



Legislation Details (With Text)

File #: REPORT 18-0552 **Version:** 1 **Name:**
Type: Action Item **Status:** Municipal Matter
File created: 9/5/2018 **In control:** City Council
On agenda: 9/17/2018 **Final action:**
Title: AMENDMENT TO THE CONTRACT FOR SOLID WASTE MANAGEMENT SERVICES AND APPROVE A RATE INCREASE PURSUANT TO ARTICLE 6, SECTION 6.5 OF THE FRANCHISE AGREEMENT BETWEEN THE CITY OF HERMOSA BEACH AND ARAKELIAN ENTERPRISES, INC. ("ATHENS SERVICES")
(Environmental Analyst Kristy Morris)

Sponsors:

Indexes:

Code sections:

Attachments: 1. 1. Athens Solid Waste-Executed orig..pdf, 2. 2. Staff_Report_Lease Agreement.pdf, 3. 3. FIRST AMENDMENT 9-17-18.pdf, 4. 4. FINAL Hermosa Beach Audit Report - 11-16-17.pdf, 5. 5. Hermosa Beach Rate Sheets 7-1-2017.pdf, 6. 6. Hermosa Beach Annual Rate Adj Letter for 7-1-18.pdf, 7. 7. Hermosa Beach Rate Sheets 7-1-2018.pdf

| Date | Ver. | Action By | Action | Result |
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Honorable Mayor and Members of the Hermosa Beach City Council
Adjourned Regular Meeting of September 17, 2018

**AMENDMENT TO THE CONTRACT FOR SOLID WASTE
MANAGEMENT SERVICES AND APPROVE A RATE INCREASE
PURSUANT TO ARTICLE 6, SECTION 6.5 OF THE FRANCHISE
AGREEMENT BETWEEN THE CITY OF HERMOSA BEACH AND
ARAKELIAN ENTERPRISES, INC. ("ATHENS SERVICES")**
(Environmental Analyst Kristy Morris)

Recommended Action:

It is recommended that the City Council:

1. Authorize the Mayor to execute the FIRST AMENDMENT TO AGREEMENT FOR INTEGRATED SOLID WASTE SERVICES BETWEEN THE CITY OF HERMOSA BEACH AND ARAKELIAN ENTERPRISES (Athens Services) pertaining to the closure of the local office and calculation of the Administrative Fee; and
2. Consider Athens Services Annual Rate Adjustment Request and endorse the rate adjustments proposed by Athens Services for its services not to exceed the attached rate schedule and apply a one-time rate adjustment to the customer invoices retroactive to July 1, 2018 for residential customers, bin service, and commercial customers.

Background:

Amendment to the Integrated Solid Waste Management Agreement: Closure of Local Customer Service Office and Administrative Fee Effective Date

Athens Services entered into an Agreement with City to provide Integrated Solid Waste Management Services for an eight year term commencing July 1, 2013. The agreement requires Athens Services to provide a customer service office within the City of Hermosa Beach, staffed and open for customers, at minimum, from 8:00a.m. to 5:00p.m., Monday through Friday, excluding holidays (Section 5.1.1 of Attachment 1).

On May 28, 2013, City Council approved a Lease Agreement between the City of Hermosa Beach and Athens Services for office space in a portion of the ground floor of the Community Services Building ("Base 3) at 1035 Valley Drive (Attachment 2).

Based on comparative rents at the time of the agreement, it was determined that \$1,500 per month would be appropriate to accommodate a small office including utilities.

Athens Services agreed to pay to the City one thousand, five hundred (\$1,500) dollars per month, or eighteen thousand (\$18,000) dollar per year and provided that this amount or a portion thereof may be offset by the provision of an additional office or field services. Athens Services currently provides monthly steam cleaning of The Strand and twice-monthly steam cleaning of the Jarvis Memorial for a combined value of \$18,603.36 in kind in lieu of paying rent to the City for their use of Base 3.

The term of this lease agreement was three years and fifteen days starting June 15, 2013 and ending on June 30, 2016. The term was automatically extended for an additional year, not to exceed a maximum of eight years and fifteen days, subject to the right of either of the parties to terminate with 30 days' notice without cause.

