



## Staff Report

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**Honorable Mayor and Members of the Hermosa Beach City Council**  
**Regular Meeting of June 11, 2019**

**REVIEW OF ORGANIC WASTE RECYCLING PROGRAM**  
**OPTIONS FOR THE CITY OF HERMOSA BEACH**  
(Environmental Analyst Kristy Morris)

**Recommended Action:**

Staff recommends that the City Council:

1. Review organic waste recycling program options for the City of Hermosa Beach commercial and residential accounts; and
2. Request staff to return with a resolution approving an organic waste recycling program to comply with State mandates and authorizing the collection of additional fees related to commercial and recycling organic waste recycling services.

**Executive Summary:**

In October 2014, Governor Brown signed AB 1826 Chesbro (Chapter 727, Statutes of 2014), which requires local jurisdictions across the State to implement an organic waste recycling program to divert organic waste generated by businesses, including multifamily residential dwellings that consist of five or more units. In September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016) that establishes targets to achieve a 50 percent reduction in the level of the statewide disposal of organic waste from the 2014 level by 2020 and a 75 percent reduction by 2025. Staff recommends City Council review options for expanding the City's franchise agreement with Arakelian Enterprises, Inc., DBA Athens Services, Incorporated (Athens Services) to provide an organic waste recycling program for Hermosa Beach businesses and residents.

**Background:**

In October 2014, Governor Brown signed AB 1826 Chesbro (Chapter 727, Statutes of 2014), requiring that on and after January 1, 2016, local jurisdictions across the State implement an organic waste recycling program to divert organic waste generated by businesses and multifamily residential dwellings that consist of five or more units. This builds upon the requirements of AB 341, which mandated commercial waste recycling, and established a goal to source reduce, recycle or compost 75 percent of waste by 2020.

Organic waste includes food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste. Organics comprise more than

30 percent of California's waste stream and could be used for compost or mulch<sup>1</sup>, and anaerobically digested to produce renewable energy and fuel. Greenhouse gas (GHG) emissions resulting from the decomposition of organic wastes in land-fills have been identified as a significant source of emissions contributing to global climate change. Reducing the amount of organic materials sent to landfills and increasing the production of compost and mulch are part of the AB 32 (California Global Warming Solutions Act of 2006) Scoping Plan.

AB 1826 sets a goal to reduce organics disposal by 50 percent by 2020 and phases in the mandatory recycling of commercial Organics in accordance with Table 1\*. The minimum threshold of organic waste generation by businesses decreases over time and more businesses will be required to comply as the threshold is lowered. Since April 1, 2016, an increasingly greater proportion of Hermosa Beach businesses are required to comply with AB 1826 and 145 businesses currently meet the January 1, 2019 threshold of four (4) or more cubic yards of solid waste per week.

Table 1. Implementation Dates and Thresholds

Implementation Date	Threshold to Arrange for Organic Waste Recycling Services
April 1, 2016	Businesses that generate 8 or more cubic yards of organic waste per week
January 1, 2017	Businesses that generate 4 or more cubic yards of organic waste per week
January 1, 2019	Businesses that generate 4 or more cubic yards of solid waste per week
January 1, 2022	Businesses that generate 2 cubic yards of commercial solid waste per week (the 2 cubic yard requirement only takes effect if CalRecycle determines that statewide disposal of organic waste in 2020 has reduced by 50% of 2014 levels)

\*AB1826 applies to multifamily residential dwellings that consist of five or more dwelling units. Multifamily dwellings are not required to have a food waste diversion program.

Generally, AB1826 provides flexibility and allows businesses to recycle organic waste in one or any combination of the methods and depends on the specific franchise agreement. Compliance options include subscribing to a basic level of organic waste recycling service that includes collection and recycling of organic waste, recycling (composting) organic waste onsite or self-hauling for recycling, and selling or donating recyclable organic waste.

<sup>1</sup> CalRecycle, 2014, Waste Characterization Study.

#### City Responsibility

The City of Hermosa Beach is required by state law to implement an organic waste recycling program "that is appropriate for that jurisdiction and designed specifically to divert organic waste generated by businesses" that are required by AB 1826 to implement organic waste recycling.

Beginning in 2017, the City is responsible for reporting on the progress of implementing an organic waste recycling program as part of its annual report to CalRecycle. Currently, the City's AB 1826 implementation activities have focused on education and outreach to businesses notifying them of new laws and requirements, instructional brochures, newsletters as bill inserts, and personal visits to businesses for instructional training on how to identify organics and how to separate organics from trash or other non-recyclable solid waste.

