



## Staff Report

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File #: REPORT 22-0299, Version: 1

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**Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of May 10, 2022**

**CONSIDERATION OF PROPOSALS REGARDING  
THE EXTENSION OF AGREEMENTS BETWEEN  
THE CITY OF HERMOSA BEACH AND  
ARAKELIAN ENTERPRISES, INC (DBA ATHENS SERVICES)  
FOR SOLID WASTE MANAGEMENT SERVICES AND  
STREET SWEEPING AND CLEANING SERVICES  
(Environmental Programs Manager Douglas Krauss)**

**Recommended Action:**

Staff recommends City Council:

1. Consider the proposals submitted by Athens Services, Inc. for extension and amendment of the current solid waste management and street sweeping and cleaning services agreements;
2. Provide feedback regarding the most desired proposal option; and
3. Direct staff to proceed with negotiations with Athens Services, Inc.

If City Council should desire to pursue a new Request for Proposals (RFP):

1. Direct staff to reappropriate \$300,000 for Request for Proposal (RFP) development and estimated revenue of \$300,000 for Reimbursement of the Solid Waste Management and Street Sweeping RFPs from the Fiscal Year 2021-22 Budget to the Fiscal Year 2022-23 Budget.

**Executive Summary:**

Athens Services (Athens) has provided solid waste and street sweeping services for Hermosa Beach since 2013 and 2010, respectively. Both agreements were set to expire in June 2021 and were extended an additional 24 months per the terms of the agreements. Athens Services submitted informal proposals to the City for the purpose of discussing an amendment to the current agreements and extension of the terms. Staff recommends Council consider the proposals and provide staff direction on the most desirable option to proceed with negotiations. Alternatively, should Council desire to pursue a new agreement, direct staff to proceed with the Request for Proposals (RFP) process.

**Background:**

At its October 12, 2010 meeting, City Council approved an agreement with Athens Services for Sweeping/Cleaning of Streets, Alleys, Walkstreets, Parking Lots and the Pier. (**Attachment 1**). The agreement was subsequently amended by the first amendment to agreement for Street Sweeping Services dated March 26, 2013. That amendment served to extend the term and have it coincide with the term of the agreement with Athens for solid waste collection services which was also entered into on March 26, 2013 (**Attachment 2**). A second amendment to the agreement for street sweeping services was approved September 25, 2018, adding certain cleaning services. A first amendment to the solid waste franchise was executed in September 2018 revising some minor contract elements. In 2019, the City and Athens Service agreed upon a special rate increase to allow for organic waste collection in response to AB1826 (2014), a State law that required commercial and multi-family customers to recycle organic waste (**Attachment 3**).

The City pays Athens approximately \$544,000 annually for street sweeping and cleaning services. This agreement includes a number of sweeping and cleaning services for public the right-of-way including: weekly sweeping of all streets, daily cleaning of the Strand and Pier, regular cleaning of Pier Plaza, cleaning of sidewalks, emptying public trash cans citywide, and sweeping and cleaning of public parking lots.

The solid waste franchise agreement provides solid waste services for all properties in the City, including residential, commercial, and municipal properties. This includes free collection service for City facilities and the Hermosa Beach School District. The agreement also includes a number of related services including hosting annual compost give-away and paper shredding events. There is no cost to the City for this agreement because compensation to Athens is via rates paid by ratepayers and the City receives approximately \$422,000 in franchise fees and AB 939 surcharges per year that adjust proportional to Athens' revenue. A solid waste administrative fee is also received.

Both these agreements were scheduled to expire June 30, 2021. Per the agreements, the City had the sole option to extend the agreement up to 24 months. The City extended these agreements until June 30, 2023 to ensure continuity of service and continue the favorable rates to customers. As was intended in 2013 during the amendment of the street sweeping and clean services agreement, coinciding the two agreements allows for efficient administration of the agreements and logistical coordination between the two services. The extension also allowed the City to continue to work with Athens to implement mandatory organics recycling programs that must be implemented in 2022. Staff has been working closely with Athens to deliver carts to customers, distribute outreach materials, and monitor participation per the requirements of the mandatory organics processing regulations of Senate Bill 1383 (2016). An Ordinance adding these regulations to the Hermosa Beach Municipal Code was approved by Council in May 2021, allowing the City to enforce these measures, per State requirements.

