



## Staff Report

---

File #: REPORT 22-0666, Version: 1

---

Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of October 25, 2022

**CONSIDERATION OF PROPOSAL FOR THE AMENDMENT  
AND 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 revised proposal 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 proposal terms and approve the proposal in substance; and
3. Direct staff to proceed with issuance of a Proposition 218 notification (Attachment 6) regarding the proposed rate changes.

**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 amendment of the current agreements and extension of the terms. At its May 10, 2022 meeting, Council considered the proposals and provided staff direction on the most desirable option to proceed with negotiations. Staff negotiated with Athens to refine its proposal and presents the revised offer and terms for Council's approval. Should Council accept the revised proposal, staff would proceed with the required Proposition 218 notification and process regarding the proposed rate changes and prepare the agreement amendments for execution.

**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 Services agreed upon a special rate increase 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 in the public 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 bi-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 \$362,000 in franchise fees and AB 939 surcharges per year that adjust proportional to Athens' revenue. A solid waste administrative fee of approximately \$60,000 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 efficient administration of the agreements and logistical coordination between the two services.

The extension 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.

The extension of the agreements for 24 months also 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 specialist to analyze Athens' proposals. Staff additionally surveyed neighboring agencies and

evaluated recent contract negotiations in the region to provide Council context on the City's options. At its May 10, 2022 meeting, City Council was presented with the following options to apply to either the solid waste agreement, street sweeping agreement, or both.

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

The process of issuing an 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. These increases were 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.

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 administration.

#### 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 specialists 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 specialist team 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.

As described in the report from the specialist firm that analyzed the proposals, Athens' proposals are reasonable. As stated in 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 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.

Although similar, each proposal option was crafted by Athens so that the various costs associated

with any changes are amortized in synchronization with the scheduled rate increases. The various proposal elements are described and discussed below. They include:

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 in 2019) and Manhattan Beach (47 percent average across all sectors in 2019), each of which were implemented immediately.

As shown below in the following table, from rate surveys performed by R3, Hermosa Beach residents and businesses currently 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 organics recycling yet)

	<b>32/35-gal.</b>	<b>64-gal.</b>	<b>96-gal.</b>
<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**

	<b>3 CY 1/week Garbage; 96- gallon Recycling; 96-gallon Organics</b>	<b>1 CY 1/week Garbage; 1 CY 1/week Recycling; 96-gallon Organics</b>	<b>3 CY 1/week Garbage; 1 CY 1/week Recycling; 96-gallon Organics</b>
<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. The rates for the some of the cities shown in the chart 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.

#### 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 better 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)</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 continuing 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.

#### 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 required permanent program elements. 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 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 five 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 donated these funds to the City for the purpose of installing decorative lights. 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.

The three informal proposal options previously provided by Athens and presented to Council at its May 10, 2022 meeting 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 percent extraordinary rate adjustment, spread over three years;
4. Provide a one-time \$100,000 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 three years;
4. Provide \$40,000 to City for permanent decorative lighting downtown;
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 \$20,000 annually to City by way of annual payments or additional trash/sweeper services; and
9. Provide \$10,000 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 five years;
2. If trigger is ever given, three 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 percent extraordinary rate adjustment, spread over five years;
5. Provide a one-time \$200,000 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.”

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

<b>Meeting Date</b>	<b>Description</b>
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
May 10, 2022	Considered proposals for amended and extended agreements

### **Analysis:**

At its May 10, 2022 meeting, City Council considered Athens’ proposal options and, after a robust discussion, directed staff to proceed with negotiations. During these negotiations, Council suggested

a number of additional services for possible inclusion in the proposal. Staff worked with Athens to include these services and others to address various community concerns expressed over the years in new draft amendments for solid waste and street sweeping services.

Below is a list of the various proposal elements, detailing both elements from the original proposals and the additional items discussed by Council and staff. This revised proposal combines elements of original proposal options A and B, including benefits to the City. Most significantly, it captures most of the benefits of option B but with the finite term of ten years as offered in option A. The proposed term extensions included with this proposal would be optional and would only be exercised upon mutual agreement of the City and Athens. This would allow the Council more flexibility to decide between allowing the agreement to expire or extending for a range of additional smaller terms should it chose to do so.