Furthermore, in September 2016, Governor Brown signed into law SB 1383 (Lara, Chapter 395, Statutes of 2016), a short-lived pollutant reduction bill, which requires the State to reduce organic waste at landfills by 50% by 2020 and 75% by 2025. SB 1383 has set aggressive goals for the State with the ultimate responsibility falling on the local jurisdictions. Cal Recycle, the State agency responsible for the implementation of SB 1383, has recently initiated the formal rule making process with the goal of adopting the regulations by the end of 2019. Elements of the regulations that jurisdictions will be responsible for include, collection and processing compliance, edible food recovery, procurement requirements, ordinances and policy adoption, enforcement and penalties, education and outreach, record keeping and reporting, and capacity planning. SB 1383 ultimately places the responsibility on jurisdictions.

Staff recommends that the City Council consider options to provide an organic waste recycling program, commonly known as composting, for businesses and residents in Hermosa Beach. These include adopting organics rates for commercial accounts required to comply with AB 1826 and considering options for implementing a residential organic waste recycling program, requesting staff to return with a resolution approving the program to comply with State mandates, and authorizing the collection of additional fees related to commercial and residential organic waste recycling services.

### **Analysis:**

To meet the State mandates described above, staff recommends adopting a program through the City's franchise agreement with Athens Services, for exclusive residential and commercial solid waste collection and recycling services. The existing solid waste agreement became effective on July 1, 2013, expiring on June 30, 2021, and grants Athens Services the exclusive right to collect solid waste from residential and commercial customers in the City that includes food waste and paper waste, both of which are now considered to be organic waste under AB 1826 (**Attachment 1**). The franchise agreement also grants Athens Services the exclusive rights to collect recyclable materials from commercial and industrial customers to the extent materials are added by the State. In addition, the franchise agreement requires Athens Services to comply with the requirements of the Integrated Waste Management Act, including diversion requirements.

### **Commercial Organics Recycling Program**

Using the organics generator calculator provided by CalRecycle, Athens identified potential customers meeting the first two (2) AB 1826 tier requirements, including a total of eight (8) customers who fall under tier 1 (8-CY or more of organics waste/week) and 22 customers who fall under tier 2 (4

-CY or more of organics waste/week). Athens personnel visited these customers and provided them with a letter documenting each customer's determined organics tier. Currently, 145 businesses fall under tier 3 (4-CY or more of solid waste/week).

On March 15, 2016, Athens submitted to the City a cost proposal for a commercial organics recycling program (**Attachment 2**). The proposed program consists of Athens Services offering organic waste recycling services to businesses required to implement an organic waste recycle program under AB 1826, with the ability to charge businesses that utilize such services rates approved by the City Council. The subscriber-only proposal presented to the City on March 15, 2016 offers commercial organics collection service using 96-gallon carts with collection frequencies up to six times per week that would be hauled to Athens'-owned American Organics facility in Victorville, California, for composting. The cost for a 96-gallon cart hauled once per week is \$116.16.

The City requested HF&H Consultants, a firm providing consulting services to local governments on recycling and solid waste services, and water, wastewater, and stormwater services, to review the supporting documentation provided by Athens to determine the reasonableness of the proposed commercial organics program costs. The results of the review are presented in a Memorandum dated October 13, 2017 (**Attachment 3**) and are summarized below.

*Finding 1:* Athens commercial organics cost proposal is based on a source-separated standalone rate structure. Other rate structures and collection options, which have been adopted by some other cities, may provide alternative benefits that the City may wish to consider.

*Finding 2:* The organics cost proposal submitted by Athens to the City is the same organics cost proposal submitted by Athens to all of the company's regional exclusive commercial franchises. This approach ignores various characteristics specific to the City, which may have resulted in rates that do not reflect the true cost of providing a commercial organics program in the City.

*Finding 3:* Athens proposed commercial organics rates that are relatively high to the commercial organics rates in many other cities for a similar volume of organics container space.

*Finding 4:* Based on the City's existing commercial cart rates for refuse service, and adjusting for organics material, the equivalent organics cart rate would be \$77.76 per month for a 96-gallon cart picked up once per week versus the \$116.16 per month proposed by Athens. The estimated 64-gallon rate would be \$55.62 per month.

Recently Athens Services notified the City that the March 15, 2016 cost proposal utilizing 96-gallon carts is no longer supported by Athens Services due to the weight of the fully-loaded containers and

the strain imposed on Athens Services collection vehicles. In May 2019, Athens Services presented the cost proposal for utilizing 64-gallon carts that is the same as March 1, 2016 cost proposal utilizing 96-gallon carts stating that “the rate is the same regardless of size of the cart since the disposal portion is minimal between the two.”