### ***Past Council Actions***

Meeting Date	Description
October 12, 2010	Approved Agreement with Athens Services for Street sweeping and cleaning services
March 26, 2013	Approved First Amendment to street sweeping agreement with Athens Services extending term
March 26, 2013	Approved Franchise Agreement with Athens for Solid Waste Collection Services
September 17, 2018	Approved First Amendment to Agreement for Solid Waste Services
September 25, 2018	Approved Second Amendment to Agreement for Street sweeping and cleaning services
September 10, 2019	Approved special rate increase for organic services per AB1826

### **Discussion:**

The extension of the agreements for 24 months allowed the City time to explore the full range of options for the future of these agreements. Staff reviewed both existing agreements and hired a consultant to analyze Athens' proposals. Staff also surveyed neighboring agencies and evaluated recent contract negotiations in the region to provide Council context on the City's options. The options below could be applied to either the solid waste agreement, street sweeping agreement, or both.

#### **Option 1-Request for Proposals (RFP)**

The process of issuing a RFP seeking new vendors typically takes 12-18 months. This timeline includes: assessing the current contract; developing and advertising the RFP; analyzing the submitted proposals; selecting the desired contractor; negotiating a new agreement; securing Council approval; executing the new agreements; and onboarding the new contractor.

Should a new hauler be chosen, a transition process would then occur for the new hauler to learn the routes and logistics of the required services. RFP processes for solid waste service recently undertaken by two local agencies took close to 18 months and cost \$150,000 each. In Hermosa Beach's case, because these are two separate agreements for different services, this cost could be doubled. Typically, the RFP includes language requiring the successful proposer to reimburse the City for these costs.

The RFP process and subsequent proposals would most likely reflect the many cost uncertainties currently affecting the waste industry. These uncertainties include historically low commodity prices for recyclables and the significant costs associated with mandatory organic waste service implementation. RFPs issued in 2019 by Manhattan Beach and Lawndale resulted in rate increases of approximately 50 percent and 70 percent, respectively. This increase was largely due to the many new programs and services associated with mandatory organics service. For reference, processing facility rates for organic waste are typically 40 percent more than disposal rates for municipal solid

waste. The additional organic waste services resulting from the new mandates include:

- Distributing organics containers to nearly all customers;
- Developing and implementing routing which can include new staff, vehicles, and equipment;
- Conducting regular route audits, including waste container inspections and assistance with City enforcement;
- Performing education and outreach, both passive information distribution and targeted onsite trainings for customers;
- Transporting the organic materials to specified processing facilities; and
- Ongoing record keeping and monitoring.

Although a special rate increase to accommodate increased organic waste services in Hermosa Beach was approved by the City Council at its September 10, 2019 meeting, this increase was implemented to provide organic recycling service allowing the City to comply with AB1826 (2014) and was thus designed specifically for commercial and multi-family customers targeted to begin recycling organics by 2019. Residential organics recycling was also implemented at this time but was optional for customers. Rates for organic service for commercial customers were built into these increased rates but, because residential service was optional, the rate was kept separate from existing solid waste (black cart) service. SB1383 is much broader in scope for not only the number of required participants but also associated ongoing programs and record-keeping.

#### Option 2-Negotiate with Athens

In August 2021, Athens submitted an informal proposal for the City's review that described terms of an amendment and extension to the existing agreements. Discussions between Athens and City staff led to Athens submitting additional informal proposals with variations on these suggested terms.

City staff issued an RFP to solicit consultants to analyze the proposals, assess them in terms of general trends in the solid waste industry, and compare them within the context of the regional market. The City solicited three proposals from qualified consultants specializing in solid waste and awarded the contract to R3 Consulting Group (R3). R3 is uniquely qualified due to their statewide work on solid waste contracts and analysis. They are also directly involved in the statewide implementation of new mandatory organics recycling regulations on behalf of public agencies throughout the State. Per the current franchise agreement, the analysis was funded through the City, but paid for by Athens. Athens deposited the not-to-exceed contract amount with the City, which selected, directed, and paid the consultant directly.

