



Administrative Report

N.2., File # 26-0405

Meeting Date: 5/5/2026

To: MAYOR AND CITY COUNCIL
From: ANDREW WINJE, PUBLIC WORKS DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING THE SECOND AMENDMENT TO THE AGREEMENT WITH ARAKELIAN ENTERPRISES, INC. DBA ATHENS SERVICES

APPROVE THE DRAFT TERMS OF THE AGREEMENT AND DIRECT STAFF TO PREPARE THE CONTRACT FOR FINAL APPROVAL AND EXECUTION FOLLOWING CONCLUSION OF THE MAY 19, 2026 PUBLIC HEARING TO CONSIDER REFUSE RATE ADJUSTMENTS

EXECUTIVE SUMMARY

The City's solid waste hauler, Arakelian Enterprises, Inc., DBA Athens Services (Athens), has proposed a second amendment to its franchise hauling agreement with the City. An outline of the proposed changes and the impact on service rates was presented to the City Council on January 20, 2026. On March 17, 2026, the City Council further reviewed the proposed changes including the bundling of services for multi-family and commercial customers and a reclassifying of larger multifamily properties to have their services provided commensurate with commercial properties. Following the review, and with the updated rate structure settled, the City Council directed staff to move forward with negotiations on terms of a second amendment to the Athens Agreement, initiate a Proposition 218 process, and return with a draft second amendment for Council review and discussion. Terms of the draft second amendment have been negotiated and agreed to by City staff (both admin and legal) and Athens' personnel, including their board of directors.

In connection with the proposed revised refuse rate structure, the City Council authorized staff to initiate a Proposition 218 process and set May 19, 2026 as the date of the public hearing for consideration of the new maximum solid waste refuse rates and fees. If a majority protest does not exist at that time, the City Council may then formally consider approval of the second amendment, including implementation of the new rates and fees on the effective date. This item provides Council with an opportunity to review the draft second amendment and proposed changes to terms in advance of the May 19, 2026 Public Hearing.

BACKGROUND

As reviewed by City Council on March 17, 2026, the proposed second amendment would replace the existing refuse rate structure (Appendix E) with a new rate schedule for multi-family and commercial customers, aligned with an updated service model and changes to the regulatory environment surrounding the State's solid waste initiatives. There is no proposed change to the residential rate structure. The amendment expands the bundled service approach-currently used for residential

customers-to include multi-family and commercial accounts, establishing standardized service levels and container configurations. All customers throughout the City would receive three-stream service (trash, recycling and organics) to be in compliance with State mandates (CalRecycle). In addition, multi-family properties with five or more units would be reclassified as commercial customers and billed under the commercial rate structure. There would be no change to the bulky-item pick-up program which would remain available free of charge for all City residents (4 items weekly). The amendment also shifts responsibility for determining appropriate service levels-including container size, type, frequency, and quantity-from the customer to the contractor after consultation with the customer, subject to City review and reasonable disapproval. The amendment also considers State mandates for enforcement of laws related to contamination of waste streams by customers, and methodologies for implementation.

It was noted that, while some customers proposed for reclassification would see rate increases, the City, on balance, would still benefit from average rates across all classifications that are at or below market norms in the area. A benefit from the reclassification would be to further incentivize customers to adopt disposal practices that help the City meet its recycling compliance requirements issued by the State.

City Council directed staff to continue negotiations with Athens Services on the additional proposed terms to the second amendment. The draft second amendment and changes to appendices are attached to this report. Key proposed changes to terms are as follows:

- 1. Term of the Agreement:** Proposes a term for second amendment effective July 1, 2026 and expiring June 30, 2036 (an 8-year extension over the current term that is set to expire on June 30, 2028) with an option for the City to grant two five-year extensions.
- 2. Transformation Target Removed:** Waste “transformation” services (e.g., converting trash to energy) are no longer available locally and no longer count as recycling/diversion tonnage under State rules. The requirement to divert waste by transformation, which was essentially 25% of prior years’ diversion requirement, is deleted.
- 3. Diversion Requirement:** The numerical Diversion Requirement of 75% (no longer attainable with the now removed transformation requirement) is eliminated and replaced with narrative requirements described as City-wide “implementation of programs designed to achieve diversion” as required by the State, including non-hauler waste. Athens’ responsibility for meeting diversion compliance would expand beyond waste that only they haul and would be defined by a standard inclusive of programming beyond the 50% State diversion requirement.
- 4. Roll-Off; Scope of Franchise:** Inclusion of exclusive roll-off and temporary bin services in franchise agreement following a five-year notice period, including new cost recovery City fees (of 13.4%) for program implementation. The roll-off rate consists of two components: 1) the pull rate or service component determined by Athens, and 2) the disposal/processing component based on fees charged by landfills/receiving facilities. Athens proposed pull rate is \$450 initially, to be adjusted by the approved methodology (CPI Less Food and Energy) outlined in Appendix B. The disposal/processing per ton rate is proposed to be set at market rate at the time of service. If approved, staff would notice the hauler community by July 1, 2026 that a five-year wind down period has commenced. The roll-off and temporary bin exclusivity would go into effect after the 5-year noticing period, no sooner than July 1, 2031.

