



Administrative Report

L.1., File # 21-2329

Meeting Date: 6/8/2021

To: MAYOR AND CITY COUNCIL
From: TED SEMAAN, PUBLIC WORKS DIRECTOR

TITLE

PUBLIC HEARING TO CONSIDER ARAKELIAN ENTERPRISES INC. DBA ATHENS SERVICES PROPOSED SOLID WASTE CHARGES AND FEES FOR THE FY 2021-2022 SOLID WASTE RATES

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2106-053, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDONDO BEACH, CALIFORNIA, ESTABLISHING CONTRACTOR'S CHARGES AND CORRESPONDING CITY FEES FOR RESIDENTIAL, MULTIFAMILY AND COMMERCIAL REFUSE COLLECTION FOR THE 2021-2022 FISCAL YEAR

PROCEDURES:

- a. Open Public Hearing, take testimony; and
- b. Close Public Hearing; and
- c. Adopt by Title Only Resolution No. CC-2106-053

EXECUTIVE SUMMARY

On June 18, 2019 the City Council approved the first amendment with Athens Services for a term of nine years plus a two-year City option to extend. The amendment included a varied five-year rate adjustment of seven (7%) percent per year for residential and multifamily customers; fourteen (14%) percent for commercial customers; plus one (1%) percent; and the approved annual rate adjustment. FY 2021-21 would be the third year of the approved five-year rate adjustment.

The base rate of the total trash fee is calculated using the year to year changes in published price indices for six industry cost components: disposal, labor, equipment, waste-to-energy, fuel and "other" costs and the individual component's weighted portion of the rate. In April 2019, the City conducted a Proposition 218 protest balloting process that set the refuse rates for the 2019-20 Fiscal Year and established the methodology for rate modifications through the 2023-24 Fiscal Year. Currently the base refuse rate for single family homes is \$18.64 per month for a total monthly cost of \$20.74 (City fees of \$2.10). This year, the recommended increase to the base refuse rate for the 2021-2022 Fiscal Year according to prescribed methodology is 3.65%.

The total recommended increase for the single family and multifamily rates is 10.65% and a 17.65% for commercial rates, which is inclusive of the base refuse rate increase and the approved five-year rate adjustment structure. The proposed rate adjustments in FY 2021-22 for single family residential customers would increase rates from \$20.62 to \$22.72 per month; the most common multi-family unit

rate would increase from \$114.39 to \$125.29 per month; and the most common commercial customer rate would increase from \$143.26 to \$168.55 per month.

Due to the COVID-19 measures put in place by federal, state, and local government agencies, Athens Services was constrained in its ability to meet the contractual diversion requirement of seventy-five percent (75%) from March 2020 through July 2020. The guidelines forced material recovery facilities (MRFs) to utilize less staff and cease hand-sorting of waste, which in turn made it difficult to divert waste from the landfill. Athens Services was transparent in its communication with staff and all other elements of the agreement remained in place. Athens Services has maintained the contractual 75% diversion rate since August 2020.

BACKGROUND

The Solid Waste Handling Services Franchise Agreement with Athens Services (Agreement) is the City's single largest contract and affects nearly every resident and business in the community. The City Council approved the original agreement in January 2011 and it became effective July 1, 2011. The City Council subsequently approved the first amendment to the agreement on June 18, 2019 for an additional nine-year term plus an additional two-year City option.

In April 2019, the City conducted a Proposition 218 protest balloting process that set the refuse rates for the 2019-20 Fiscal Year and established the methodology for rate modifications through the 2023-24 Fiscal Year. The base rate of the total trash fee is calculated using the year to year changes in published price indices for six industry cost components: disposal, labor, equipment, waste-to-energy, fuel and "other" costs and the individual component's weighted portion of the rate.

On June 18th, 2019 the City Council approved an amendment to the Agreement with Athens Services for a term of nine years plus a two-year City option to extend. The approved amendment includes a varied five-year rate adjustment of seven (7%) percent per year for residential and multifamily customers; fourteen (14%) percent for commercial customers; plus one (1%) percent; and the approved annual rate adjustment. After the five-year rate adjustment structure the subsequent year's rates would adjust based on the annual rate adjustment plus one percent. All other elements of the existing Agreement remain in place, including the City's seventy-five (75) percent diversion rate.

Proposed Annual Refuse Rate Adjustment for the 2021-2022 FY

On February 14, 2021 Athens Services, in accordance with the requirements established in the agreement with the City, submitted an annual adjustment request to modify the base refuse rates for the 2021-2022 FY. The proposed average increase to Redondo Beach customers will be 10.65% for residential customers and 17.65% for commercial customers. Staff has reviewed Athens Services' requested adjustment and determined that it was calculated according to the prescribed methodology approved in the agreement and subsequently ratified by the Proposition 218 balloting process conducted in 2019.