#### Basic agreement elements

The following key elements were carried over from the original proposals with some variations:

- The term would be a flat 10 years but with three optional extensions of three to five years each. This is a variation on the 10-year flat term proposed in Option A;
- The rate adjustment would be 45 percent for residential customers and 54.9 percent for commercial customers. This is equivalent to the flat 52 percent increase proposed in Option A and was an optional scenario discussed with Athens during initial proposal talks. These increases would be spread out over three years, beginning January 2023 (see chart below which also assumes a 3.5 percent annual CPI adjustment);
- A one-time upfront “Community Investment” payment of \$100,000 to the City. This could be used as desired by the City or alternatively converted into additional ongoing services;
- Implement a comprehensive organics recycling program in compliance with SB1383. This language has been reviewed and revised by the City Attorney and solid waste consultant to ensure it is accurate and sufficient to help accomplish the City’s compliance;
- Modify the current minimum 50 percent diversion requirement to instead guarantee compliance with AB939 (the California minimum waste diversion law); and
- Modify the annual rate adjustment formular to Trash CPI +1 percent.

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

	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>	<b>FY 26-27</b>
Inglewood	\$18.16	\$18.88	\$19.64	\$20.43	\$21.24
Manhattan Beach	19.77	20.76	21.80	22.89	24.03

<b>Hermosa Beach (Revised Proposal, assuming 3.5% CPI annually)</b>	<b>20.46</b>	<b>24.19</b>	<b>28.62</b>	<b>29.62</b>	<b>30.64</b>
Hawthorne	24.82	25.82	26.85	27.92	29.04
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

### Additional elements

The following additional elements include items suggested by Council at its May 10, 2022 meeting, as well as a few items that staff included to address recurring issues mentioned by Council, staff, or the community:

- Adjusting the street sweeping service windows from four hours to three hours. Athens is confident that the adjustment can be made smoothly and has also proposed shifting some incidental Friday routes to Monday-Thursday routing. Overall, there would be two hours less sweeping in residential areas Monday-Thursday and none on Friday;
- Eliminate the need for the street sweeper to back up on the south end of the Strand. This has already been accomplished by Athens based on discussion at the May 10, 2022 meeting;
- Additional weekly porter service that would address cleaning of Hermosa Avenue from Herondo Avenue to 22<sup>nd</sup> Street, Pier Avenue from the Plaza to PCH, and the Parking Structure (Lot C). This would entail an Athens staff member walking these areas one day per week cleaning weeds and debris and directing other Athens staff to areas that need special attention and cleaning, as appropriate;
- One additional daily service of public trash cans at Valley Park, South Park, and Clark Field on weekends and during Summer;
- One additional monthly pressure wash of the Strand wall;
- Increase the number of illegal dumped item service requests by City staff from four per month to 20 per month;
- Explicit language guaranteeing that all solid waste Athens transports would be sent to a material recovery facility for manual sorting to ensure maximum waste diversion and recycling;
- The transfer of ownership of the fenced trash enclosures in Parking Lots A and B to the City; and
- Revised the list of Community Support recipients to reflect the removal of the Murals Projects

and the Sunset Concerts and addition of \$5,000 for holiday decorations.

Aside from the items mentioned above, there are minor language revisions and clarifications included in the draft amendments (**Attachment 5**). The revisions were reviewed by the City Attorney, as well as the City's solid waste consultant.

Should Council accept the revised proposal, staff would immediately begin coordinating with Athens to distribute the required Proposition 218 Notice regarding the proposed rate adjustments (**Attachment 6**). The City conducts this process in an abundance of caution and to the extent privately-provided solid waste service may be subject to Proposition 218. This process involves sending notice of the proposed new rates to affected property owners and customers at least 45 days in advance of a public hearing on the rates, to be scheduled for a coming Council meeting. Prior to or at the hearing, owners and customers can submit written protests against the rates. At the hearing, the protests are tabulated and, if protests are received from less than a majority of affected parcels, the Council may adopt the new rates.

Should negotiations prove unsuccessful, the City could choose to begin a Request for Proposals (RFP) process. This process should begin expeditiously to accommodate the potential 12-month minimum timeline. Should the RFP process be pursued, R3 recommends 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.

### **General Plan Consistency:**

This report and associated recommendations have been evaluated for their consistency with the City's General Plan. Relevant policy is 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 hire a specialist 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 included \$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 FY 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 three percent annual adjustment. Other payments to the City described in the proposal options or resulting changes to franchise fees would be determined after negotiations.

Should City Council direct staff to proceed with Proposition 218 notification regarding the new rates, \$10,000 would be appropriated from AB939 Funds, account 117-5301-4201, to fund the cost of mailing Proposition 218 Notices.

**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. Draft Amendments
6. Draft Proposition 218 Notice
7. Link to October 12, 2010 City Council Staff Report
8. Link to March 26, 2013 City Council Staff Report
9. Link to September 17, 2018 City Council Staff Report
10. Link to September 25, 2018 City Council Staff Report
11. Link to September 10, 2019 City Council Staff Report
12. Link to May 10, 2022 City Council 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