



Administrative Report

H.10., File # 26-0328

Meeting Date: 3/17/2026

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

TITLE

AUTHORIZE STAFF TO INITIATE THE PROPOSITION 218 PROCESS TO CONSIDER PROPOSED ADJUSTMENTS TO SOLID WASTE RATES AND FEES BEGINNING IN FY 2026-27 AS PART OF THE PROPOSED SECOND AMENDMENT TO THE CITY'S SOLID WASTE HANDLING SERVICES AGREEMENT WITH ARAKELIAN ENTERPRISES, INC., DBA ATHENS SERVICES, AND FOR FUTURE RATE ADJUSTMENTS USING THE SPECIFIC FORMULAS LISTED IN THE SERVICES AGREEMENT

SET MAY 19, 2026 AS THE PUBLIC HEARING DATE FOR CONSIDERATION OF THE SOLID WASTE REFUSE COLLECTION RATES AND THE TABULATION OF ALL PROTESTS RECEIVED

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 in January 2026. The proposed changes include a bundling of services for multi-family and commercial customers, and a reclassifying of larger multifamily properties to have their services provided in line with commercial properties. It was noted that, while some customers proposed for reclassification would see rate increases, the City, on balance, would still benefit from 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 pursue disposal practices that help the City meet its recycling compliance requirements issued by the State.

At the January meeting, the City Council agreed to the contract changes in concept and directed staff to continue negotiating the proposed second amendment for future consideration. The contract negotiations are progressing well, but are not yet complete. The proposed rate structure in the updated agreement however has been settled, and is based on the sample rates presented to the City Council in January 2026, without any substantial change. This was the first step in developing the second amendment in order to meet notification and implementation timelines. The rate tables, proposed to be effective July 1, 2026, are attached as Appendix A and include the annual adjustment (4.63% increase this year) using the methodology previously authorized in the Agreement.

With the proposed change in contract rate structure, staff is recommending the City initiate a Proposition 218 process and set May 19, 2026 as the date of the public hearing for consideration of the new solid waste refuse rates and fees. If a majority protest does not exist at that time, the City

Council may then consider approval of the second amendment, including implementation of the new rates and fees on the effective date. The updated solid waste handling services agreement will be presented to City Council for review in late April or early May, before the Prop 218 hearing date.

BACKGROUND

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 analyze the proposed rates and 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. There are no proposed changes to the residential rate structure for single family homes or properties with four or fewer units.

City Council on January 20, 2026, directed staff to move forward with second amendment language that extends the term of the Agreement, streamlines the pricing structure by moving multifamily developments (5 units or more) into the commercial category, and provides bundled service for all categories. The City Council also directed staff to work with Athens to negotiate proposed changes to other Agreement terms.

A second amendment, in some form, was first discussed over two years ago. 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 Consultants (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 became 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.

On January 20, 2026, HF&H's report and survey results were presented to City Council along with the staff recommendation to move forward with Athens' proposed second amendment, extending the term to June 30, 2036 (an eight-year extension to the current term) and re-structuring the rates as outlined in rate proposal Option 2. Option 2 proposes adjusting the current classifications to move multifamily units (5 units or more) to the commercial category (a more common industry practice), streamlining the customer classifications, and better aligning classifications with service delivery. After discussion, the City Council gave direction to staff to work with Athens to prepare a second amendment that extended the term of the Agreement, adjusted the rate structure as proposed in Option 2, and bundled services for all customers, and to negotiate other proposed changes.

Staff continues to work with Athens on the proposed changes to the terms of the second amendment and plans to bring the item to City Council for review in late April or early May prior to the proposed hearing date of May 19, 2026. This timeline is needed to facilitate having an executed second amendment in place in time for Athens to conduct all necessary operational activities as part of the roll-out, and to have new rates in effect for July 1, 2026.

The Agreement allows for new refuse collection base rates to be determined every year, in advance of the new fiscal year, according to a defined methodology contained therein. There is no change proposed to that methodology which is reflective of a cumulative cost increase across the Consumer Price Index, Producer Price Index, and other cost components plus an annual 1% increase to account for market variances in the solid waste industry. For FY 2026-27, the refuse collection rate adjustment is determined to be 4.63% for both residential and commercial customers.

No change in rate structure or service is proposed as part of the second amendment for residential customers billed annually for refuse services on the Los Angeles County Property Tax Roll. All residential cart customers continue to receive unlimited refuse recycling and green waste in their bundled service. Currently, the collected monthly refuse base rate for a single-family home is \$28.54. If approved, the result of the annual rate adjustment of 4.63% will be an increase from a \$28.54 to a

new base rate of \$29.86 beginning July 1, 2026.

As part of the proposed changes to the amendment (Option 2 as presented at the January 2026 meeting) all other customers will receive a bundle of services for each waste stream (trash, recycling, and organics) as part of their trash container pricing. Additional options will be available for customers election in consultation with Athens Services. Multi-family developments (5 or more) will move to the commercial classification with corresponding refuse rates and fees. Appendix A outlines a complete breakdown of costs associated with all options for:

- Multi-Family Units (4 units) using Bins will be billed at Multi-Family with 4 Units or Less - Residential Bin Refuse Collection Net Rate Schedule
- All other Customers will be billed at Commercial & Multifamily With 5 Units Or More - Bin Refuse Collection Net Rate Schedule

The Proposition 218 process, which the City conducts when there is a proposed change to solid waste rates and fees, generally spans several months, including the creation of information materials and a 45-day notice period prior to holding a public hearing. It is recommended Council authorize initiation of the Proposition 218 process at this time to allow for timely consideration of the proposed adjustments to the solid waste rates and fees as directed in the January 20, 2026 meeting (outlined in Option 2) and set May 19, 2026 as the date for the public hearing to tabulate any majority protest votes. The full rate sheets as proposed by the Option 2 adjustment are included as an attachment to this report.

COORDINATION

Staff from the Public Works Department coordinated preparation of this report with the Offices of the City Attorney and City Manager.

FISCAL IMPACT

The cost of the Proposition 218 process, including the development and distribution of the noticing and informational material to all impacted customers, is estimated to be \$20,000. Funding for the associated costs is provided by Athens and through existing solid waste administrative funds.

APPROVED BY:

Mike Witzansky, City Manager

ATTACHMENTS

- Athens Services Proposed Second Amendment Rates Sheets