R3 Consulting Group analyzed Athens' proposals to help the City assess whether the amendments and rate adjustments proposed are equitable within existing market conditions and in relation to Athens' current revenues and forecasts and provided a final report (**Attachment 4**). Athens' proposals each included variations on a significant increase to customer rates for solid waste services. These increases serve to compensate Athens for revenue deficit associated with Hermosa

Beach's historically low rates relative to the regional market, as well as the additional costs associated with implementation of mandatory organics recycling programs associated with SB1383. As described in the R3 analysis, and based on financial information prepared by Athens, the company has been operating at a loss in Hermosa Beach for some time. With the proposed rate increases, Athens would not begin to realize a profit until 2024-25 at the earliest.

Each proposal option has similar essential elements but each with unique variations. Though similar, each was crafted by Athens so that the various costs associated with any changes are amortized in synchronization with the scheduled rate increases. Should the City choose to negotiate with Athens, alteration of the various elements could be discussed. The various proposal elements are described and discussed below and each center on the following elements:

1. Rate increase;
2. Change to the annual rate adjustment formula;
3. Change to minimum diversion requirement;
4. New programs to support SB1383 compliance;
5. Term extension; and
6. Payments to the City.

#### Rate Increase

Each proposal from Athens includes significant rate increases. The rate increases proposed by Athens span a range from 47 percent to 53.25 percent and would be implemented over the course of 3-5 years. These proposed increases are comparable to recent rate increases in the cities of Lawndale (67 percent in 2019), Redondo Beach (35 percent for residential, 70 percent for commercial, 2019) and Manhattan Beach (47 percent average across all sectors, 2019), each of which were implemented immediately.

As shown below in the following table, the rate surveys performed by R3, Hermosa Beach residents and businesses enjoy some of the lowest trash rates in the region.

**Comparison of Residential FY 2021-22 Rates for South Bay Cities**  
(includes green cart service though not all agencies offer organic recycling yet)

	32/35-gal.	64-gal.	96-gal.
<b>Hermosa Beach</b>	<b>\$ 12.37</b>	<b>\$ 17.04</b>	<b>\$ 21.68</b>
Inglewood	N/A	17.46	N/A
Manhattan Beach	14.01	18.83	22.37
Redondo Beach	N/A	22.72	N/A
Hawthorne	20.45	23.87	27.71
Lawndale	23.09	27.45	31.80

Rancho Palos Verdes	26.06	33.54	40.99
Torrance	N/A	34.10	35.31
Culver City	N/A	44.21	N/A
<b>Average without Hermosa Beach</b>	<b>20.90</b>	<b>27.77</b>	<b>31.64</b>
<b>Hermosa Beach Over (Under) Average</b>	<b>(8.53)</b>	<b>(10.73)</b>	<b>(9.96)</b>
<b>Percent Over (Under) Average</b>	<b>(41%)</b>	<b>(39%)</b>	<b>(31%)</b>

### Comparison of Commercial FY 2021-22 Rates for South Bay Cities

	3 CY 1/week Garbage; 96- gallon Recycling; 96-gallon Organics	1 CY 1/week Garbage; 1 CY 1/week Recycling; 96-gallon Organics	3 CY 1/week Garbage; 1 CY 1/week Recycling; 96-gallon Organics	
<b>Hermosa Beach</b>	<b>\$198.91</b>	<b>\$148.35</b>	<b>\$207.53</b>	
Inglewood	189.72	189.72	N/A	
Culver City	204.55	N/A	204.55	
Manhattan Beach	219.79	N/A	273.33	
Lawndale	220.40	148.62	220.40	
Hawthorne	235.73	182.20	262.13	
Redondo Beach	242.64	N/A	242.64	
<b>Average without Hermosa Beach</b>	<b>218.81</b>	<b>173.51</b>	<b>240.61</b>	
<b>Hermosa Beach Over (Under) Average</b>	<b>(19.90)</b>	<b>(25.16)</b>	<b>(33.08)</b>	
<b>Percent Over (Under) Average</b>	<b>(9%)</b>	<b>(15%)</b>	<b>(14%)</b>	

For the categories above that do not contain rates, the information was either not available in an equivalent form or the service is not available.

