City of Beverly Hills Public Works Commission
Proposed Solid Waste Contract Extension

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Laith Ezzet
Senior Vice President

April Hamud
Project Manager

HF&H Consultants
19200 Von Karman Avenue, Suite 360
Irvine, CA 92612
Agenda

• Current Service Arrangements
• Chronology
• Cost of Compliance
• Proposed Terms
• Key Enhancements/Changes
• Open Items
• Preliminary Estimate of Customer Rate Impacts
Current Service Arrangements

- City collects and delivers residential solid waste to Athens MRF
- Athens collects commercial solid waste
- Residential and commercial mixed solid waste is processed by Athens to recover recyclables
Chronology

- Assignment to Recology (2015)
- RFP for Solid Waste Services (2016)
  - One proposal (from Athens)
  - City decided to continue services with Recology
- Assignment to Athens (2017)
- Athens request for extraordinary rate adjustment (One month after assignment)
• Athens agreed to negotiate proposed extension based on its 2016 proposed overall cost (2018)
• City exercised first extension to 3/31/2020
• City may further extend term to 3/31/2022 by providing notice by 12/31/2019
| **AB 939** | Established statewide landfill diversion goal of 50% by 2000. |
| **AB 341** | Mandatory Commercial Recycling starting in 2012; and State diversion goal of 75% by 2020. |
| **AB 1826** | Mandatory Commercial Organics Recycling Program (phased-in beginning April, 2016) |
Cost of Compliance (cont.)

SB 1383  Air emission and Edible Food Recovery Programs (approved in Sept. 2016; regulations under development)

AB 1594  No diversion credit for green material used as alternative daily cover (ADC) after January 1, 2020

• New Regulations in China (National Sword)
• Recycling Market Impacts
• City is part of LARA for CalRecycle diversion reporting 61% in 2018
Market Impacts of China Sword

China closes the door, prices crash

The average price paid to recyclers for a ton of mixed paper in the Pacific Northwest and across North America has plummeted in the last year.

Regional Average
- November 2016: $77.50
- January 2017: $97.50

National Average
- November 2016: $80
- January 2017: $75

JULY 18
China announces new bans on imported recycling, including mixed paper.

JAN. 1
Import ban takes effect.

MARCH 1
0.5% contamination limit takes effect.

$100 per ton of mixed paper
$5

Source: RecyclingMarkets.net

Emily M. Eng / The Seattle Times
Soft Mixed Paper

![Graph showing the price trend of Soft Mixed Paper from Dec-12 to Dec-18. The graph indicates fluctuations in price with a significant drop towards the end of the period.](Image)
Corrugated Containers
## Rate Impacts in Other Jurisdictions

<table>
<thead>
<tr>
<th>City</th>
<th>Commercial Rate Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan Beach</td>
<td>47% One-time Rate Increase</td>
</tr>
<tr>
<td>Redondo Beach</td>
<td>Compounded annual extraordinary increase of over 60% over 5-years, plus annual price index adjustment</td>
</tr>
<tr>
<td>Santa Cruz County</td>
<td>Compounded 3-Year Rate Increase of over 40%</td>
</tr>
</tbody>
</table>
## Athens Rate Proposals

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Total Cost FY 2019 – FY 2032</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time 61% Increase (RFP Response)</td>
<td>$152 Million</td>
</tr>
<tr>
<td>8/20/18 Phase-In Proposal (1)</td>
<td>$158 Million</td>
</tr>
<tr>
<td>10/12/18 Phase-In Proposal (2)</td>
<td>$162 Million</td>
</tr>
</tbody>
</table>

(1) Annual rate increase of 18% for FY 2020 to FY 2022, 8% annually for FY 2023, then CPI thereafter.

