



Date: November 10, 2025

Honorable Mayor and Council Members:

Author and title: Melanie Grebitus, Sustainability Program Analyst II

Title: **Special Circumstances Rate Adjustment for Commercial Recycling**

Jen Callaway, Town Manager

Recommended Action:

1. Approve a special circumstances commercial solid waste rate adjustment of 2.11%, effective April 1, 2026, which is expected to be reduced to a net rate impact of less than 0.5% once cost offsets are adopted in the FY 2026/27 budget, to add twice-a-week commercial recycling service as an option for commercial customers.
2. Authorize the Town Manager to execute a letter agreement with Tahoe Truckee Sierra Disposal to utilize \$24,193 from the Solid Waste Fund reserves to cover the FY 2025/26 costs of the proposed commercial rate increase, fully subsidizing increased costs through June 30, 2026.

Discussion:

Executive Summary

At the June 10, 2025, Town Council meeting Council directed staff to evaluate a special circumstance rate adjustment for increased commercial recycling service and return with a proposal for consideration. Since that time, staff have received and evaluated a proposal from Tahoe Truckee Sierra Disposal (TTSD) to expand commercial recycling service. Staff recommend increasing commercial recycling collection services offered by TTSD from once per week to twice per week beginning April 1, 2026, requiring a special circumstance rate adjustment to cover the additional cost for new services. These increased services would support businesses in meeting state-mandated recycling requirements and reduce the need for some larger new developments to store unreasonably large numbers of recycling carts. As proposed, commercial recycling services, including the optional second day of collection, would continue to be offered to businesses with no direct cost associated with opting into the service, up to the level of their trash service. The cost for providing a second day of service will increase total commercial collection program costs by 2.11%. Staff recommend using Solid Waste Fund reserves to fully subsidize the cost of the first quarter of the increased service for FY 2025/26, from April 1 through June 30, 2026, to eliminate any cost impacts to commercial customers in the current fiscal year. Proposed cost offsets beginning in FY 2026/27 would bring the net impact to all commercial customers to less than 0.5% rate increase beginning July 1, 2026.

Background

Town of Truckee Municipal Code and state regulations require businesses and multi-family properties to divert recyclable materials from landfill by subscribing to hauler-provided recycling service or self-hauling recyclables to a recycling processing facility. Currently, TTSD's commercial mixed recycling collection service is limited to 64- or 96-gallon carts that are serviced once per week. The limitations on container sizes and service frequency have created challenges for businesses to divert all recyclables from landfill, primarily due to the space constraints needed to store the required number of recycling carts. While these

constraints impact many existing businesses, it is especially challenging for larger new developments currently in the planning phase, that, with one day per week recycling service, would be required to build trash enclosures large enough for upwards of 20-30 recycle carts in order to comply with Development Code recycling requirements. When businesses cannot reasonably accommodate enough recycling carts to divert their full weekly generation of recyclables, these materials end up in trash containers, which can be serviced up to five times per week. Increasing recycling service to twice weekly would not only assist businesses in complying with state and Town requirements, but could potentially result in cost savings to businesses that are able to reduce their level of trash service as a result, since recycling service is provided free of charge up to the level of trash service.

To address the need for increased commercial recycling service, Council directed staff at the June 10, 2025, Town Council meeting to evaluate a special circumstance rate adjustment for increased commercial recycling service and return with a proposal for consideration. Council directed staff to explore options that would lessen the financial impact to businesses, such as identifying cost offsets and exploring the use of Solid Waste Fund reserves to reduce the rate increase, as was done in the buydown of residential rates in FY 2023/24. Staff requested TTSD develop a proposal for a second day per week of mixed recycling service and had HF&H Consultants review the proposal for reasonableness and accuracy (Attachment 1).