Despite the proposed significant rate increase, Hermosa Beach's rates are still projected to be some of the lowest in the area over the next five years (see chart below). The rates for the some of the cities shown below, including Inglewood and Hawthorne, do not yet incorporate full organic recycling service, and thus are expected to increase accordingly. Additionally, projected rates for communities other than Hermosa Beach and Redondo Beach are based on assumptions of 3-5 percent annual increases, not inclusive of possible extraordinary adjustments.

### Projection and Comparison of 64-gallon Residential Rates Over Five Years

	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Inglewood	\$18.16	\$18.88	\$19.64	\$20.43	\$21.24
Manhattan Beach	19.77	20.76	21.80	22.89	24.03
Hawthorne	24.82	25.82	26.85	27.92	29.04
<b>Hermosa Beach (Options A &amp; B)</b>	<b>20.15</b>	<b>23.83</b>	<b>28.19</b>	<b>29.17</b>	<b>30.18</b>
<b>Hermosa Beach (Option C)</b>	<b>19.14</b>	<b>21.50</b>	<b>24.16</b>	<b>27.14</b>	<b>30.51</b>
Redondo Beach	25.48	28.16	29.14	30.16	31.22
Lawndale	28.55	29.69	30.88	32.11	33.40
Rancho Palos Verdes	34.88	36.28	37.73	39.24	40.81
Torrance	35.46	36.88	38.36	39.89	41.49
Culver City	48.63	53.49	54.83	56.20	56.20
<b>Average without Hermosa Beach</b>	<b>29.47</b>	<b>31.25</b>	<b>32.40</b>	<b>33.61</b>	<b>34.68</b>
<b>Hermosa Beach Over (Under) Average (Options A &amp; B)</b>	<b>(9.32)</b>	<b>(7.42)</b>	<b>(4.21)</b>	<b>(4.44)</b>	<b>(4.50)</b>
<b>Percent Over (Under) Average</b>	<b>(32%)</b>	<b>(24%)</b>	<b>(13%)</b>	<b>(13%)</b>	<b>(13%)</b>
<b>Hermosa Beach Over (Under) Average (Option C)</b>	<b>(10.33)</b>	<b>(9.75)</b>	<b>(8.25)</b>	<b>(6.46)</b>	<b>(4.17)</b>
<b>Percent Over (Under) Average</b>	<b>(35%)</b>	<b>(31%)</b>	<b>(25%)</b>	<b>(19%)</b>	<b>(12%)</b>

#### Change to the current annual rate adjustment formula

A change in the annual rate adjustment formula was included in each of the proposal options. In the existing agreement for solid waste services, Athens is allowed an annual rate adjustment, which is based on a weighted calculation of several indices including the Consumer Price Index for All Urban Consumers (CPI) and Producer Price Index for fuel and equipment. Athens proposes a change to this formula that would instead rely solely on the Garbage and Trash Collection Consumer Price Index published by the Bureau of Labor Statistics (BLS), plus one additional percent. Per Athens, this index reflects the realities and costs of the solid waste industry and it is increasingly common for waste haulers to request that cities utilize this index for regular rate adjustments.

R3 mentions in their analysis that, although this index is traditionally higher than the current indices used by Athens, inflation makes it difficult to accurately forecast either of these indices and consequent rate adjustments. The table below provides the City's recent annual rate adjustments compared to hypothetical adjustments using the proposed index for the same years. In the table, the proposed "Garbage and Trash Collection in U.S. City Average" index was inserted into the existing rate adjustment calculation formula and the additional one percent was added.

