

Solid Waste Diversion Considerations

June 17, 2025



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.

DIVERSION



Waste Reduction



Reuse/Donation



Recycle/Compost



RECYCLING & PROCESSING

What Goes in the Recycling Container:



Plastic Bottles & Containers



Food & Beverage Cans



Glass Bottles & Containers



Paper



Flattened Cardboard
& Paperboard

WM Sun Valley
Recycling Center
Sun Valley, CA



CITY OF
MANHATTAN BEACH

WASTE MANAGEMENT'S SOLID WASTE DIVERSION CONSIDERATIONS
JUNE 17, 2025

ORGANIC MATERIAL & PROCESSING

What Goes in the Organics Container:



Food Waste



Yard Waste



Produce



Food Soiled Paper,
Coffee Filters & Tea Bags



Meat, Fish & Poultry



Dairy



Bread, Pasta, Rice,
Grains, Coffee Grounds
& Food Soiled Paper



South
Valley
Compost
Tulare, CA



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LANDFILL, RECYCLING & ORGANICS

El Sobrante Landfill Corona, CA

Recycling



Organics

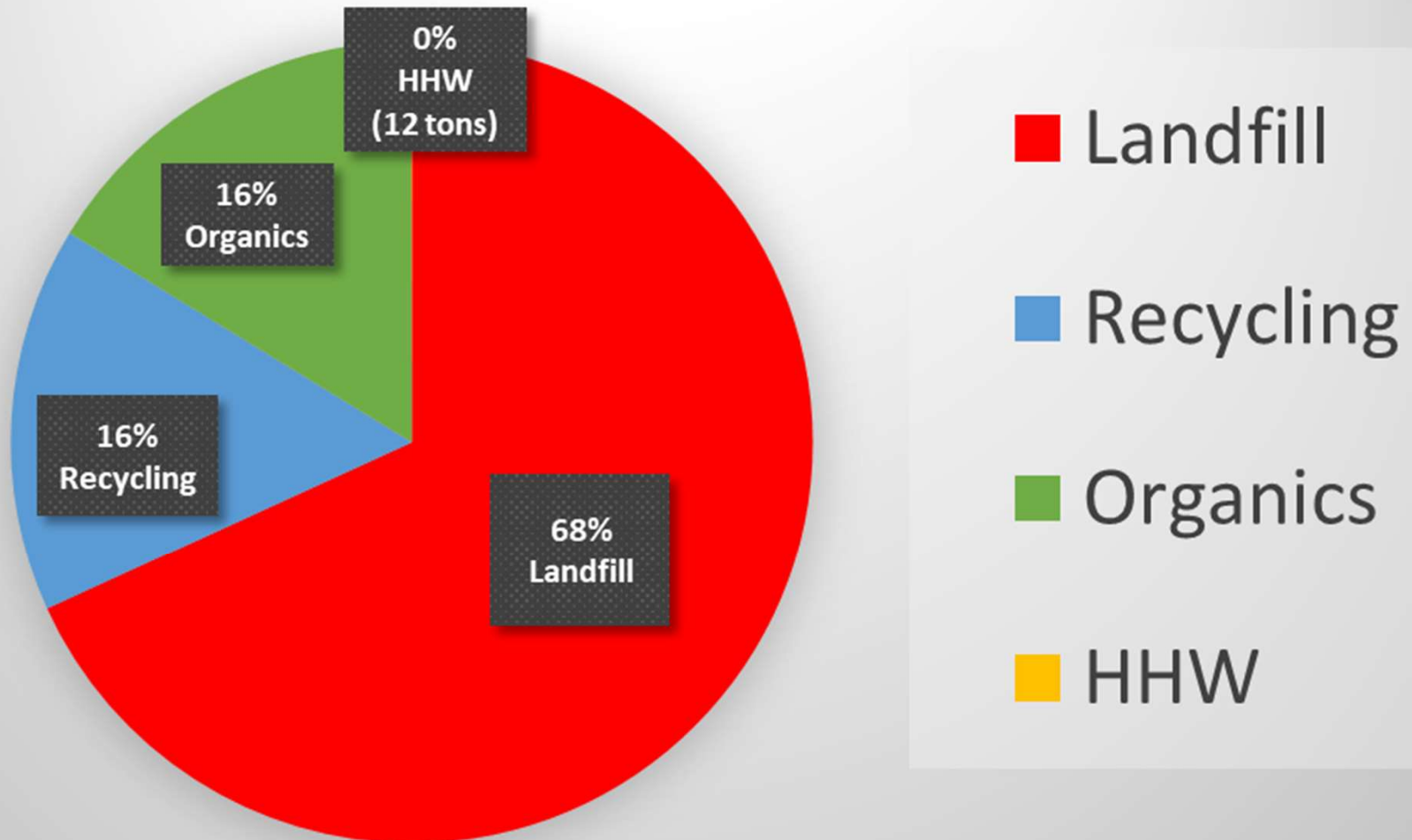


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Snapshot: 2023 Performance

2023 WM Diversion



TYPES OF WASTE COLLECTION

WM's franchise agreement is for residential and commercial collection only. This is the only material they get diversion credit for.

Residential
&
Commercial

HAULER (WM)



Permitted
Projects

CONSTRUCTION &
DEMOLITION



Donation,
Redemption
& Self-haul

THIRD-PARTY/SELF-HAUL



WM PROPOSAL VS. PERFORMANCE

RFP
PROPOSAL
46%

AWARDED
AGREEMENT
50%

PERFORMANCE

2021:* 43%

2022:* 45%

2023: 32%

*Includes 10% transformation credit



CHALLENGES WITH DIVERSION

TRANSFORMATION

Waste-to-Energy



WM Proposal	Actual 2021 & 2022
Use (one) 1% Transformation credit annually	Used 10% Transformation credit

COMMERCIAL RECYCLING

WM Proposal	Actual 2021 & 2022
Recycle 4,000+ commercial tons annually	Under 2,000 tons recycled annually



CITY OF
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WASTE MANAGEMENT'S SOLID WASTE DIVERSION CONSIDERATIONS
FEBRUARY 4, 2025

LIQUIDATED DAMAGES

	2021	2022	2023
Required Diversion	50%	50%	50%
Actual Diversion	43%	45%	31.8%
Percentage Difference	7%	5%	18.2%
