



# Administrative Report

L.2., File # 22-4158

Meeting Date: 6/7/2022

**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 FISCAL YEAR 2022-2023

ADOPT BY TITLE ONLY RESOLUTION NO. CC-2206-034, 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 2022-2023 FISCAL YEAR

## **PROCEDURES:**

- a. Open Public Hearing, take testimony; and
- b. Close Public Hearing; and
- c. Adopt by Title Only Resolution No. CC-2206-034
- d. Direct staff to allow commercial organics co-mingling with City of Hermosa Beach and to monitor implementation.

## **EXECUTIVE SUMMARY**

On June 18, 2019 the City Council approved an amendment with Athens Services for the continuation of solid waste handling 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; and the typical annual base rate adjustment per the contractual methodology, plus one (1%). FY 2022-23 will be the fourth year of the City Council 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: labor, fuel, equipment, waste-to-energy, disposal, 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 \$20.62 per month for a total monthly cost of \$22.72 (City fees of \$2.10).

This year, the recommended increase to the base refuse rate for the 2022-2023 Fiscal Year according to the prescribed methodology is 5.4%. The 5.4% is reflective of increased costs across

the Consumer Price Index (CPI) and is particularly driven by the rising cost of fuel, experiencing a 102.23% year over year increase in the index. After including the prescheduled annual 1% increase in the contract to account for extraordinary changes in the solid waste industry and the varied five-year adjustments of 7% (single/multi-family) and 14% (commercial) described above, the total recommended increase for single/multi-family customer rates in FY 2022-23 is 13.4% and for commercial customers is 20.4%.

As a result, single family residential customers monthly charge would increase from \$22.72 to \$25.48; the most common multi-family unit monthly charge would increase from \$125.29 to \$139.72; and the most common commercial customer monthly charge would increase from \$168.55 to \$203.55. Even with these increases, Redondo Beach residents and businesses would experience some of the lowest solid waste collection rates in the region (see the attached survey).

Athens has continued to inform staff about pressures affecting diversion rates (e.g. foreign-policy changes eliminating outlets for materials recovered, uncertainty of the availability of diversion options like SERF, and COVID guidelines that forced material recovery facilities (MRFs) to utilize less staff and cease the hand-sorting of waste). However, despite these challenges, Athens Services met the contractual diversion requirement of seventy-five percent (75%) in calendar year 2021 as reported to the City in the 2021 Annual Report.

## **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 an 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: labor, fuel, equipment, waste-to-energy, disposal, and "other" costs and the individual component's weighted portion of the rate.

On June 18<sup>th</sup>, 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 remained in place, including the City's seventy-five (75) percent diversion rate.

## **Organics Collection Route Change**

There are no proposed changes to the contract. However, Athens Services, has requested that they adjust their existing commercial organics collection route to streamline the service and reduce vehicle travel time (letter attached). The proposal is to service commercial Redondo Beach organics routes and then, after a certified weight ticket is acquired, move into the City of Hermosa Beach to complete

commercial organic collection routes in that city. Staff recommends this proposed adjustment to the collection route as it will have no impact on services in Redondo Beach, will reduce vehicle traffic and will maintain required accurate reporting. Staff will monitor the implementation and the City can revert to the original segregated commercial organics collection route, at no cost to the City, if any issues arise. Residential organics services are not impacted in any way by this change in route.

#### Proposed Annual Refuse Rate Adjustment for the FY 2022-2023

On February 4, 2022 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 FY 2022-2023. The proposed average increase to Redondo Beach customers will be 13.4% for residential customers and 20.4% 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 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 2021 to January 2022. The year-over-year increase was determined to be **2.86%**.
- The Fuel Cost component was adjusted by the change in the average annual index for the twelve-month period of November 2019 through October 2020 compared to November 2020 through October 2021 for the PPI-Fuels and related power products and power, natural gas (WPU 0531). The year-over-year increase was **102.23%**.
- The Equipment Cost component was adjusted by the change in average annual index for the twelve-month period of November 2019 through October 2020 compared to November 2020 through October 2021 for the Producer Price Index (PPI) - Heavy duty truck manufacturing (PCU336120336120). The year-over-year increase was **0.87%**.
- The Waste-to-Energy Cost component was based on the actual change in the facility gate fees of \$100 per ton on January 1, 2021 compared to \$105 per ton commencing on January 1, 2022. The change in the cost of the gate fees is **5%**.
- 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 2019 through October 2020 compared to November 2020 through October 2021 for the Consumer Price Index - for all Urban Consumers, Los Angeles-Riverside-Orange County, CA, all items (CUURA421SA0). The year-over-year increase was **3.00%**.
- The All Other Cost component was adjusted by the change in the average annual index for the twelve-month period of November 2019 through October 2020 compared to November 2020 through October 2021 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 **2.98%**.