	<b>Hermosa Beach Adjustment ( percent)</b>	<b>Garbage &amp; Trash Index Adjustment + 1 percent ( percent)</b>
2016	-0.46	2.40

2017	0.79	2.80
2018	3.43	3.00
2019	1.64	3.97
2020	2.02	5.56
2021	0.88	3.75
<b>Average</b>	<b>1.79</b>	<b>3.58</b>

#### Change in the minimum diversion requirement

With each proposal option, Athens proposes to revise the existing requirement to divert 50 percent of all solid waste it collects. They have instead offered to focus on helping the City comply with SB1383 and continue to indemnify the City from any penalties associated with non-compliance with AB939, the Integrated Waste Management Act of 1989, as included in the existing agreement. AB939 established a mandatory 50 percent diversion requirement for agencies statewide. As explained in R3's analysis, other agencies are making similar changes to their agreements with their waste haulers to reflect the State's changing emphasis from monitoring strict diversion percentages to instead implementing programs to increase and expand diversion.

This change in strategy also reflects the changing realities of commodity and recycling markets which have made comprehensive diversion more difficult. R3 recommends that the City require similar indemnification for other relevant State regulations related to waste diversion such as SB1383. The City may also consider rejecting this request to align with its history of ambitious diversion programs or add language that would require a reversion to the current requirement should market or regulatory conditions change in the future.

#### Comprehensive implementation of mandatory organics recycling program in compliance with SB1383

Athens has already begun implementing many of the programs necessary to help the City achieve compliance with SB1383 and has secured the resources to establish the permanent program elements required (**Attachment 5**). These include: education and outreach; mandatory site visits and contamination screening; ongoing monitoring; and data management and reporting. Athens' implementation strategy for these programs is included in each proposal option.

The City relies on the waste hauler for implementation of many of these programs, both due to inherent operational logistics as well as a lack of adequate City staff resources. Per the R3 analysis, the costs of SB1383 implementation are relatively minor but are extraordinary beyond the regular annual rate adjustment and could result in a separate extraordinary rate adjustment request. In their report, R3 has included suggested language to include in a potential contract amendment which would specify the services and programs required to ensure Athens' implementation of SB1383.

#### Term Extension



Each proposal option includes a minimum 10-year term extension of both the solid waste and street sweeping agreements. The length of the terms correlates directly with Athens' ability to amortize costs and recover revenues. At a minimum, Athens has proposed a flat 10-year extension and, at a maximum, they have proposed a 10-year "rolling" term that would automatically renew assuming Athens is materially compliant with all franchise terms. With the "rolling" term extension, the City has the option to trigger termination only after the initial five years, so the term is essentially 15 years at a minimum. Triggering the termination would also result in reduction of franchise fees paid to the City, per Athens' proposal. The other proposed term extension is a 10-year extension to the current agreement terms with a clause that would add 5 years at the end of that time should Athens be found materially compliant with certain contract terms and if monthly customer rates are within 10 percent of the average residential rate in the surrounding area at that time.

### Payments to City

Each of Athens' proposal options include payments to the City, commensurate to the revenue projections anticipated from the rate increases and term extension. These payments are proposed alternatively as one-time upfront payments or as funds specified for specific services and programs. For instance, in the proposal with the "rolling" term extension, a \$200,000 cash payment is proposed. In the option with the simple 10-year extension, a \$100,000 upfront payment is proposed. In the option with the 10-year term extension that includes a 5-year renewal option, the funds are earmarked as such:

- \$20,000 annual payment for additional cleaning and trash removal services, to be chosen by the City;
- \$10,000 towards the replacement of lids on public trash cans; and
- \$40,000 towards installation of downtown decorative lighting.

The annual \$20,000 for services could be used to address a variety of seasonal or sporadic cleaning needs that arise, including pressure washing, additional trash pick-up at parks, or other services Athens currently provides. A \$10,000 one-time payment for the replacement of lids on City trash receptacles was proposed in response to discussions related to the City's public trash cans and the ongoing cleaning and maintenance they require.

