



Administrative Report

N.1., File # 24-0295

Meeting Date: 5/20/2025

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

TITLE

DISCUSSION AND POSSIBLE DIRECTION ON THE PROPOSED SECOND AMENDMENT TO THE CITY'S SOLID WASTE HANDLING SERVICES AGREEMENT WITH ATHENS SERVICES TO MODIFY RATE STRUCTURES, CERTAIN SOLID WASTE PROGRAMS, AND OTHER TERMS OF THE AGREEMENT

EXECUTIVE SUMMARY

Athens Services has been the exclusive franchise hauler for solid waste handling services in the City of Redondo Beach since 2011. The first amendment to the agreement (Agreement) was approved on July 1, 2019. The City is currently in year six of a nine-year term with Athens Services, and will have the option to extend the term on a monthly basis for up to 24 months when the nine-year term comes to an end.

Athens Services approached the City with a request to consider a second amendment to the Agreement as a result of significant and ongoing changes in the solid waste industry that have occurred since the first amendment was executed in 2019. This report provides a summary of the industry and regulatory factors impacting Athens Services and their proposed changes to the terms of the Agreement.

This item provides City Council with the opportunity to review these factors, ask questions of staff and Athens Services, make any requests for additional research or data gathering, and provide direction to staff on the desired next steps for the development of amendment terms and conditions.

Staff does not anticipate that a second amendment will be negotiated and in place prior to the statutory deadline to establish rates for FY 2025-26. As such staff scheduled the annual public hearing to set rates for the next fiscal year on June 3, 2025 based on the terms of the existing Agreement. If a second amendment is approved by the City, a Proposition 218 process would be initiated for affected rate payers prior to any new rates being imposed.

BACKGROUND

Athens Services is the exclusive franchise hauler for solid waste handling services in the City of Redondo Beach. The Solid Waste Handling Service Franchise Agreement with Athens Services is the City's single largest vendor agreement and affects nearly every resident and business in the community.

On December 8, 2023 (letter attached) Athens Services advised the City that they anticipated significant challenges meeting their contractual diversion requirements. Specifically, they referenced an inability to meet the 13,000 tons of disposal via waste-to-energy needed to meet the City's 75% diversion target. This was due to the closure of the regional alternate waste to energy facility in the City of Commerce as well as disruptions at the Southeast Resource Recovery Facility (SERRF), in Long Beach. In its 2023 Annual Report, Athens reported that they ultimately met the 75% diversion target in 2023 and processed 10,952 tons of waste to energy. However, the SERRF facility closed in Long Beach as of January 31, 2024 and Athens Services advised staff that meeting the existing contractual requirements for diversion outlined in Section 5.5.5 of the Agreement for the 2024 calendar year, and beyond, would no longer be possible. As a result, Athens signaled they would be proposing a second amendment to the Agreement to City Council for consideration.

On March 7, 2024, Athens Services provided the City with an initial draft second amendment that addressed the closure of the SERRF and requested: removal of the Transformation (Waste-to-Energy) requirement, the reduction of the diversion requirement from 75% to 50%, the elimination of processing of residential trash to recover 8% recyclables, inclusion of roll-off services in the exclusive franchise agreement, and an adjustment to the liquidated damages provision.

Staff engaged Athens Services in conversation over the following months, with special focus on diversion requirements and the addition of exclusive "roll-off" service. Staff has consistently relied on the assistance of solid waste industry consultants when negotiating solid waste hauling contract terms. To ensure the City was properly represented, the City Council approved an agreement with HF&H Consultants to review the proposed second amendment with Athens Services as outlined in the Athens Services' March 7, 2024 communication on September 3, 2024. HF&H provided analysis and assistance outlined in the original scope of work and later adapted their efforts to assist with the review of additional proposed changes to the Agreement.

On December 5, 2024, Athens Services advised the City that additional impacts to the solid waste industry, beyond those addressed in the March 7, 2024 communication, necessitated additional adjustments to the Agreement. Athens Services advised that, in addition to the closure of the SERRF, they are experiencing increased tip fees across locations and noted the State's requirement to institute three-stream collection (trash, recycling and organics) for all customers in the City of Redondo Beach.