Specifically, staff reviewed the proposed increase/decrease for each industry cost component in the approved formula to ensure it was adjusted as follows.

- The Disposal Cost component, which includes green waste and organics, was adjusted by the

change in the average annual index for the twelve month period of November 2018 through October 2019 compared to November 2019 through October 2020 for the Consumer Price Index - for all Urban Consumers, Los Angeles-Riverside-Orange County, CA, all items (CUURA421SA0). The year-over-year increase was **1.93%**.

- The Labor Cost component was adjusted by the change in the highest level rate for the "Driver A/B" Classification as published in the Agreement between local haulers and Package and General Utility Drivers Local Union 396, International, from January 2020 to January 2021. The year-over-year increase was determined to be **2.95%**.
- The Equipment Cost component was adjusted by the change in average annual index for the twelve-month period of November 2018 through October 2019 compared to November 2019 through October 2020 for the Producer Price Index (PPI) - Heavy duty truck manufacturing (PCU336120336120). The year-over-year increase was **0.82%**.
- The Waste-to-Energy Cost component was based on the actual change in the facility gate fees of \$90 per ton on January 1, 2020 compared to \$100 per ton commencing on January 1, 2021. The change in the cost of the gate fees is **11.11%**.
- The Fuel Cost component was adjusted by the change in the average annual index for the twelve-month period of November 2018 through October 2019 compared to November 2019 through October 2020 for the PPI-Fuels and related power products and power, natural gas (WPU 0531). The year-over-year increase was **-32.63%**.
- The All Other Cost component was adjusted by the change in the average annual index for the twelve-month period of November 2018 through October 2019 compared to November 2019 through October 2020 for the Consumer Price Index-All Urban Consumers, U.S. City Average, all items less food and energy, (CUUR0000SA0L1E). The year-over-year increase was **1.81%**.

Additional information on how each industry cost component or index value has increased/decreased over the year-over-year is attached to this report. Tables 1 and 2 illustrate how the **2.65%** rate adjustment percentage was calculated.

Table 1. Industry cost components percentage change

| | A | B | C |
|---|-------------------------|----------------------------|-------------------|
| Adjustment Factor | Annual Index (Previous) | Average Annual Index (New) | % Change in Index |
| Disposal/ Organics (Consumer Price Index for All Urban Consumers - LA/Riverside/OC) | 272.731 | 277.995 | 1.93 % |
| Labor (Local Union 396 contract per hour rate) | \$27.15 | \$27.95 | 2.95 % |
| Equipment (National Producer Price Index) | 150.750 | 151.992 | 0.82 % |
| Waste -to-Energy (Gate rate per ton) | \$90.00 | \$100.00 | 11.11 % |
| Fuel (National Producer Price Index) | 95.917 | 64.617 | -32.63 % |
| All Other (National Consumer Price Index) | 262.223 | 266.972 | 1.81 % |

In Table 2, the cost components are weighted as a percentage of the base rate total (column D) and are multiplied (in column E) by the percentage change in the index as calculated above to arrive at the total weighted change of each cost component (column F). The original cost component base rate percentages were determined as part of the approved contract with Athens Services and the subsequent Proposition 218 Noticing and Balloting process. The grand total base rate adjustment of 2.65% is determined by adding together the components total weighted change.

Table 2. Cost components weighted percentage change and impact on base rate

| | D | E | F |
|--------------------------|------------------------------------|--|-----------------------|
| Adjustment Factor | Cost Component as a % of Base Rate | % Change in Index (from Column C in Table 1) | Total Weighted Change |
| Disposal/Organics | 38.03 % | 1.93 % | 0.73 % |
| Labor | 26.29 % | 2.95 % | 0.78 % |
| Equipment | 9.72 % | 0.82 % | 0.08 % |
| Waste -to-Energy | 19.03 % | 11.11 % | 2.11 % |
| Fuel | 3.43 % | -32.63 % | -1.11 % |
| All Other | 3.51 % | 1.81 % | 0.06 % |
| Total Base Rate % | 100% | | 2.65 % |

Additionally, the multi-family per unit fee for recyclables collection which is separate from the requested refuse rate and calculated differently under the terms of the Solid Waste Agreement (see Table 3 below) is adjusted by the change in the average annual index for the twelve-month period of November 2018 through October 2019 compared to November 2019 through October 2020 for the

Consumer Price Index-All Urban Consumers, U.S. City Average, all Items less food and energy, (CUUR0000SA0L1E).

