compliance monitoring, public outreach, and related municipal services.

While an open market system may reduce the City's direct role in rate-setting and exclusive franchise administration, it would likely increase costs for permitting, hauler oversight, complaint response, contamination monitoring, SB 1383 compliance verification, reporting, enforcement, and customer service coordination across multiple providers. The City would also have reduced ability to coordinate collection routes and service days with municipal operations such as street sweeping, roadway maintenance, and other right-of-way activities, which could create additional operational inefficiencies and administrative costs. Additional staffing, consultant support, legal review, or code enforcement resources may be required.

Future customer costs are uncertain and would depend on market participation, individual hauler pricing, service levels, route density, processing arrangements, and compliance obligations. Although direct competition may provide pricing flexibility for some customers, reduced route efficiency, overlapping routes, loss of route coordination, increased compliance complexity, and the absence of uniform rate-setting may result in inequitable pricing among customers and additional systemwide costs.

Quick Reference Summary Table of Options and Advantages/Considerations:

Option	Pros	Cons
Option 1: Negotiate Five-Year Extensions with Existing Haulers	Maintains service continuity and avoids disruption to residents and businesses. Preserves existing routes, infrastructure, customer service systems, and SB 1383 reporting structure. Reduces near-term administrative burden, procurement costs, and transition risk. Allows the City to negotiate targeted updates to reporting, performance standards, customer service, enforcement, and accountability requirements.	Does not test the market for pricing, service models, infrastructure, or alternative providers. May limit opportunities for new technologies or different service approaches. Existing performance, reporting, diversion, customer service, or processing concerns could continue unless corrected through amended terms. May raise public perception concerns because extensions would occur without a competitive solicitation.
Option 2: Initiate a Competitive RFP/RFQ Process	Allows the City to competitively evaluate rates, service models, infrastructure readiness, diversion strategies, and operational capabilities. Provides an opportunity to modernize franchise agreements for SB 1383, reporting, accountability, customer service, and enforcement needs. Enables evaluation of regional processing capacity and mixed-organics solutions before committing to long-term agreements. Demonstrates transparency and good governance through a public competitive process. Current haulers could still participate.	Requires significant staff time, legal review, consultant support, proposal evaluation, negotiations, and transition planning. Could affect staff capacity for other Public Works priorities. If a new hauler is selected, service transition would need to be carefully managed. Future customer rates are unknown and would depend on market conditions, infrastructure needs, service levels, and negotiated terms. A vendor other than WM or Recology would require a year or more to establish a local presence, equipment and infrastructure to service the area.
Option 3: Transition to an Open Market System	Creates direct competition among haulers. May increase customer choice and service flexibility. Reduces the City's direct role in rate-setting and exclusive franchise administration.	Significantly reduces City oversight and control. Could increase truck traffic, roadway impacts, noise, emissions, and route overlap. Makes SB 1383 compliance, contamination monitoring, diversion reporting, and enforcement more difficult. Could create customer confusion, inconsistent service levels, and inequitable pricing. Would likely reduce or eliminate franchise fee revenues while increasing City costs for permitting, monitoring, enforcement, complaint response, legal review, and code updates.

ATTACHMENTS:

1. (Via Link) [8/15/17 City Council Agenda Report – Solid Waste Franchise Adoption Ordinances and Agreements](#),
2. Current Franchise Agreements Overview
3. Contractor Performance Review Summary
4. Existing Franchise Agreement Extension Provisions

ATTACHMENT 2: CURRENT FRANCHISE AGREEMENTS OVERVIEW

Current Franchisees:

- Waste Management
- Recology Butte Colusa Counties

Agreement Structure: The City currently operates under exclusive franchise agreements for residential and commercial:

- Solid waste collection
- Recycling collection
- Organics collection
- Additional collection services

Current Agreement Term:

- Expiration Date: June 30, 2029
- Two optional five-year extensions available subject to City Council approval.