On March 31, 2025, Athens Services presented a revised draft second amendment. Since that time staff have met with representatives from Athens Services multiple times (and periodically HF&H) to discuss the proposed changes. Following these discussions, it is clear to staff that an amendment to the Agreement is needed to accommodate the external changes in the industry that have impacted Athens Services' operations in Redondo Beach. It is also clear that these industry factors will result in local changes to service and at minimum the rates for multi-family customers.

At this time, staff is seeking direction from the City Council on the key proposed revisions to the Agreement requested by Athens, which are outlined below:

1. **Diversion Requirement:** Diversion requirement will be eliminated and replaced with "implementation of programs designed to achieve diversion." This meets the updated state law requirement, but removes a specific, numerical diversion target.
2. **Customer Billing:** Multi-family units (5+units) will be considered commercial and billed in

accordance with Section 12.1.3.1 (Commercial rate structure). Other revised language related to customer billing.

3. Current Classifications: “Bundled Service”

- Continue Bundled Service for residential customers (one 96-gallon cart for each stream refuse, recycling, and organics), or one 64-gallon organics cart for commercial service.
- Introduce Bundled Service to multi-family/commercial customers. Customers receiving bin service will receive 3-yard refuse bin, 96-gallon recycling bin, and one 64G/ two 35G organics carts as default.

4. Changes in Classification: Contractor shall determine the appropriate service type and container size, type, and frequency, and quantity for each customer, subject to reasonable disapproval of City. Currently customers select their own.

5. Approved Rate Schedule: Appendix E will be replaced in its entirety with a new rate schedule for multi-family units and commercial customers billed directly by the Contractor.

6. Scout Service Rates: Introduction of scout fees for pushing or rolling bins to point of collection currently proposed at \$35 per month for one bin per week (trash only).

7. Term of the Agreement: Proposes term for second amendment to expire June 30, 2035 (7-year extension over current term) with an option for the City to grant two five-year extensions.

8. 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.

9. Services to the South Bay Galleria: Inclusion of the “South Bay Galleria” property in the scope of the franchise agreement. This is currently a “carve-out” in the contract due to the unique operational demands of the mall facility.

10. Overweight and Overflow Containers: If the customer places more in the container than fits or is in excess of weight capacity, the Contractor may charge a fee and adjust service. Removal of the notification process prior to the assessment of fees/adjustment of service. Occurs when customer overfills, which often occurs at locations where owners “under-select” the size of bin needed.

11. SB 1383 Program: Replace Appendix I with new Appendix I.

- Eliminate two-stream service, where still in operation, and replace with three-stream service (trash, recycling and organics).
- Changing Organic Contamination Fee to contamination fee for any commodity and allow for the customer to be charged for each contaminated container.
- Adjustments to contamination fee processes.
- In the current Agreement, Athens Services is required to process all trash to recover recyclables prior to landfilling. The Contractor is required to divert a minimum of 8.5% of solid waste collected from residential refuse carts. Given changes in recycling practices, Athens advises that achieving this additional level of diversion is no longer practical and proposes eliminating and directly transporting all of this trash to the landfill.

Note: A complete list of the proposed term adjustments can be found in the attached Appendix A

This discussion item provides the community and City Council an opportunity to review the proposed amendment terms and provide direction to staff. Representatives from Athens and the City’s consultant, HF&H, will be available at the meeting to assist with questions.

COORDINATION

Public Works Department personnel coordinated preparation of this report with the City Attorney's and City Manager's Offices and the City's outside solid waste consultant.

FISCAL IMPACT

There are no direct financial impacts to the City as a result of the proposed changes to terms and rate structures included in the proposed second amendment. Proposed rate adjustments would impact those multi-family and commercial customers directly billed by Athens Services. Adjustments to City infrastructure, including City trash cans, could have a financial impact, but those potential costs are unknown at this time. Any adjustment to the customer rate structure must undergo a Proposition 218 process. This process includes the development and distribution of informational material to all impacted customers and is estimated to cost \$20,000. Funding for the cost would be provided by Athens Services or through existing solid waste administrative funds.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Appendix A: Athens Services Proposed Adjustments to Terms
- Letter - Athens Services, December 8, 2023