To encourage participation and reduce the cost of an organics recycling program, jurisdictions have increased rates across the board for all commercial, multi-family, and residential customers to provide a "free" organics service. Athens Services recently proposed similar across the board increases to all accounts to provide an organics recycling program for the following subscribers:

- I. A Commercial & Multifamily organics recycling program would include a 27.46% rate increase for all commercial and multifamily accounts; and
- II. A Commercial & Multifamily, and Residential organics recycling program would include an 18% rate increase for all commercial, multifamily, and residential accounts.

Table 2 shows the monthly costs for implementing an organics recycling program for the subscriber only, commercial & multifamily accounts, and commercial & multifamily, and residential accounts.

Table 2. Monthly Organics Recycling Rate Options for Commercial Accounts

Program	FY19-20 Rate 3 CY Bin	FY19-20 Rate 64-Gallon	FY19-20 Organics Rate 64-Gallon	Monthly Organics Recycling Program
Commercial Subscriber	\$124.02 <sup>(1)</sup>		\$116.16	\$240.18 (3 CY Bin + Organics)
All Commercial & Multifamily Accounts (27.46% Increase)	\$124.02 <sup>(1)</sup>	\$41.86 <sup>(1)</sup> Commercial		\$158.88 (3 CY Bin) \$53.35 (64-Gallon)
All Commercial & Multifamily, and Residential Accounts (18% Increase)	\$124.02 <sup>(1)</sup>	\$41.86 <sup>(1)</sup> Commercial  \$12.08 Residential		Commercial 3 CY: \$146.34 Commercial 64 Gal: \$49.39 Residential 64 Gal: \$14.25

(1) Collected 1 x week

### Comparison to Other Jurisdictions

Neighboring cities, Redondo Beach (Athens Services) and Manhattan Beach (Waste Management), have both adopted commercial organic waste programs. As part of the original solid waste collection agreement with the City of Redondo Beach, effective July 1, 2011, Athens was to identify all hotels, restaurants, and food establishments and create a separate route for the collection of organic waste. Per a mutual unwritten agreement with the city, commercial customers are offered separate organic waste carts at the standard commercial green waste cart rate of \$3.00 for a 32-, 64-, or 96-gallon cart picked up once per week and these represent some of the lowest rates in the County.

This contract is set to expire on June 30, 2019 and Redondo Beach City Council exercised the two-year extension until June 30, 2021. The Redondo Beach Public Works Department has been in potential contract extension discussions with Athens Services since the summer of 2016 and Athens has proposed significant increases to commercial and residential rates since current expenditures exceeded their total revenues by 34% for the existing contract<sup>2</sup>.

<sup>2</sup> <https://redondo.novusagenda.com/agendapublic/Coversheet.aspx?ItemID=2210&MeetingID=301>

Similarly, the City of Manhattan Beach recently went through an RFP process and awarded the new

agreement to its current hauler, Waste Management. This process resulted in a rate increase for commercial and residential customers due to the increased demands of legislative mandates such as SB 1383, and the uncertainty of the recycling market due to China no longer purchasing most of the United States' recycling commodities.

A FY 2018-19 Refuse Rate Survey comparing the cost of commercial and residential rates across South Bay cities (**Attachment 4**). Many cities have increased rates across the board to subsidize or reduce the cost of an organics program, therefore the rates from city to city may not be comparable to a non-subsidized program. The Athens Services commercial subscriber rates are high compared to commercial rates for other South Bay cities. Similarly, HF&H Consultants provided comparisons of monthly organic carts rates for select Orange County cities (**Attachment 5**). The Athens Services commercial subscriber rates are also high compared to commercial rates for other cities, and the across the board rates for a 64-gallon cart are in the mid-high range for these cities.

#### Residential and School Organics Recycling Program

Athens Services provides optional green carts for Hermosa Beach residents and schools on request. Green carts can only be used for the collection and recycling of landscaping materials including grass clippings, leaves, brush, branches, tree trimmings, wood stumps, flowers, dead plants and other forms of organic materials generated from landscapes or gardens.

In Redondo Beach, Athens Services also accepts food scraps in green carts including all fruits, vegetables, meat, and dairy; and food-soiled paper products that are 100% fiber based for their residential food waste recycling program. The collected materials are transported to American Organics compost facility in Victorville, California where it is processed into compost for agricultural end users. Waste Management provides a similar residential food waste program in Manhattan Beach.