(2) Annual rate increase of 9% for FY 2020 to FY 2022, 12% annually for FY 2023 to FY 2026, and 5% annually for FY 2027 to FY 2032.
Proposed Terms

• Term
  – Eight years beginning April 1, 2022
  – City option to extend up to 24 months

• Initial Rates
  – 61% contractor rate increase
  – New organics cart rate ($45/month for 1x week service)
• Minimum Diversion Rates
  – 53% for all hauler-collected commercial waste (vs. 60% current requirement)
  – 25% diversion for City-collected mixed residential waste (versus 17% achieved in 2018)

• Recycling containers at 50% of trash rate for same container size and frequency (currently no additional charge).

• Continued recycling collection service to the Beverly Hills School District and its campuses at no additional charge.
Proposed Terms (cont.)

- Should CalRecycle deem the mixed waste organics recovery program not in compliance with SB 1383, Athens shall offer source-separated food waste bins at the restaurant bin rates, and regular refuse at the non-restaurant bin rates.
- Processing of residential organics waste (food waste and green waste)
- Organics outreach and reporting requirements
- SB 1383 Compliance
- Solid waste facility capacity guarantee
Open Items

• Computer Compatibility
• Recyclable Commodities Revenue Sharing
• Sunday service for customers with less than 7x/week service
Average One-Time Customer Rate Increase to Pass-Through Athens Contractor Cost Increase*

<table>
<thead>
<tr>
<th>Residential</th>
<th>Commercial</th>
<th>Total Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>44%</td>
<td>26%</td>
</tr>
</tbody>
</table>

*Assumes existing cost of service by sector is aligned with rate revenues.
## Example of Phased-In Rate Strategy

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2020-21</th>
<th>FY 2021-22</th>
<th>FY 2022-23</th>
<th>FY 2023-24</th>
<th>FY 2024-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rate Increase</td>
<td>9.4%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Estimated Reserves in Millions</td>
<td>$15.3</td>
<td>$14.3</td>
<td>$11.7</td>
<td>$10.4</td>
<td>$10.4</td>
</tr>
<tr>
<td>Estimated Reserve Balance as Percent of Operating Revenues (end of year)</td>
<td>86%</td>
<td>74%</td>
<td>52%</td>
<td>45%</td>
<td>43%</td>
</tr>
<tr>
<td>Net Annual Operating Income (Loss) in Millions</td>
<td>($0.9)</td>
<td>($1.0)</td>
<td>($2.6)</td>
<td>($1.3)</td>
<td>$0.0</td>
</tr>
</tbody>
</table>
# Customer Rate Comparison

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Monthly Rate - 3 yd bin 1x week</th>
<th>% Increase Compared to Existing City Rate</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverly Hills - Current</td>
<td>$115.80</td>
<td>-</td>
<td>Commercial Mixed Waste Processing</td>
</tr>
<tr>
<td>Beverly Hills – With 61% Contractor Increase</td>
<td>$166.75</td>
<td>44%</td>
<td>Estimated Rate</td>
</tr>
<tr>
<td>West Hollywood</td>
<td>$171.27</td>
<td>48%</td>
<td>Commercial Mixed Waste Processing</td>
</tr>
<tr>
<td>Culver City</td>
<td>$177.87</td>
<td>54%</td>
<td>Municipal Service</td>
</tr>
<tr>
<td>Manhattan Beach</td>
<td>$201.29</td>
<td>74%</td>
<td>Estimated FY 2020-21 rate under new contract</td>
</tr>
<tr>
<td>Santa Monica</td>
<td>$207.43</td>
<td>79%</td>
<td>Municipal Service</td>
</tr>
<tr>
<td>Redondo Beach</td>
<td>$210.57</td>
<td>82%</td>
<td>Estimated 5-year compounded rate increase effective 7/1/2023 (excluding COLA)</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$231.20</td>
<td>100%</td>
<td>Bundled rate for commercial trash bin and recycling bin</td>
</tr>
</tbody>
</table>
RECOMMENDATION

Not to release another RFP and to accept the terms as negotiated by staff and consultants with Athens Environmental Services.