Total Tons Collected	31,545	30,744	31,927
Required Tons Diverted	15,773	15,372	15,964
Actual Diverted Tons	13,613	13,925	10,161
Delinquent Tons	2,159	1,447	5,803
Liquidated Damage	\$25.00 per ton		
Liquidated Damage Fee	\$53,981	\$36,177	\$145,064



ACTIONS TO DATE

Section 3.8.1 of WM Franchise Agreement:

“Upon the request of either party, but not more than once every two years, the parties agree to meet and confer, and negotiate in good faith, regarding adjustments to the hauler diversion requirement...”

Meet & Confer Dates: WM and City

- August 27, 2024
- September 17, 2024
- October 10, 2024
- October 29, 2024
- November 19, 2024
- February 26, 2025
- April 3, 2025
- May 7, 2025
- May 15, 2025

City Council Meeting

- February 4, 2025

Direction

1. Analyze and confirm that 37% is the maximum diversion rate that WM can reasonably achieve
2. Analyze the valuation of the loss in diversion and return at a later date with recommendations.



HF&H Consultants, LLC Analysis



ANALYSIS #1: IS 37% DIVERSION ACHIEVABLE?

Figure 1. WM's Diversion Improvements

Improved Processing	2%
Other (Outreach Efforts, Volume Changes, Etc.)	1%
Commercial Recycling & Organics Enforcement	1%
Residential Organics Campaign	1%
WM Diversion Improvements	5%

WM estimates 5% increased diversion from improvements

Figure 2. Reported Diversion without Transformation for CY 2021-2024

	2021	2022	2023	2024
Diversion Reported	42.7%	45.3%	34.6%	37.2%
Total Transformation Diversion Credit Reported	10.5%	14.0%	2.6%	-
Reported Diversion Without Transformation	32.2%	31.3%	32.0%	37.2%

WM diversion with improvements achieves 37%

Figure 3. Proposed Diversion, without Transformation, plus WM Diversion Improvements for CY 2022

	2022
Originally Proposed Diversion	46%
Total Transformation Diversion Credit Reported	14.0%
Originally Proposed Diversion, Net of Transformation	32.0%
WM Diversion Improvements	5.0%
Originally Proposed Diversion, Net of Transformation Plus WM Diversion Improvements	37.0%

37% diversion with no reliance on transformation aligns with WM's original proposal before agreeing to 50% diversion at contract award



