



Honorable Mayor and Members of the Hermosa Beach City Council

ENDORSEMENT OF ARAKELIAN ENTERPRISES, INC'S (DBA ATHENS SERVICES) REQUEST FOR AN ANNUAL RATE ADJUSTMENT TO THE MAXIMUM RATES FOR SOLID WASTE SERVICES

(Environmental Programs Manager Doug Krauss)

Recommended Action:

Staff recommends City Council endorse the proposed service rate adjustment from Arakelian Enterprises, Inc. (DBA Athens Services) at amount not to exceed the attached rate schedule effective July 1, 2025.

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 and extended the agreement in December 2022 for an additional ten years. 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 Council approval.

If approved, the annual rate increase would become effective July 1, 2025 and result in a 6.25 percent increase in residential and commercial rates. The separate agreement with Athens Services 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, annual solid waste rate adjustments have been 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 23, 2023, meeting.

At its December 13, 2022 meeting, City Council approved a ten-year extension and amendment to the agreements for solid waste and street sweeping and cleaning services. The amendment to the solid waste agreement included a change to the index used to calculate the annual rate adjustment. Previously, the annual rate adjustment was based on various Consumer Price and Producer Price Indices (CPI and PPI). Per the amendment, annual rate adjustments will be calculated based on only the Trash CPI plus

one percent. As part of the ten-year contract extension and amendment, an extraordinary rate increase was approved and will be implemented in three phases occurring on January 1, 2023, July 1, 2023, and July 1, 2024.

Past Council Actions

| Meeting Date | Description | Votes |
|---|--|---|
| <u>October 26, 2010</u> | Approved Agreement with Athens Services for Street Sweeping and Cleaning Services | Vote: 3-2 Ayes: Duclos, Fishman, Bobko. Noes: DiVirgilio, Tucker |
| <u>March 26, 2013</u> | Approved Integrated Solid Waste Management Services Agreement with Arakelian Enterprises, Inc. (DBA Athens Services) | Vote: 4-0 Ayes: Duclos, Fishman, Bobko, DiVirgilio. Absent: Tucker |
| <u>September 10, 2019</u> | Approved special rate increase for Organics Recycling Service | Vote: 5-0 Ayes: Duclos, Campbell, Armato, Massey, Fangary |
| <u>May 25, 2021</u> | Approved Seventh Annual Rate Adjustment | Vote: 5-0 Ayes: Duclos, Campbell, Armato, Massey, Detoy |
| <u>May 10, 2022</u> | Considered proposal from Athens for contract extension and amendment and directed staff to negotiate with Athens | Vote: 3-2 Ayes: Jackson, Campbell, Armato Noes: Massey, Detoy |
| <u>May 24, 2022</u> | Approved Eighth Annual Rate Adjustment | Vote: 4-1 Ayes: Jackson, Campbell, Massey, Detoy Absent: Armato |
| <u>October 25, 2022</u> | Approved proposal for amendment and extension of contract with Athens | Vote: 5-0 Ayes: Jackson, Campbell, Armato, Massey, Detoy) |

| Meeting Date | Description | Votes |
|-----------------------------------|--|---|
| December 13, 2022 | Held public hearing on proposed customer rates for new Athens contract extension and amendment | Vote: 5-0 Ayes: Jackson, Massey, Francois, Saemann, Detoy |
| May 23, 2023 | Approved annual rate adjustment including second installment of extraordinary rate adjustment | Vote: 5-0 Ayes: Jackson, Massey, Francois, Saemann, Detoy |
| May 28, 2024 | Approved annual rate adjustment including third and final installment of extraordinary rate adjustment | Vote: 5-0 Ayes: Massey, Francois, Saemann, Detoy, Jackson |

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, 2025 and accompanying letter submitted April 30, 2025 (**Attachment 1**) according to the rate adjustment methodology outlined in Section 6.4 of the Agreement. The rate adjustment calculations were previously performed separately for the three service categories consisting of single-family service carts, multi-family and commercial service bins, and roll-off bins. The new adjustment formula is based solely on the Trash CPI plus one additional percentage. The Trash CPI index for the period of March 2024 to March 2025 increased by 5.25 percent.

Staff reviewed the rate schedules and calculations and confirmed that the rate adjustments were made in accordance with the terms of the agreement. Staff confirmed the accuracy of the indices and that the rate adjustment formulas are correctly applied to the rates.

Based on the rate adjustment methods and prescribed formulas, the City’s residential and commercial rate would increase on July 1, 2025 by approximately 6.25 percent. This includes the CPI index increase of 5.25 percent, plus one percent per the approved adjustment formula. Simultaneously, per a separate agreement between Athens and the City, street sweeping rates paid by the City will also increase by a fixed three percent annually on July 1 (**Attachment 2**).

Athens provided customers with a Proposition 218 notification for the January 1, 2023 extraordinary rate increase and included in the notification the rate adjustments scheduled to take effect July 1, 2023 and July 1, 2024. Per the contract, Athens Services will notify all customers of the rate adjustment at least 30 days in advance.

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:

Rate increases affect the franchise fees paid by Athens to the City. The impact of the 6.25 percent adjustment would result in an increase of approximately \$40,000 in franchise fees paid to the City. 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 and 35-gallon organics cart |
|---------------|-----------------------------------|---|
| Current Rate | \$312.14 | \$30.43 |
| Proposed Rate | \$331.45 | \$32.31 |

The increase of three percent for street sweeping and cleaning services has been included in the 2025–26 Preliminary Budget.

Attachments:

1. Rate Adjustment Request Letters
2. Rate Adjustment Request for Street Sweeping and Cleaning Services
3. Proposed Rates

Respectfully Submitted by: Douglas Krauss, Environmental Programs Manager

Noted for Fiscal Impact: Brandon Walker, Administrative Services Director

Legal Review: Todd Leishman, Interim City Attorney

Reviewed by: Leo Zalyan, Interim Deputy City Manager

Approved: Joe SanClemente, Interim City Manager / Public Works Director