



Administrative Report

N.2., File # 25-1494

Meeting Date: 1/20/2026

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

TITLE

DISCUSSION AND POSSIBLE ACTION ON THE PROPOSED SECOND AMENDMENT TO THE CITY'S SOLID WASTE HANDLING SERVICES AGREEMENT WITH ARAKELIAN ENTERPRISES, INC., DBA ATHENS SERVICES, TO EXTEND THE TERM AND TO MODIFY RATE STRUCTURES, CERTAIN SOLID WASTE PROGRAMS, AND OTHER TERMS OF THE AGREEMENT

EXECUTIVE SUMMARY

Arakelian Enterprises, Inc., DBA Athens Services (Athens) 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 was approved on July 1, 2019. The City is currently in the seventh year of a nine-year term with Athens.

Athens 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. An initial overview of the proposed amendments to the Agreement were presented to the City Council on May 20, 2025.

The City Council requested staff conduct a review and analysis of the revised second amendment proposal by Athens to include the engagement of a consultant to provide an analysis of proposed rates and to conduct a comparative survey of solid waste rates and services in neighboring cities. The subsequent report and survey findings show that, if the proposed rate restructuring is approved by the City Council, the refuse rates for Redondo Beach multifamily residence and commercial customers would increase but would remain very competitive with neighboring cities.

Staff has concluded that it is in the best interest of the City and the community to accept the Athens' proposal to extend the term of the Agreement, maintaining a strong partnership and robust palette of solid waste services in the City. Staff further believes that streamlining the pricing structure by moving multifamily developments into the commercial category keeps refuse rates for both multifamily units and commercial in the lower end of the refuse rate range of neighboring cities surveyed and would better align actual service delivery costs and service classifications with use. Residential rates, which include those for single family and small multifamily properties (four units and less), remain unchanged by the amendment proposal. The term "multifamily," used in this report, refers to properties with five or more units, unless otherwise noted.

At this time, staff recommends the City Council receive and file the HF&H Consultants LLC's (HF&H)

Report, direct staff to prepare the second amendment with Athens for consideration of approval at a subsequent meeting and provide direction on the provisions to be included in the second amendment draft.

BACKGROUND

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

On December 8, 2023, Athens 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. 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 provided the City with an initial draft second amendment that addressed the closure of the SERRF and requested the 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, the inclusion of roll-off services in the exclusive franchise agreement, and an adjustment to the liquidated damages provision. Staff engaged Athens in conversations 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 to review the proposed second amendment with Athens.

On December 5, 2024, Athens 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 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 presented a revised draft second amendment. Following the discussion with Athens, it is clear that an amendment to the Agreement is needed to accommodate the external changes in the industry that have impacted Athens' operations in Redondo Beach. On May 20, 2025 the City Council was asked to review the proposed Agreement changes submitted by Athens and to provide direction to staff for next steps in the negotiations. City Council directed staff to bring back an expanded scope of work in a contract with HF&H to review and analyze the additional amendment changes proposed by Athens with a focus on the proposed changes to the rate structure and a survey comparing the services received by the City with surrounding cities.

On July 1, 2025, the City Council approved an amended agreement with HF&H to assist staff with review of Athens' proposed rate restructuring and to conduct a survey of solid waste rates and services in neighboring cities. HF&H has completed their analysis and the report and survey results are attached to this report.

Consultant Report and Survey Highlights

The HF&H report reviews the cost increases in three key categories presented by Athens: operations, disposal, and capital. The report also looked at revenue projections, primarily based on two alternatives to the existing rate structure. Option 1 is a 13.5% increase across multifamily units and commercial customers, and Option 2 reclassifies multifamily units as commercial and adopts commercial rates across the category. Although the report struggles to fully align all projected increases in expenditure with proposed additional revenue, the overall customer pricing remains competitive when viewed against the other cities surveyed. Implementation of Option 2 keeps Redondo Beach customer refuse rates in the lower half of the range of cities surveyed, across all service categories.

The Service Information Summary (Figure 6 HF&H report) measured service levels and auxiliary services, including bulky item pick-up, paper shred events, street sweeping etc. provided by the hauler to customers. The report shows that Athens' service levels in Redondo Beach meet or exceed that of haulers' services provided in the other cities surveyed.

The report concludes with a comparison of the rate growth in rates between Redondo Beach, Los Angeles County as a whole (average of all cities), and Los Angeles County for only those cities serviced by Athens. The comparison shows that Redondo Beach commercial rate growth over the 2021 to 2025 period is higher than the Los Angeles County cities average rate of growth, and less than the cities in Los Angeles County serviced by Athens. However, in both cases, the Redondo Beach commercial rate remains lower than either of the comparison groups based on 2025 data.

Staff recommends moving forward with Athens' proposed second amendment, extending the term to June 30, 2036 (an eight-year extension to current term) and re-structuring the rates as outlined in Option 2, moving multifamily units to the commercial category.

Summary of Other Proposed Changes to the Amendment

There are additional proposed revisions to the Agreement requested by Athens, which are outlined below. Staff recommends the City Council review the following items and provide direction on any items of concern.

- 1. Diversion Requirement:** The Diversion Requirement would 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:** Multifamily units (5+units) would be considered commercial customers and billed in accordance with Section 12.1.3.1 (Commercial rate structure). Other revised language related to customer billing would also apply.
- 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 multifamily/commercial customers. Customers receiving bin service would 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, frequency, and quantity for each customer, subject to reasonable

disapproval of City. Currently customers select their own.

5. **Approved Rate Schedule:** Appendix E would be replaced in its entirety with a new rate schedule for multifamily 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, 2036 (8-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:** Possible 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. Due to the uncertainty surrounding Galleria property ownership/redevelopment, it is recommended that this item not be incorporated in the agreement at this time.
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 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 is attached to this report.

Alternatives

If the City Council chooses not to approve a second amendment, Athens is bound to provide services under the current agreement until June 30th, 2028, after which a new hauler would take over. Industry norms show that a solicitation and contract negotiation period for a new hauler contract typically requires at least two years to complete. Therefore, it would be necessary to initiate development of a request for proposal (RFP) process immediately to consider a new hauling contract. This approach comes with its own risks and additional use of resources to complete. In general, the City is happy with the service and service model being provided by Athens. As the HF&H surveys shows, Redondo Beach, after the proposed rate increases, would remain at the lower end of the refuse rate scale across all categories. The same below market prices and equivalent level of service cannot be guaranteed following an RFP process. The additional solid waste services already provided may not be available in the same manner as provided by the current vendor. The uncertainty of future prices and services, coupled with the significant resources required to develop

an RFP, solicit and evaluate proposals, and negotiate a contract also supports staff's recommendation to prepare and implement a second amendment with Athens.

Staff recommends the City Council provide direction to further develop Athens' proposed second amendment. Following the direction, staff would return to City Council in the next couple of months with a draft second amendment document for consideration of approval and a recommendation to initiate the Proposition 218 process, which is required when a refuse rate change is proposed. The Prop 218 process generally spans several months, including the creation of information materials and a 45-day notice period prior to public hearing.

COORDINATION

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

FISCAL IMPACT

There are no direct financial impacts to the City as a result of the changes to terms and rate structures included in the second amendment proposed by Athens. The proposed rate adjustments would impact those multifamily and commercial customers directly billed by Athens. Adjustments to City infrastructure, including City trash cans, could have a modest 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 associated costs would be provided by Athens, or through existing solid waste administrative funds.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Report - Proposed Second Amendment Analysis, completed by HF&H Consultants LLC
- Athens Services Proposed Second Amendment Terms