Athens first submitted initial drafts of these proposals to the City in August 2021. The one-time payment of \$40,000 for lighting was proposed then and, in October 2021, Athens ended up donating the funds to the City for the purpose of installing decorative lights in November of 2021. The City secured a vendor and used the donation to fund the installation. The lights are now in place year-round on the roofline of the Community Center and on palm trees in the center medians of Pier Avenue and Hermosa Avenue in the downtown area. Should the City choose a different proposal option, terms could be adjusted accordingly if necessary.

The three informal proposal options provided by Athens are listed verbatim below:

**OPTION A**

1. Extend trash contract to a new 10-year term contract;
2. Extend the Street Sweeping & Maintenance contract to a new 10-year term contract;
3. Implement a 52.00 percent extraordinary rate adjustment, spread over 3 years;
4. Provide a one-time \$100K up-front payment to the City;
5. Implement a SB1383 program for all green barrels & provide other SB1383 compliance (waste characterizations, route audits, reporting assistance, site visits, etc.);
6. Modify the diversion requirement from 50 percent hauler diversion to AB939 CalRecycle compliance; and
7. Modify the annual rate adjustment formula to "Trash CPI +1 percent"

**OPTION B**

1. Extend trash contract to a new 10-year term contract, with a 5-year extension that **SHALL** be offered, provided that Athens is in material compliance with all requirements (see exact language below);
2. Extend the Street Sweeping & Maintenance contract to same term as trash contract in #1;
3. Implement a 53.25 percent extraordinary rate adjustment, spread over 3 years;
4. Provide \$40,000.00 to City for permanent lights at Pier Plaza & holiday décor;
5. Implement a SB1383 program for all green barrels & provide other SB1383 compliance (waste characterizations, route audits, reporting assistance, site visits, etc.);
6. Modify the diversion requirement from 50 percent hauler diversion to AB939 CalRecycle compliance;
7. Modify the annual rate adjustment formula to "Trash CPI +1 percent";
8. Provide \$20K annually to City by way of annual payments or additional trash/sweeper services; and
9. Provide \$10K one time for new fabricated lids for the City public receptacles.

***DRAFT EXTENSION TERM LANGUAGE***

"Upon at least five (5) years before the end of the initial Term, City shall offer Contractor, in writing, a five (5) year extension to the initial Term of this Agreement, with the extension period beginning January 1, 2032 to December 31, 2036, (the "Extension Term"); provided that Contractor is in material compliance with all requirements of this Agreement as of the time of such extension offer.

In addition, upon at least ninety (90) days prior to the end of the initial term, City shall offer Contractor, in writing, a five (5) year extension to the previously offered & accepted "Extension Term" of this Agreement, with each additional extension period beginning January 1<sup>st</sup> of the year

immediately following the end of the previous extension period; provided that Contractor is in material compliance with all requirements of this Agreement, and provided that the Hermosa Beach standard monthly residential customer rate is below, or within 10 percent, of the average standard monthly residential customer rate in the surrounding area, as of the time of such extension offer.”

### **OPTION C**

1. Extend trash contract to a new 10-year rolling contract, that cannot be triggered for 5 years;
2. If trigger is ever given, 3 percent of the 10 percent City Fee will be held back;
3. Extend the Street Sweeping & Maintenance contract to same as trash contract in #1;
4. Implement a 47.00 percent extraordinary rate adjustment, spread over 5 years;
5. Provide a one-time \$200K up-front payment to the City;
6. Implement a SB1383 program for all green barrels & provide other SB1383 compliance (waste characterizations, route audits, reporting assistance, site visits, etc.);
7. Modify the diversion requirement from 50 percent hauler diversion to AB939 CalRecycle compliance; and
8. Modify the annual rate adjustment formula to “Trash CPI +1 percent”.