Increased Commercial Recycling Service Proposal

TTSD’s proposal, reviewed by HF&H Consultants, involves adding an optional second recycling collection day for commercial customers and multi-family residential properties within the Truckee service area. The proposed service schedule is designed to efficiently improve recyclables recovery and diversion of waste from landfills and provide Truckee commercial customers with more recycling service options. TTSD examined the possibility of offering mixed recyclable dumpster service to large scale commercial and multi-family generators, however, determined that servicing existing recycling carts an additional day per week would have the lowest logistical impact, while still providing up to double the current recycling service capacity. Town staff will consider additional options for commercial recycling service in the next franchise agreement.

Currently, commercial recycling service is offered to customers once per week on either Wednesday or Thursday, depending on the business’ location within the town. Businesses with trash collection via 64- or 96-gallon carts currently receive service for both their trash and recycling carts on Wednesdays. Commercial customers with dumpster trash service currently receive service of their recycling carts on either Wednesday or Thursday. TTSD has proposed to shift these collection days to accommodate running a second day of each recycling route. Commercial customers with trash dumpster service would have their recycling cart service moved from either Wednesday or Thursday to Friday, with the option of adding a second day of service on Tuesday. Commercial customers with 64- or 96-gallon trash service would have their trash and recycling cart service switched from Wednesday to Tuesday, with the option to add a second day of collection on Friday.

Table 1: Proposed Collection Service Day Changes

Customer Type	Current Trash Service Day(s)	Current Recycling Service Day(s)	Proposed Trash Service Day(s)	Proposed Recycling Service Day(s)	Optional Second Recycling Day
Businesses with 64- or 96-gallon trash carts	Wednesday	Wednesday	Tuesday	Tuesday	Friday
Businesses with dumpster trash service	Varies	Wednesday or Thursday	No change	Friday	Tuesday

If approved by Town Council, TTSD and the Town will conduct outreach to businesses to inform them of these changes through bill inserts, social media, and messaging through Truckee Downtown Merchants Association and the Truckee Chamber. TTSD has budgeted returning for a second pickup for any missed collections the first week of service changes, in order to support a smooth transition.

Since adding a new recycling route requires changing trash and recycling collection days for all customers, staff recommend implementing these changes in April 2026 rather than at the start of the next rate year (July 1), in order to roll out the required service day changes in the off-season. Rolling out these changes during peak summer tourism season would be a difficult time of year for businesses to adapt to the changes. It is recommended to make these changes in a less busy time of year, to make it easier for TTSD and the Town to communicate the changes to businesses and easier for business staff to adapt. TTSD anticipates needing to return for missed collections for the first week of the service day change as businesses adjust, which would be easier during an off-peak time of year when waste generation is lower.

Currently, commercial recycling service costs are built into the commercial mixed solid waste rates and recycling services are provided free of charge for businesses, up to the same service level as a businesses' trash service. Commercial recycling rates are fully subsidized, and commercial cardboard service and food waste service are partially subsidized by trash rates. The commercial rates are structured this way in the Town's franchise agreement to encourage participation in recycling services, as it is mandatory for businesses to divert these materials from landfills. This rate structure incentivizes businesses to "right-size" their collection services by subscribing to the necessary recycling service level to divert all recyclables from trash and to reduce trash service and costs. Businesses that subscribe to the necessary recycling service can experience cost savings opportunities by decreasing their trash service levels. Commercial recycling cart service was implemented at the start of the current franchise agreement in 2018. Providing no charge recycling service further supported the rollout of the new services by encouraging businesses to opt into the new, required program. The Town enforces mandatory commercial recycling requirements, as required in state regulations created by Senate Bill 1383. Directly charging customers for recycling services would create a disincentive for businesses to comply with the required service, which could result in lower compliance rates and increased need for enforcement by the Town. The Town is required by state regulations to inspect businesses for compliance and enforce these state-mandated recycling requirements.

Staff recommend recovering the proposed costs as a general commercial rate increase in the same way existing recycling collection costs are recovered rather than creating a new rate or fee for only the customers who use a second day of recycling service. This would continue to encourage businesses to subscribe to the appropriate recycling service that meets their needs and encourage diversion of recyclables. If the costs for the additional recycling service were charged only to the customers who subscribe to the additional day of service, the fixed costs of running another route would be spread amongst a much smaller group of customers and result in an unreasonably high rate that would discourage participation. Alternative cost recovery structures can be more easily explored in the next franchise agreement.