Athens Services is requesting to vacate the Hermosa Beach customer service office due to the low volume of service requests. The First Amendment to the Agreement for Integrated Solid Waste Services between the City of Hermosa Beach and Athens Services revises section 5.1.1 Local Office, Response Time to remove the requirement to maintain a customer service office in the City (Attachment 3).

Moreover, a 2017 compliance audit of the Agreement for Integrated Solid Waste Services (Attachment 4) identifies that Athens Services adjusts the Administrative Fee effective July 1, concurrent with the anniversary date of the Agreement, rather than January, as described in Section 3.3 of the Agreement. The First Amendment to the Integrated Solid Waste Management Services Agreement revises section 3.3 Administrative Fee to change the administrative fee date to be effective July 1, not January 1.

Annual Rate Adjustment

Athens may request an annual adjustment to the maximum rates by March 1 of each year. Rate adjustments are calculated in accordance with Section 6.4 of the contract and subject to the approval of the City Manager and Council. The most recent rate schedule adjustment was approved by City Council on September 27, 2016 and became effective November 1, 2016 with an additional rate adjustment in 2017 for the mandated increase in the minimum wage (Attachment 5). On February 27, 2018, Athens Services submitted a request to adjust the maximum rates, effective July 1, 2018 (Attachment 6).

Analysis:

Amendment to the Integrated Solid Waste Management Agreement: Closure of Local Customer Service Office and Administrative Fee Effective Date

Visitor logs show that walk-in service requests at the Hermosa Beach customer service office are infrequent. Over a 12-month period commencing January 2017, forty-nine (49) walk-in service requests were logged that were primarily for payment (30), as well as requests for bulky item pick-up (6), and account exemptions (5).

| 2017 Walk-in Service Requests | Quantity |
|-------------------------------|-----------|
| 3 yard Inquiry | 1 |
| Bulky Item Request | 6 |
| Exemption Forms | 5 |
| New Service | 3 |
| Payment | 30 |
| Reminder | 3 |
| System Down | 1 |
| Total | 49 |

Athens Services is requesting to vacate the building and direct residents to the closest customer service office located at 1301 West 228th Street, Torrance. Payments, questions, and requests can also be made by phone ((888)336-6100 or online at <https://athensservices.com/residential-services/city-of-hermosa-beach/>

Annual Rate Adjustment

Staff reviewed the annual rate adjustment request dated February 27, 2018 (Attachment 6) and determined it is accurately calculated in accordance with the rate adjustment methods and prescribed formulas shown in Article 6 of the agreement. It was determined that the City's residential and commercial accounts will have a rate increase of 3.43% and Athens Services will apply a one-time

rate adjustment to the customer invoices retroactive to July 1, 2018 for residential customers, bin service, and commercial customers (Attachment 7).

Fiscal Implications:

Athens Services currently provides monthly steam cleaning of The Strand and twice-monthly steam cleaning of the Jarvis Memorial in kind in lieu of paying rent to the City for their use of Base 3 and will continue to provide these services following the office closure at no cost to the City.

With respect to the request for a rate increase, Athens will apply a one-time rate adjustment to the customer invoices retroactive to July 1, 2018. Residential and commercial cart and bin rates, and compactor roll-off and disposal rates will increase by 3.43%. The fiscal impact of the rate increase on the most common bins and carts is shown here:

| | <u>3-Yard Bin</u> | <u>64-Gallon Cart</u> | <u>32-Gallon Cart</u> |
|-----------------------------|-------------------|-----------------------|-----------------------|
| Current Rate | \$118.14 | \$11.50 | \$7.19 |
| Rate Effective July 1, 2018 | \$122.07 | \$11.89 | \$7.43 |

Attachments:

1. Integrated Solid Waste Management Agreement
2. Approval of Lease Agreement for Customer Service Office
3. First Amendment to the Integrated Solid Waste Management Services Agreement
4. Compliance audit of the Integrated Solid Waste Management Services Agreement
5. Current Rate Schedule
6. 2018 Request for Rate Increase
7. Rate Schedule Effective July 1, 2018

Respectfully Submitted by: Kristy Morris, Environmental Analyst

Concur: Glen W.C. Kau, Public Works Director/City Engineer

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: John Jalili, Interim City Manager