### **Next Steps**

As described in the report from the consultant that analyzed the proposals, Athens’ proposals are reasonable. Per the report:

*“Athens’ proposal to extend the Agreement term, provide SB 1383 organics collection and associated services, and increase rates appears to be reasonable. Even after the proposed rate increases over three to five years, and given modest assumptions about how rates in the rest of the South Bay region will increase over time, the City’s residential rates are likely to remain below the average of other South Bay cities. Moreover, our analysis indicates that Athens’ proposed rate increases would achieve an appropriate level of reasonable operating profit within three to five years while also providing funding for new SB 1383 programs and new payments to the City.”*

Despite the proposed rate increase, it is anticipated that Hermosa Beach customers would still enjoy some of the lowest rates in the region. Additionally, all indications from community feedback and staff observations are that customers are generally content with the services provided by Athens as well. Athens has been a reliable community partner for over 10 years now and is very familiar with Hermosa Beach and its services and needs. City staff has also been satisfied with the quality of service and responsiveness for street sweeping, sidewalk cleaning and other City services provided by Athens.

As evidenced by Athens' implementation of a citywide organics recycling program over the last few months, they are willing to implement new programs as necessary to assist the City and its diversion requirements. Continuing with Athens would also help the City avoid the disruptive process of transitioning to a new contractor. The existing and proposed agreements both allow for addition of new services and programs should need arise in the future. For example, the community and City Council have both expressed interest in increased cleaning services at various times. The menu of services in the agreement allows the City to add or subtract services as needed and adjust the compensation accordingly.

Based on the information presented, staff recommends the City negotiate with Athens and seeks Council's direction on which proposal option to pursue. Staff also asks Council's feedback on the general terms and elements of the proposals as well as any other relevant considerations. A successful negotiation and implementation of the resulting rate increases would require a 45-day Proposition 218 notification be sent to all customers. This notice would detail the rates as well as the time and date of a required public hearing which would be scheduled for a future City Council meeting.

Should negotiations prove fruitless, the City could choose to begin the RFP process. This process should begin expeditiously to accommodate the potential 12-18-month timeline of the process. R3 recommends, should the RFP process be chosen, that the City secure at least six additional months of service with Athens to ensure uninterrupted service and a more efficient transition to a potential new hauler.

Although coinciding the two solid waste and street sweeping agreements has allowed for efficient administration of the agreements and logistical coordination between the two services, the City may choose different options for each agreement. Based on the Public Resources Code, though these agreements have been in effect for many years, the City has the right to negotiate and execute agreements for these services without competitive bidding. Should the City choose to negotiate with Athens, staff would also work with Athens to improve a few minor contract elements that have been discussed over the course of the current agreements. Examples of these minor changes include: adding a rate for locking commercial carts; clarifying language related to removal of the trash compactor in Parking Lot A; and other similar language clean-ups.

### **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 Element*

**Goal 6. Hermosa Beach is a low or zero-waste community with convenient and effective options for recycling, composting, and diverting waste from landfills.**

Policy:

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

**Fiscal Impact:**

Issuing RFPs would require an upfront cost of approximately \$200,000-\$300,000 for hiring a consulting firm to develop the RFPs and complete the proposal process. These costs would be reimbursed by the winning proposer should the City choose to make this a requirement of the RFP. The FY 2021-22 budget includes \$300,000 for this effort, along with estimated revenue of \$300,000 for Reimbursement of the Solid Waste Management and Street Sweeping RFPs. Both would be reappropriated to the 2022-23 budget if Council directs staff to pursue an RFP. The City currently pays Athens approximately \$544,000 annually for street sweeping and cleaning services and, should the agreement be extended, this rate would continue unchanged except for the fixed 3 percent annual adjustment. Other payments to the City described in the proposal options or resulting changes to franchise fees would be determined after negotiations.

**Attachments:**

1. Agreement for Street Sweeping and Cleaning Services
2. Agreement for Solid Waste Services
3. Resolution 19-7210
4. R3 Analysis of Athens' Proposals
5. Athens SB1383 Implementation Plan
6. Link to October 12, 2010 Staff Report
7. Link to March 26, 2013 Staff Report
8. Link to September 17, 2018 Staff Report
9. Link to September 25, 2018 Staff Report
10. Link to September 10, 2019 Staff Report

**Respectfully Submitted by:** Douglas Krauss, Environmental Programs Manager

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

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

**Approved:** Suja Lowenthal, City Manager