Section 4.3.1 of the City's franchise agreement with Athens Services describes a residential food waste program where upon closure of the Puente Hills Landfill, Athens Services will accept and divert from landfilling, food waste placed in green carts, along with landscaping waste. No additional cost should be incurred for the addition of food waste to the green carts other than the adjustment to green cart rates permitted per Section 6.4.4 for the change in disposal facilities from Puente Hills Landfill to American Organics. Upon Closure of Puente Hills Landfill on October 31, 2013, and per section 6.4.4 Green Waste Rate Adjustment, Hermosa Beach residents and schools can implement a green cart organic waste recycling program for a \$0.30 cost increase charged to all residential accounts. The residential organics program would allow food waste to be placed in what is now the green cart that is collected on Tuesdays.

The 2.41% increase would apply to all sizes of residential carts used for trash, recycling, and organics; therefore, customers receiving trash services and no green waste services would receive an increase to fund the organics program under this option.

Athens Services provided a subscriber-only rate increase of 32.94% that would apply to all sizes of residential carts used for organics only. Subscriber only rate increases would apply to any trash or recycling carts and customers not using the current green waste services would not receive an increase in their rates. Table 3 shows the monthly costs for implementing an organics recycling program for the subscriber and all residential accounts.

Table 3. Monthly Organics Recycling Rate Options for Residential Accounts

Program	FY19-20 Rates	Monthly Organics Recycling Program
Residential Subscriber (32.94 % Increase)	\$4.18 (35-Gallon Green Cart)	\$5.56 (35-Gallon Green Cart)
All Residential Accounts (2.41% Increase)	\$7.55 (32-Gallon) \$12.08 (64-Gallon)	\$7.73 (32-Gallon) \$12.37 (64-Gallon)

The monthly residential organic recycling rates for the both subscriber and across the board are the lowest among the South Bay cities (**Attachment 4**). Given that the legislation does not require residential participation in an organic waste recycling program, Athens Services proposed that the City could wait until residential organic recycling is mandated before implementing a program.

Furthermore, as soon as, and for as long as, food waste is permitted for collection in the residential green waste cart, the City’s public schools administered by the Hermosa Beach City School District shall have the option of participating in this program at no cost to the City or schools. Staff are coordinating with the Hermosa Beach City School District on auditing food waste and potential food recovery in advance of the SB 1383 regulations (**Attachment 6**). Upon implementing a food waste in green waste program at the Hermosa Beach schools, Athens Services would provide as many carts to the schools as necessary to collect their food waste, and such carts shall be collected on Tuesdays with the residential green waste cart route.

Staff recommends that the City Council consider the aforementioned options to implement and organic waste recycling program for Hermosa Beach businesses and residents and request staff to return with a resolution approving an organic waste recycling program to comply with State mandates



and authorizing the collection of any additional fees related to commercial, multifamily, and residential organic waste recycling services.

Recommendations for an organic waste recycling program could include the following options:

- 1) A 27.46% rate increase for all commercial and multifamily accounts and a subscriber rate increase of 32.94 % for residential accounts; or
- 2) Adopt subscriber-only rates for commercial and multifamily, and residential accounts.

*Option 1* would encourage participation and reduce the cost of an organics recycling program for businesses and multifamily residences, while providing an option for Hermosa Beach residents to subscribe to a food waste recycling program.

*Option 2* is the minimum option to provide AB 1826 compliant organic waste recycling for businesses identified in Table 1, and for Hermosa Beach residents to subscribe to a food waste recycling program. The cost of this option is much higher for commercial subscribers which may defer participation and would likely require City Council to adopt an ordinance for participation that includes enforcement and penalties when SB 1383 regulations are adopted.

These examples represent only a number of the options that can be considered by City Council for future adoption and implementation.

### **General Plan Consistency:**

This report and associated recommendations have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

### **Sustainability and Conservation:**

*6.1 Franchise Agreements. Ensure waste franchise agreements and program offerings provide progressively higher rates of waste diversion.*

### **Fiscal Impact:**

There is no Fiscal Impact to the City from the recommendations presented in this report.

### **Attachments:**

1. Athens Services Franchise Agreement
2. Monthly Commercial Organic Waste Recycling Unit Costs
3. HF&H Hermosa Beach Organic Rates Analysis Memo
4. FY 2018-19 Refuse Rate Survey\_South Bay Cities
5. FY 2018-19 Refuse Rate Survey\_Orange County Cities
6. HBCSD Food Waste Audit

**Respectfully Submitted by:** Kristy Morris, Environmental Analyst

**Concur:** Lucho Rodriguez, Acting Public Works Director

**Noted for Fiscal Impact:** Charlotte Newkirk, Accounting Manager

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager