



Staff Report

File #: REPORT 16-0580, Version: 1

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of September 27, 2016**

**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:

Consider Athens Services Special Rate Adjustment Request and endorse the rate adjustments proposed by Athens Services for its services not to exceed the attached rate schedule effective November 1, 2016 for residential customers, bin service, and commercial customers.

Summary:

The City has contracted with Athens Services ("Athens") to provide residential and commercial waste disposal services to Hermosa Beach since July 1, 2013. 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 at the June 14, 2016 meeting (Attachment 1). On July 1, 2016 residential and commercial cart and bin rates, and compactor roll-off and disposal rates decreased by 0.46% compared to 2015 rates, mainly in response to reduced fuel costs. Staff reported that they would return at a future meeting to request a 1.14% rate increase to account for increased labor costs and this was not included in the approved rate sheet. Following this meeting, Athens submitted a revised rate sheet (Attachment 2) for approval by City Council that includes the 1.14% increase for residential customers, bin service, and commercial customers.

Analysis:

On March 1, 2016 Athens submitted a request (Attachment 3) to increase rates by 1.14% in order to cover costs associated with recently adopted State and County laws. The 2013 Agreement includes a section for Extraordinary Rate adjustments under Article 6, Section 6.5. This is in addition to the CPI that is permitted within. This section was included to recognize that there may scenarios where Athens is being mandated to take on new programs or costs not reasonably foreseen during the negotiations which established the rates. In September 2015, the Los Angeles County Board of Supervisors adopted an ordinance that all businesses within the unincorporated areas are required to pay a higher minimum wage than what is required by either Federal or State law. Specifically, AB10 (State of California Minimum Wage Law); AB304 (State of California sick leave, accrual and

limitations); and Los Angeles County Ordinance 8.100.010 (Minimum Wage Ordinance, wage regulations) all impacted the cost of providing services. Athens facility is located in the unincorporated area of Industry and therefore this is a requirement that they will need to follow starting July 1, 2016. At this time, Athens is requesting a rate increase outside the CPI adjustment to recover those new mandated costs.

Athens has made the request for the extraordinary rate adjustment as a result of both the State and County minimum wage increases. Between July 2014 and July 2015, the minimum wage increases were over 30%. In addition to the minimum wage increases, AB304 expanded sick leave benefits which also had an impact on operations. The full calculation has been included as an attachment to this report (Attachment 4). The percentage increase from both the minimum wage and sick leave impact (32.4%) were applied to the minimum wage employee cost per ton (\$10.29) to arrive at the increased dollar value (\$3.33) per ton. This was multiplied against the City of Hermosa Beach processed tonnage to arrive at the fiscal impact of \$2,283 per year. To arrive at the 1.14% increase, the tonnage impact (\$2,283) was divided by the Hermosa Beach revenue of \$200,000.

The request from Athens conforms to the provisions of the agreement in that they are clearly caused by circumstances outside their control and could not have reasonably been foreseen at the time the franchised agreement was being negotiated. Staff is recommending that the City Council endorse this request for a rate increase for Fiscal Year 2017. Future rate adjustments will be requested by Athens as follows:

Period Rate Adjustment to City

Period	Rate Adjustment to City
7/1/2017	0.66%
7/1/2018	0.55%
7/1/2019	0.43%
7/1/2020	0.32%

The City is not required to consider those additional requests at this time or even approve in the future. However, it would seem that those adjustments would be appropriate based on the manner they have been mandated by a governmental entity.

Fiscal Implications:

Rates for the customers will increase by 1.14% effective November 1, 2016. This extraordinary rate increase request is as a result of new laws increasing minimum wages and benefits. The table below shows the impact to monthly rates for residents and businesses with either a 64-gallon or 96-gallon refuse cart.

Cart Size	Residential	Business
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	Current Rate	Proposed Rate	Current Rate	Proposed Rate
64-gallon	\$11.03	\$11.16	\$39.09	\$39.53
96-gallon	\$15.26	\$15.43	\$53.53	\$54.13

Attachments:

1. Rates schedule effective July 1, 2016
2. Rates schedule effective November 1, 2016
3. Athens rate adjustment request and BLS indices and rate adjustment
4. Schedule of Financial Impact of Minimum Wage and Sick Pay Law Change

Respectfully Submitted by: Kristy Morris, Environmental Analyst

Noted for Fiscal Impact: Viki Copeland, Finance Director

Approved: Tom Bakaly, City Manager