ANALYSIS #2: VALUATION OF LOSS IN DIVERSION

HF&H used 2 Methods of Analysis

METHOD 1: TRANSFORMATION COST SAVINGS

Transformation vs. Landfilling



Figure 4. 2022 SERRF Cost/Ton vs 2025 Disposal Cost/Ton

2022 SERRF Transformation Cost per Ton	\$130.28	*
2025 Landfill Cost per Ton	\$80.31	*
Cost Savings per Ton	\$49.97	
2022 Transformation Tons	3,074	*
Cost Savings	\$153,607.78	
2023 Annual Residential & Commercial Rate Revenue	\$6,384,740.00	**
Cost Savings as % of Revenue	2.4%	

* Data from WM's "Diversioncost2025final" file submitted via email March 28, 2025.

** Per "Labor_EI_Request_Manhattan_Beach" submitted to the City via email March 22, 2024.



ANALYSIS #2: VALUATION OF LOSS IN DIVERSION

METHOD 2: LIQUIDATED DAMAGES COST SAVINGS

Estimated Scenario: If 37% was required diversion in 2023

Figure 5. 2023 Liquidated Damage Calculation, Adjusted to 37% Diversion

Total Tons Collected	31,927.26	
Required Diversion Percentage	50%	
Required Diverted Tons	15,963.63	
Tons at 37% Diversion (<i>Set to equal 37% of Total Tons Collected</i>)	11,813.09	
Diversion Shortfall, Tons	4,150.54	
Liquidated Damage/Ton (Section 10.4.B.7)	\$25.00	
Liquidated Damages at 37% diversion	\$103,763.59	
2023 Annual Residential & Commercial Rate Revenue	\$6,384,740.00	*
Liquidated Damages as a % of Revenue	1.6%	

* Per "Labor_EI_Request_Manhattan_Beach" submitted to the City via email March 22, 2024.



CONT'D ANALYSIS #2: VALUATION OF LOSS

DETERMINING RATE REDUCTION: AVERAGE OF TWO METHODS

Method 1: Valuation of 2.4%
Method 2: Valuation of 1.6%



Average of 2%

Figure 6. Calculation of July 1, 2025 and 2026 Rate Reduction.

Cost Savings from Landfilling Instead of Transforming as a % of Revenue	2.4%
Liquidated Damages as a % of Revenue	1.6%
Total of Cost Savings Percentages	4.0%
Average of Cost Savings Methodologies	2.0%
Annual Rate Reduction (Each Year for Two Years)	1.0% *

*Rate adjustment for July 1, 2025 and July 1, 2026 to be reduced by this figure.



CONT'D ANALYSIS #2: VALUATION OF LOSS

CONCLUSION OF ANALYSIS #2

The valuation of the loss in diversion rate can be returned to the ratepayers and phased in as a 1.0% reduction to the annual rate adjustment on July 1, 2025, and an additional 1% reduction on July 1, 2026.

FY2025-2026 WM Contractor Rate  1%

FY2026-2027 WM Contractor Rate  1%



SAMPLE: 1% REDUCTION IN FY25-26

What the FY2025- 2026 rates would look like

Class	Landfill Trash Container Type	Current FY2025-2026	New Rate Under Amendment No. 3	Cost Savings	Frequency of Charge
Residential - SFR	<u>20 & 35 Gallon Cart</u>	\$18.98	\$18.81	\$0.17	Monthly
Residential - SFR	65 Gallon Cart	\$24.65	\$24.42	\$0.23	Monthly
Residential - SFR	95 Gallon Cart	\$30.31	\$30.03	\$0.28	Monthly
Commercial	2 Cubic Yard Bin	\$197.52	\$195.72	\$1.80	1x Per Week
Commercial	3 Cubic Yard Bin	\$253.68	\$251.37	\$2.31	1x Per Week
Commercial	4 Cubic Yard Bin	\$303.89	\$301.13	\$2.76	1x Per Week

This total includes the Consumer Price Index (CPI), the one-time special increase, the 1% rate reduction and the City Recovery Cost.



RECOMMENDATION

Options for Next Steps:

1. Maintain the diversion requirement under the Agreement at 50% with no changes;
2. Adopt Resolution No. 25-0079, authorizing the City Manager to enter into an amendment to the Franchise Agreement reducing the diversion requirement from 50% to 37% and reducing the WM contractor rate by 1% in FY2025-2026 and 1% in FY2026-2027; or
3. Direct staff to pursue another course of action.