Table 3. Industry cost component percentage change for Multi-family per unit fee for recyclables collection

| Adjustment Factor | Annual Index (Current) | Average Annual Index (New) | % Change in Index |
|---|---------------------------|-------------------------------|----------------------|
| Multi -family per unit fee for recyclables collection (National Consumer Price Index) | 262.226 | 265.972 | 1.81 % |

Table 4 illustrates how the 2.65% rate percentage increase plus the extraordinary rate increase of 1% plus the 7% and 14%, for single family/multifamily and commercial customers, respectively, would affect the trash fees in the 2021-2022 FY for the most common types of service and lists the other City fees that make up the full monthly refuse rates.

Table 4. Current and Proposed Refuse Rates

| Service Category | Current Monthly Refuse Rates | Percentage Decrease/ Increase | Proposed Monthly Refuse Rates |
|---|------------------------------|--------------------------------------|-------------------------------|
| Residential Base Rate Fee | \$18.64 | 10.65 % | \$20.62 |
| Admin Fee (City fee) (\$.86 per unit) | \$ 0.86 | 0% | \$ 0.86 |
| AB 939 Fee (City fee) (\$.33 per unit) | \$ 0.33 | 0% | \$ 0.33 |
| HHW Fee (City fee) (\$.91 per unit) | \$ 0.91 | 0% | \$ 0.91 |
| Total Single Family Rate | \$20.74 | | \$22.72 |
| Multi -family 2 -yard serviced, 1x per week, 6 units* (Base Rate Fee) | \$85.21 | 10.65 % | \$94.28 |
| Admin Fee (City fee) (\$.86 X 6 units) | \$ 5.16 | 0% | \$ 5.16 |
| AB 939 Fee (City fee) (4.25% of base rate) | \$3.62 | | \$ 4.01 |
| HHW Fee (City fee) (\$.91 X 6 units) | \$ 5.46 | 0% | \$ 5.46 |
| Recycling Service Fee (Contractor Fee) (\$2.73 X 6 units) | \$14.94 | 9.81 % (\$.24 increase per unit) | \$16.38 |
| Total Multi -Family Rate | \$114.39 | | \$125.29 |
| Commercial 3 -yard, serviced 1x per week* (Base Rate -Contractor fee) | \$126.33 | 17.65 % | \$148.63 |
| Admin Fee (City fee) (9.15% of base rate) | \$ 11.56 | | \$ 13.60 |
| AB 939 Fee (City fee) (4.25% of base rate) | \$ 5.37 | | \$ 6.32 |
| Total Commercial Rate | \$143.26 | | \$168.55 |

* Most common service level for multi-family and commercial customers

In addition to modifying the refuse rates charged to residential and commercial customers, the rate resolution also modifies the charges to the City for services that are only provided to the City and optional services for customers. These services, which include household hazardous waste roundups, compactor roll-off box collection at the Pier, use of temporary cleanup bins, and bin cleaning will be adjusted and will have a negligible impact on the Solid Waste Fund's bottom line. Changes to these charges are in accordance with specific franchise contract terms stipulated in the approved amendment.

Rate Comparisons

The proposed residential refuse rate of \$22.72 per month continues to be a competitive rate when comparing with similar single-family service levels (see attachments). The proposed monthly commercial rate of \$168.55 for a three-yard bin collected one time per week is also competitive when compared to the cities surveyed with the same service levels (see attachments). A summary of the

solid waste rates with City administrative fees for the past four years is shown below.

| Service Category | FY 17 -18 | FY 18 -19 | FY 19 -20 | FY 20 -21 | Proposed FY 21 -22 |
|--|------------------|------------------|------------------|------------------|---------------------------|
| Single Family Rate | \$16.44 | \$17.06 | \$18.84 | \$20.74 | \$22.72 |
| Commercial 3 - Yard Rate Serviced 1x Per Week | \$97.63 | \$101.85 | \$120.40 | \$143.26 | \$ 168.55 |

COORDINATION

The City Attorney's Office approved the resolution as to form.

FISCAL IMPACT

The proposed 2021-2022 rate modification would increase the pass-through funding collected by the City on behalf of the contractor by approximately \$379,281 and would increase the AB 939 and the Administration fees collected by the City by an estimated \$20,261 and \$37,157 respectively.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

- Refuse Rates Resolution FY 2021-22
- Redondo Beach Rate Adjustment Request
- Refuse Rate Survey FY 2021-22
- Rate Increase Approval Presentation