

CONSIDERATION OF AMENDMENT NO. 2 TO THE FRANCHISE AGREEMENT WITH WASTE MANAGEMENT

December 3, 2024



Note: This PowerPoint presentation is intended solely as a visual aid to an oral staff presentation of an agenda report topic. In the event of any differences between the presentation and the agenda report, the information in the agenda report prevails.

BACKGROUND

- **Current Franchise Agreement with WM**
 - 7 Years: July 2020 to June 2027
 - 3 Optional Years: Through June 2030
- **Annual Rate Increases**
 - Tied to Consumer Price Index (CPI)
 - Increases Total Over 24% Since 2021
- **Extraordinary Rate Increases**
 - Never Enacted Under Current Agreement
 - Increases for Wage Rates/Benefits Prohibited



REQUEST FOR EXTRAORDINARY INCREASE

- **March 2024 – WM Submitted Request**
 - 2.51% Increase for Residential
 - 5.4% Increase for Commercial
- **Reason:**
 - Increases in labor costs incurred because of the COVID-19 pandemic
- **Denied by City Manager**
 - Wage Rates/Benefits Increases Prohibited
- **July 2024 - WM Request to Council**



CITY COUNCIL DIRECTION

- August 6 - City Council Requested Discussion
- August 20 - WM Presented Request at Meeting
- Directed Staff to Negotiate Limited Amendment
 - Address Rate Increase Request
 - Other Issues with Agreement Identified by Staff
 - Work with Utilities Subcommittee



SUMMARY OF AMENDMENT

- **Extraordinary Increase Granted as “Special Adjustment”**
 - 2.51% Increase for Residential
 - 5.4% Increase for Commercial
 - Subject to Proposition 218 Process this Spring
- **Other Terms Negotiated**
 - CPI Cap of 8%
 - Public Can Collection Schedule Adjustment



MARKET RATES FOR SOLID WASTE SERVICES

RESIDENTIAL SURVEY

CITY	SFR 65-G RATE	VARIANCE FROM MB	HAULER
Hermosa Beach	\$22.70	-1.6%	Athens Services
MANHATTAN BEACH	\$23.06	N/A	WM
Inglewood	\$23.64	2.5%	Republic Services
Gardena	\$26.22	13.7%	Waste Resources
Redondo Beach	\$29.76	29.1%	Athens Services
Lawndale	\$30.63	32.8%	Republic Services
Lomita	\$33.69	46.1%	Athens Services
AVERAGE	\$27.10	17.5%	



MARKET RATES FOR SOLID WASTE SERVICES

COMMERCIAL SURVEY

CITY	3YD BIN SERVICED 1X PER WEEK	VARIANCE FROM MB	HAULER
Redondo Beach	\$223.49	-3.3%	Athens Services
MANHATTAN BEACH	\$231.04	N/A	WM
Gardena	\$238.17	3.1%	Waste Resources
Lawndale	\$245.88	6.4%	Republic Services
Inglewood	\$253.83	9.9%	Republic Services
Hermosa Beach	\$312.14	35.1%	Athens Services
Lomita	\$388.43	68.1%	Athens Services
AVERAGE	\$270.43	17.0%	



MARKET RATES FOR SOLID WASTE SERVICES

- **Manhattan Beach Rates Among Lowest in the Region**
 - Keen Control of Costs
 - Contract with Knowledgeable, Professional Hauler
 - Agreement Negotiated Before COVID-19 Pandemic
- **Shifts in Solid Waste Marketplace Since 2019**
 - Costs Associated with Employing Commercial Drivers
 - Growing Regulatory Requirements
- **New RFP Process Likely to Result in Significant Rate Increases**
 - Beyond Rates Considered Under Amendment No. 2



STAFF RECOMMENDATION

Adoption of the Resolution Approving Amendment No. 2 to the Franchise Agreement with WM for Integrated Solid Waste Services