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 below illustrate how the **5.4%** rate adjustment percentage was calculated.

	A	B	C
Adjustment Factor	Annual Index (Previous)	Average Annual index (New)	% Change in Index
Labor (Local Union 396 contract per hour rate)	\$27.95	\$28.75	2.86%
Fuel (National Producer Price Index)	65.058	131.567	102.23%
Equipment (National Producer Price Index)	151.992	153.308	0.87%
Waste-to-Energy (Gate rate per ton)	\$100.00	\$105.00	5.00%
Disposal/Organics (Consumer Price Index for All Urban Consumers-LA/Riverside/OC)	277.995	286.323	3.00%
All Other (National Consumer Price Index)	266.972	274.925	2.98%

**Table 1. Industry cost components percentage change**

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 5.4% is determined by adding together the components total weighted change.

	D	E	F
Adjustment Factor	Cost Component as a % of Base Rate	% Change in Index (from Column C in Table 1)	Total Weighted Change
Labor	26.36%	2.86%	0.75%
Fuel	2.25%	102.23%	2.30%
Equipment	9.55%	0.87%	0.08%
Waste-to-Energy	20.59%	5%	1.03%
Disposal/Organics	37.77%	3%	1.13%
All Other	3.48%	2.98%	0.10%
<b>Total Base Rate %</b>	<b>100.00%</b>		<b>5.4%</b>

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

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 2019 through October 2020 compared to November 2020 through October 2021 for the Consumer Price Index-All Urban Consumers, U.S. City Average, all items less food and energy, (CUUR0000SA0L1E).

Adjustment Factor	Annual Index (Current)	Average Annual Index New	% Change in Index
Multi-family per unit fee for recyclable collection (National Consumer Price Index)	266.972	274.925	2.98%

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

Table 4 below illustrates how the 5.4% rate percentage increase plus the extraordinary rate increase of 1% and the prescheduled varied rate increases of 7% and 14%, for single family/multifamily and commercial customers, respectively, would affect the trash fees in the 2022-2023 FY for the most common types of service and lists the other City fees that make up the full monthly refuse rates.

Service Category	Current Monthly Refuse Rates	Percentage Decrease/ Increase	Proposed Monthly Refuse Rates
Residential Base Rate Fee	\$20.62	13.40%	\$23.38
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
<b>Total Single Family Rate</b>	<b>\$22.72</b>		<b>\$25.48</b>
Multi-family 2-yard serviced, 1x per week, 6 units* (Base Rate Fee)	\$94.28	13.40%	\$106.91
Admin Fee (City fee) (\$.86 X 6 units)	\$5.16	0.00%	\$5.16
AB 939 Fee (City fee) (4.25% of base rate)	\$4.01	0%	\$4.01
HHW Fee (City fee) (\$.91 X 6 units)	\$5.46	0%	\$5.46
Recycling Service Fee (Contractor Fee) (3.03 X 6 units)	\$16.38	10.98%	\$18.18
		(\$0.30 increase per unit)	
<b>Total Multi-Family Rate</b>	<b>\$125.29</b>		<b>\$139.72</b>
Commercial 3-yard, serviced 1x per week* (Base Rate-Contractor fee)	\$148.63	20.40%	\$178.95
Admin Fee (City fee) (9.15% of base rate)	\$13.60		\$17.00
AB 939 Fee (City fee) (4.25% of base rate)	\$6.32		\$7.60
<b>Total Commercial Rate</b>	<b>\$168.55</b>		<b>\$203.55</b>

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

#### Table 4. Current and Proposed Refuse Rates

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 \$25.48 per month continues to be a competitive rate when comparing with similar single-family service levels (see attachments). The proposed monthly commercial rate of \$203.55 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 18-19	FY 19-20	FY 20-21	FY 21-22	Proposed FY22-23
Single Family Rate	\$17.06	\$18.84	\$20.74	\$22.72	\$25.48
Commercial 3-Yard Rate Served 1x Per Week	\$101.85	\$120.40	\$143.26	\$168.55	\$203.55

**COORDINATION**

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

**FISCAL IMPACT**

The proposed 2022-2023 rate modification would increase the pass-through funding collected by the City on behalf of the contractor and then paid to Athens by approximately \$535,594 and would increase the AB 939 and Administration fees collected by the City by an estimated \$29,446 and \$51,827.52 respectively.

**APPROVED BY:**

*Mike Witzansky, City Manager*

**ATTACHMENTS**

- Refuse Rates Resolution FY 2022-23
- Redondo Beach Rate Adjustment Request
- Refuse Rate Survey FY 2022-23
- Rate Increase Approval Presentation
- Athens Services Commercial Organics Route Change Request Letter