Key Agreement Components:

- Exclusive service territories
- Maximum rate structures
- Annual CPI-based rate adjustment methodologies
- Franchise fee requirements
- Customer service standards
- Reporting and recordkeeping requirements
- Diversion and recycling obligations
- SB 1383 compliance responsibilities
- Operational performance standards
- Insurance and indemnification requirements

Current Operational Structure:

Residential Services:

- Waste Management provides residential collection services.
- Services include garbage, recycling, organics, bulky waste, and additional collection programs.

Commercial Services:

- Recology and Waste Management provide commercial collection services within designated service areas.
- Services include garbage, recycling, organics, and debris box collection.

ATTACHMENT 3: CONTRACTOR PERFORMANCE REVIEW SUMMARY

The City continues to work collaboratively with both franchise haulers regarding ongoing operational, compliance, and customer service matters. Recent staff reviews and operational discussions identified several areas warranting continued evaluation as part of future franchise planning discussions.

Operational Accountability and Reporting:

Staff identified instances where contractor representations did not fully align with field observations, operational conditions, or ongoing site activities observed by City staff. While staff continues to work collaboratively with the franchise haulers regarding operational and compliance matters, these situations raised ongoing concerns on reporting transparency, operational documentation, responsiveness verification procedures, and overall contract administration.

Customer Service and Public Complaints:

Staff continues to receive community complaints related to customer service responsiveness, call center performance, issue resolution timelines, and communication consistency. These concerns have included delayed response times, customer difficulty reaching service representatives, and inconsistencies between customer communications and field operations. Staff believes future franchise planning should include evaluation of customer service performance standards, local responsiveness expectations, and measurable accountability metrics.

Diversion and Processing Performance:

Staff identified ongoing operational considerations related to diversion performance expectations, contamination monitoring, processing system capabilities, and long-term organics compliance infrastructure planning.

Mixed Organics Infrastructure:

The City's current residential organics collection system remains constrained by the lack of an identified long-term mixed-organics transfer and processing solution available within the existing system structure. Future infrastructure development or processing solutions may be necessary to support long-term compliance obligations and operational continuity.

Future Infrastructure and Cost Considerations:

Staff anticipates that future processing infrastructure investments, transfer capacity improvements, or operational modifications associated with evolving State mandates may result in future customer rate impacts beyond standard annual CPI-based adjustments.

Environmental and Regulatory Coordination:

Staff continues coordinating with franchisees and regulatory agencies regarding processing operations, site activities, contamination reduction, diversion reporting, and operational compliance matters.

Post-Review Recommendation:

Staff believes future franchise planning should include evaluation of operational performance standards, infrastructure readiness, reporting transparency, measurable accountability metrics, diversion system capabilities, contamination reduction strategies, and long-term compliance planning prior to entering into additional long-term franchise commitments.

ATTACHMENT 4: EXISTING FRANCHISE AGREEMENT EXTENSION PROVISIONS

The City's current residential and commercial solid waste franchise agreements include provisions allowing for optional agreement extensions subject to City Council approval.

Extension Structure:

- Each franchisee may request up to two additional five-year extensions.
- Extensions are not automatic and require City Council approval.
- Extension requests are subject to review of franchise performance, operational compliance, and overall public interest considerations.

Council Authority: City Council retains discretion to approve or deny extension requests, negotiate revised terms and conditions, amend operational requirements, update reporting standards, revise performance expectations, and establish additional accountability provisions as part of any extension approval process.

Potential Areas for Future Negotiation: Should Council pursue franchise extensions, staff recommends consideration of updated provisions related to: SB 1383 compliance obligations, contamination monitoring and reporting, operational auditing authority, diversion performance standards, customer service metrics, environmental compliance provisions, infrastructure and processing capability requirements, reporting transparency, enforcement mechanisms, and future organics processing system needs.

Alternative Procurement Authority: The franchise agreements do not obligate the City to approve extensions. Council may alternatively:

- Direct staff to pursue a competitive RFP/RFQ process for future franchise agreements, or
- Evaluate alternative collection system structures, including non-exclusive market approaches, subject to applicable State law and municipal code requirements.

Long-Term Planning Considerations: Future Council decisions regarding franchise extensions should consider evolving State regulatory requirements, long-term infrastructure readiness, diversion and organics processing capabilities, operational performance history, customer service expectations, fiscal impacts, and overall long-term system sustainability.