There are currently 325 commercial customers with recycling cart service. Among them, 171 customers have a single recycling cart, 83 customers have two carts, and 72 customers have three or more carts. TTSD's proposal estimates the additional day per week of commercial recycling service will result in a net increase of approximately 89 additional recycling stops per week, resulting in 8 additional labor-equipment hours per week. The proposal concludes that the annual cost for the additional service is approximately \$96,771, or about 2.11% increase in commercial rates when applied to all commercial customers. These numbers are relative to FY 2025/26 commercial rate. An index-based rate review will also be applied to all rates in addition to the special circumstances rate adjustment for FY 2026/27 as outlined in the Town's franchise agreement with TTSD. Staff have identified cost offsets to reduce the rate impacts from increased recycling service, as outlined in the section below.

FY 2026/27 Cost Offsets

Staff have identified two opportunities for cost savings in the FY 2026/27 Solid Waste budget that could offset approximately 80% of the cost increases from increased commercial recycling service. This is anticipated to reduce the net rate impact to less than a 0.5% increase to commercial rates beginning in FY 2026/27, in addition to the scheduled annual index-based rate adjustment.

Commercial Compliance Software Costs: Staff have identified an alternative commercial waste and recycling compliance software that is less costly than the current software used by the Town to track SB 1383 compliance and could be implemented starting in FY 2026/27. While only one SB 1383 compliance software was available two years ago, the market has recently expanded to provide alternatives. These software costs are recovered through the AB 939 fee that is included in the commercial rate calculations.

Cardboard Drop-Off Cost Share: At the June 10, 2025, Town Council meeting, Council approved solid waste rates that included a temporary shift of 50% of cardboard bin drop-off costs to commercial rates. Cardboard drop-off bins are intended for residential use only and had been fully funded by residential rates until FY 2025/26. This cost share was intended as a one-time shift to allow for Town staff to conduct education and enforcement to reduce commercial use of these bins, as it was estimated that commercial generators contribute about half of total cardboard collected in the drop-off bins. SB 1383 requires commercial generators to subscribe to hauler-provided recycling services or self-haul recyclables directly to a processing facility. While businesses can self-haul clean, separated cardboard to Eastern Regional Landfill Material Recovery Facility at no cost, commercial use of the drop-off bins does not comply with SB 1383 state requirements and raises rates for all commercial customers, as the cost of servicing these bins must be recovered. While only a small number of commercial customers are currently utilizing the residential drop-off bins, the cost share for commercial use of these bins has already increased rates for all commercial customers by approximately 1%, including businesses that do not use the drop-off bins and subscribe to individual cardboard service.

To address the issue of improper commercial use of residential drop-off bins, staff have begun conducting outreach to commercial generators about requirements for recycling cardboard and to advise them of their options to: subscribe to TTSD's reduced-rate cardboard dumpster service, share cardboard dumpster service with a neighboring business, or self-haul clean and separated cardboard to Eastern Regional Landfill at no cost. To encourage usage, commercial cardboard dumpster service rates are set at 10% the cost of the same size commercial trash service (e.g., 3-cubic yard, once per week cardboard service is \$40.31 per month, compared to 3-cubic yard, once per week trash service is \$402.97 per month). Staff will be posting signage at the cardboard drop-off bins, placing informational commercial bill inserts, and communicating through TDMA and the Truckee Chamber to educate businesses of these requirements. By eliminating the 50% cost share with commercial rates, the cost for cardboard drop-off will move back fully to residential rates beginning in FY 2026/27 and reduce rate impacts for all commercial customers.

