



Staff Report

File #: REPORT 22-0332, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of May 24, 2022

**ENDORSEMENT OF ARAKELIAN ENTERPRISES, INC
(DBA ATHENS SERVICES) REQUEST FOR AN ANNUAL
RATE ADJUSTMENT TO THE MAXIMUM RATES
FOR SOLID WASTE SERVICES**
(Environmental Programs Manager Douglas Krauss)

Recommended Action:

Staff recommends City Council endorse the proposed service rate from Arakelian Enterprises, Inc. (DBA Athens Services) at amounts not to exceed the attached rate schedule effective July 1, 2022.

Executive Summary:

The City entered into a contract on July 1, 2013 with Athens Services to provide residential and commercial waste disposal services for Hermosa Beach. Per the Integrated Solid Waste Management Services Agreement, Athens Services 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 agreement and subject to City approval. If approved, this annual rate increase would become effective July 1, 2022 and result in a 4.62 percent increase in residential cart and commercial bin rates. The agreement for street sweeping services has a fixed annual rate increase of three percent.

Background:

Since entering into the Integrated Solid Waste Management Services Agreement with Athens Services effective July 1, 2013, eight solid waste rate adjustments were implemented in accordance with the rate adjustment methodology contained in Section 6.4. The most recent annual rate increase was approved by City Council at its May 25, 2021, meeting. The rate adjustment calculation takes into account changes in indices for labor, fuel, equipment, disposal, and Consumer Price Index for all urban consumers, less food and energy index.

Past Council Actions

Meeting Date	Description
October 12, 2010	Approved Agreement with Athens Services for Street Sweeping and Cleaning Services
March 26, 2013	Approved Integrated Solid Waste Management Services Agreement with Arakelian Enterprises, Inc. (DBA Athens Services)
September 10, 2019	Approved special rate increase for Organics Recycling Service
May 25, 2021	Approved Seventh Annual Rate Adjustment

Discussion:

The Integrated Solid Waste Management Services Agreement prescribes the format by which Athens Services can request an annual rate adjustment. Rate years run from July 1 through June 30 of the following year. In order to consider an annual rate adjustment for an upcoming rate year, Athens Services must submit a written request to the City by March 1 of each year. Staff reviewed the annual rate adjustment request dated February 28, 2022 (**Attachment 1**) according to the rate adjustment methodology outlined in Section 6.4 of the Agreement. The rate adjustment calculations are performed separately for the three service categories consisting of carts (single-family service), bins (multi-family and commercial service), and roll-off bins.

Solid waste rates are determined using the cost categories shown in the table below and each cost category is adjusted by the change in its corresponding index as listed:

Cost Category	Rate Adjustment Factor
Labor	Employment Cost Index CIU20100005200000I, Total compensation, Private industry, Index number, Transportation and material moving
Fuel	Producer Price Index WPU 0531, Not seasonally adjusted, Fuels and related products and power, natural gas
Equipment	Producer Price Index, PCU336120336120, Heavy duty truck manufacturing
Processing/Disposal	Consumer Price Index for All Urban Consumers (CUUR0000SA0L1E), all items less food and energy index - U.S. city average or five percent, whichever is lower
All Other	Consumer Price Index for All Urban Consumers (CUUR0000SA0L1E), all items less food and energy index - U.S. city average

Staff reviewed the rate schedules and calculations and confirmed that the rate adjustments were made in accordance with the terms of the contract. Staff confirmed the accuracy of the indices and that the rate adjustment formulas are applied to the rates accurately. Based on the rate adjustment methods and prescribed formulas, the City's residential and commercial businesses will have a rate

increase on July 1, 2022 of 4.62 percent, while compactor roll-off and disposal rates will increase by 2.73 percent. Simultaneously, per a separate agreement between Athens and the City, street sweeping rates also increase by a fixed three percent annually on July 1 (**Attachment 2**).

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:

There is no fiscal impact to the City associated with the recommended action. On July 1, 2022 residential and commercial cart and bin rates will increase by 4.62 percent, and compactor roll-off and disposal rates will increase by 2.73 percent. The impact of the rate increase on the most common service levels is shown here:

	3-Yard Bin serviced once per week	Residential 64-Gallon Trash	Residential 35-Gallon Organics
Current Rate	\$161.67	\$12.74	\$4.30
Proposed Rate	\$168.99	\$13.32	\$4.50

The increase of three percent for street sweeping and cleaning services has been included in the 2022-23 Preliminary Budget.

Attachments:

1. Rate adjustment request from Athens Services and proposed rates schedule effective July 1, 2022 for Solid Waste Services
2. Rate adjustment request from Athens Services and proposed rates schedule effective July 1, 2022 for Street Sweeping and Cleaning Services

Respectfully Submitted by: Douglas Krauss, Environmental Programs Manager

Noted for Fiscal Impact: Viki Copeland, Finance Director

Approved: Suja Lowenthal, City Manager