Limitations to Scope (Section 4.3 (i) and (j)) are modified to reflect this inclusion of new franchise rights. Exclusivity of roll-off and temporary bin services would help the City with its administrative burden in reporting waste hauling data to the State.

5. Scout Service Rates: Introduction of scout fees for vehicular pushing or rolling of bins to point of collection is proposed at \$35 per month initially for one bin per week. Scout fees would be charged to stage trash bins only, with no charges made to other streams requiring scout service. The monthly rate would adjust annually per Appendix B. It is likely some customers would reconsider their need for scout service, currently offered without charge, which would contribute to the “right sizing” of container by stream, potentially enhancing the City’s compliance with diversion requirements.

6. Senate Bill (SB) 1383 Program: Replace Appendix I with new Appendix I. The new Appendix I features:

- Elimination of two-stream service, where still in operation, and replaces with three-stream service (trash, recycling and organics).
- Change use of Contractor Organic Contamination Fee to Contamination Clean-up Fee for recycling and organics streams to be charged for each contaminated container occurrence per a revised contamination clean-up fee process. This is a precursor to mandated enforcement by the City as adopted in Redondo Beach Municipal Code.
- Elimination of a Contractor requirement to process all trash to recover recyclables prior to landfilling to divert a minimum of 8.5% of solid waste collected from residential refuse carts.
- Revision and confirmation of Contractor responsibilities to meet State solid waste and recycling requirements including but not limited to SB 1383 on behalf of City. This includes confirmation of Athens responsibility to make all necessary and CalRecycle eligible purchases to fulfil the City’s SB 1383 Procurement and Recovered Organic Waste (PROW) targets. This has a financial benefit to the City in terms of dollars saved in making required purchases and streamlined processes for City staff. In 2024 and 2025, Athens procured over 3,000 tons of compost a year, meeting the City’s PROW targets.

7. Encroachment Recovery Fee: Introduction of this fee as a charge for hauler’s unique use and encroachment upon City property and public rights-of-way, and to recover the City’s reasonable costs attributable to the Contractor’s use and encroachment upon City property and public rights-of-way, in connection with the provision of collection services. The cost-based fee shall be calculated by the City prior to the end of six months from the effective date of second amendment and be retroactive to the effective date. This fee is introduced as a payment to the City but is already included in the rates provided in Appendix E and would not be separately billed to the customers.

As directed, Staff have negotiated with Athens to achieve terms favorable to the City and residential and commercial customers for the proposed second amendment. Staff plans to return to Council on May 19, 2026 for a Prop 218 Public Hearing and formal consideration of the finalized second amendment. If approved, the revised maximum rates (attached) are proposed to be effective July 1, 2026 and include the annual adjustment (4.63% increase for FY 2026-27) using the methodology previously authorized in the Agreement.

COORDINATION

Negotiation of these terms has been coordinated between the Public Works Department, the City Attorney's Office and outside counsel. The Agreement has been approved as to form by the City Attorney.

FISCAL IMPACT

There are no significant direct fiscal expenditure impacts to the City associated with the proposed second amendment. There would be future costs associated with the purchase and installation of City waste receptacles across the City to accommodate trash and recycling streams, and with the collection of organic materials from the Pier facility. These increased costs would be covered by grants and, per the second amendment, a slight increase in revenues associated with the City Administrative and Assembly Bill (AB) 939 solid waste fees, collected with the hauler fees to cover the costs of solid waste programs and services.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Agmt -Second Amendment to the Agreement with Arakelian Enterprises, Inc.
- Agmt -Second Amendment Appendices to the Agreement with Arakelian Enterprises, Inc.
- Agmt -First Amendment to the Agreement with Arakelian Enterprises, Inc., June 18, 2019
- Agmt - Original Agreement with Arakelian Enterprises, Inc.