Considering cost offsets to the commercial rates starting in FY 2026/27, the net rate impact for enhanced commercial recycling service is expected to be less than a 0.5% increase when applied to all commercial customers. Staff believe this net increase is reasonable when compared to the value provided to commercial customers of having increased recycling service options and recommend adopting the special circumstances rate increase as proposed with the expected FY 2026/27 cost offsets. Staff are seeking direction at this time from Council on whether these cost offsets are sufficient to mitigate rate impacts or if Council wants staff to pursue additional measures or take an alternative approach, as the rate adjustment process for FY 2026/27 will begin in January 2026 and the annual budget process begins in February 2026. Should Council wish to direct staff to pursue alternative cost recovery strategies or utilize additional Solid Waste Fund reserves for a rate buydown, staff would need that direction prior to beginning those processes.

FY 2025/26 Rate Buydown

The Town Council also provided direction to staff at the June 10, 2025, Town Council meeting to explore a potential buydown of commercial rates using Solid Waste Fund reserves. This would reduce the

financial impact to customers, similar to the residential rate buydown in FY 2023/24. While staff have identified cost savings that are applicable to the FY 2026/27 budget, these cannot be realized during the current fiscal year. To start the increased commercial recycling service sooner and at a more logistically feasible time of year for businesses, staff recommend implementing the increased service in April and utilizing \$24,193 of Solid Waste Fund reserves to fully buy down the rate increase for the remainder of FY 2025/26. This would allow the new service to be added on April 1, 2026, with no rate impacts to businesses through June 30, 2026. If Council approves staff recommendations, the Town manager will execute a letter agreement with TTSD to provide these funds for the buydown.

Alternatives

Instead of approving the recommendations included in this report, Council could direct staff to pursue one of the following alternatives:

1. Do not approve a special rate increase, which would delay any commercial recycling service changes until the next franchise agreement, beginning no earlier than July 1, 2028 (with a likely one-year extension to July 1, 2029, to accommodate the significant timeline to complete community engagement, a competitive franchisee RFP process, and agreement development). Staff do not recommend delaying this service change by several years, as this would limit options for existing businesses and require large new developments currently in the planning process to meet space and storage requirements for large numbers of recycling carts based on current service levels.
2. Direct staff to pursue an alternative commercial rate structure to recover the cost to provide twice-a-week recycling service instead of a general rate increase under the current rate structure. Since this would require rate adjustments outside of the standard process outlined in the franchise agreement, a more comprehensive rate study would be needed, and the new service could not begin before July 1, 2026. Altering the rate structure could discourage use of recycling service and would make enforcement of the required service challenging. Staff does not recommend altering the fundamental rate structure of the current franchise agreement, though alternative cost structures could be explored as part of developing the next franchise agreement.
3. Direct staff to delay implementation of twice-a-week commercial recycling service until FY 2026/27 when cost offsets can be implemented and avoid using Solid Waste Fund reserves to subsidize FY 2025/26 costs. Staff recommend implementing these changes in the slow season to support businesses in adapting to service day changes, and do not recommend beginning this service on July 1. Implementation could be delayed until fall 2026 or spring 2027. However, there are sufficient reserves in the Solid Waste Fund to support subsidizing implementation in 2026, and starting in 2026 would increase diversion of recyclables by starting this service sooner.

Priority:

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/> Core Service

Fiscal Impact: The proposal for enhanced commercial recycling service would increase commercial program costs by 2.11%, with an approximately 0.5% net commercial rate increase after implementing FY 2026/27 cost offsets identified by staff.

If approved, staff’s recommendations would utilize \$24,193 in Solid Waste Fund reserves to buy down the cost of beginning enhanced commercial recycling services to fully offset any costs to businesses from April 1, 2026 through June 30, 2026, eliminating any rate impacts to commercial customers during that time. There is sufficient fund balance in the Solid Waste Fund reserves to cover the proposed buydown. The Solid Waste Fund is an enterprise fund that receives no support from the Town’s General Fund.

Public Communication: Agenda posting and discussion of potential service changes at the June 10, 2025, Town Council meeting. Town staff and TTSD will conduct outreach to businesses to inform them of any approved service changes through bill inserts, social media, and messaging through business organizations such as the Truckee Downtown Merchants Association and the Truckee Chamber.

Attachments:

1. Review of Tahoe Truckee Sierra Disposal, Inc. Recycling Program Proposal