

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: January 29, 2021

TO: Honorable Mitch O'Farrell, Chair
Honorable Mark Ridley-Thomas, Vice Chair
Honorable Paul Koretz, Member
Honorable Kevin de León, Member
Honorable Paul Krekorian, Member
Energy, Climate Change, Environmental Justice, and River Committee

FROM: Enrique C. Zaldivar, Director and General Manager
LA Sanitation and Environment



SUBJECT: RESPONSE TO COUNCIL FILE 21-0034 ENTITLED RECYCLA PROGRAM/RATE INCREASE IMPACT/COVID-19 PANDEMIC

This report is in response to City Council (Council) motion (CF 21-0034) entitled recycLA Program/Rate Increase Impact/COVID-19 Pandemic. The motion was presented to Council on January 12, 2021 by Councilmember Mitch O'Farrell. The motion instructs/requests that the Bureau of Sanitation (LASAN) and the recycLA Service Providers (RSPs) report to the Council in 30 days on their efforts to work with customers who may be impacted by the recycLA program rate adjustment (effective January 2021) during the COVID-19 pandemic; including the provision of service adjustments, payment arrangements, or other remedies, that can be offered to customers to help alleviate potential impacts.

Since the onset of the COVID-19 pandemic and the attendant City of Los Angeles (City) Emergency order – and in conjunction with the January 2021 rate adjustment - RSPs have employed the following strategies to alleviate the financial pressures felt by customers:

- Proactive communication asking customers to reach out directly if they have difficulty paying their bills or adjusting to the January 2021 rate increase.
- Service level adjustments.
- Temporary suspensions of service to accommodate fluctuating business impacts.
- Payment plans.

The following provides additional background on the recycLA rate structure and the January 2021 rate adjustment, as well as further discussion of customer impacts and RSP accommodation approaches.

SUMMARY

recycLA Rates

LASAN's recycLA program provides solid resources and recycling collection services to businesses and multi-family buildings throughout the City. There are (7) recycLA Service

Providers (RSPs) that provide these services under contract to approximately 64,828 recycLA customers in eleven (11) service areas.

The recycLA program provides uniform and transparent monthly rates throughout the City for the multi-family and commercial recycLA customers. Through Waste Assessments performed by the RSPs with the recycLA customers, a service level is determined with maximum service charge established in accordance with contractual based rate tables. A customer cost of service is determined by their service level (their frequency of collection and type and number of bins). The recycLA contracts set maximum rates that can be charged for different services. Customers can visit LASAN's recycLA.com website under rates and resources to assist in understanding the monthly rates for services by using an online rate calculator; this allows for customers to confirm rates provided by their RSPs for services, and also, since rates are set so that customer costs can be reduced if you increase recycling and decrease black bin use, customers can calculate various options of service that could work for their specific property site. Additionally, customers can request Waste Assessments at any time to re-evaluate their service needs. RSPs are also contractually bound to conduct biennial Waste Assessments to customers.

In order to ensure a long-term financially sustainable collection system to meet the goals of the City and meet state landfill diversion requirements, the recycLA agreement contain annual rate adjustments to the maximum rate structure in accordance with Section 7.3, 7.32 and 7.33 of the recycLA contracts, approved by Council and Mayor. As detailed in the recycLA contracts, the annual rate adjustment takes multiple factors into consideration including: indexed adjustment for factors such as labor, collection and transportation costs; adjustment to account for the changes in the cost to process blue bin recyclables; adjustments for developing and implementing an organics collection program; and an adjustment, subject to negotiations, to account for cost impacts not addressed by the other rate adjustment factors, such as in the event an RSP demonstrates the cost of providing service exceeds the maximum rates they can charge customers. As such, each year since 2018, the rate tables have been adjusted in accordance with the allowable rate increases.

In 2019 the City approved changes to the recycLA contracts that provided a number of benefits to recycLA customers. These changes resulted in:

- Clarity on Applicability of Extra Service Fees
- Removed Barriers to Recycling (e.g., removing access and distance charges on all blue bins)
- Improved and expanded Outreach and Education to Customers
- Delay of Certain Rate Increases
 - 2019 - Rate increase reduced from 6.41% to 3.41% (CPI only)
 - 2019 - Additional rate increase due to downturn in recycling market eliminated

Annual Rate Increases Factors

CPI

- Consistent with many service contracts, indexed rate adjustment take place annually (0 to 5%) to account for changes in the cost of operations

2018 = 3.31%	2019 = 3.57%	2020 = 2.66%	2021 = 2.40%
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Organics rate increase

- The state requires business and multifamily complexes to separate and recycle organic waste (AB1826 and SB1383). These mandates go into effect on December 31, 2021.
- There are increased operational and capital costs for the RSP to implement these organic mandates and develop facilities associated with organics collection and processing. The original contract recognized these increased costs through two separate rate increases of 3% in 2019 and 3% 2020.
- The amended contract deferred these rate increases (3.5% in 2020 and 3.5% in 2021).

2018 = 0%	2019 = 0% (deferred to 2020)	2020 = 3.50%	2021 = 3.50%
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Recycling Markets

- Due to the collapse in the recycling market, RSPs requested an additional rate in 2019.
- The amendment deferred a 2019 recycling market rate increase and allowed for only a rate increase of 0.25% in 2020 and 0.25% 2021.

2018 = 0%	2019 = 0% (deferred to 2020)	2020 = 0.25%	2021 = 0.25%
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2021 Rate Increase

Effective January 1, 2021, the scheduled annual recycLA rate adjustments took effect. The 2021 rate adjustment is 6.15% and is in accordance with the recycLA contracts. This adjustment affects base rates as well as extra service charges. The adjustment includes:

- 2.40% for CPI in accordance with section 7.3 of the contract. The calculated consumer price index (CPI) represents the cost of doing business annually. This annual adjustment is a weighted price index made up of three price indices computed and published by the U.S. Department of Labor, Bureau of Labor Statistics and the Saint Louis Federal Reserve.
- 0.25% in accordance with amended section 7.3.2. Cost adjustments to cover the rising costs associated with the fluctuation in recycling commodity markets
- 3.5% in accordance with amended section 7.3.3. The development and implementation of organics recycling processing capacity - this is necessary for customers and haulers to comply with state mandated organics recycling.
- **Total rate increase of 6.15%.**

Notification of the 2021 rate increase to recycLA customers has followed the same protocol since 2018. It includes the RSPs providing their customers with a generic message in November invoices about rate increases, and then a more detailed second message in December invoices with the final calculated percentage of the increase. Information on the rate increases is also included in LASAN's recycLA.com's website under "Rates & Resources".

For the January 2021 increase, the RSPs included language, drafted and approved by LASAN, advising customers to contact the RSPs to discuss service adjustments or payment arrangements that may be available to alleviate COVID-19 pandemic challenges.

LASAN's Customer Care Center was prepared in December 2020 on how to answer recycLA customer questions on rate increases. An FAQ on rate increases was prepared and disseminated to LASAN's call center staff, RSP call center staff and provided to Council Offices. LASAN's call center also created Billing tickets with special notes that this is a rate increase assistance inquiry and then warm transfers each call to the RSPs live agent for further assistance on either a service adjustment or payment plan request.

In general, LASAN has not experienced a drastic increase in billing inquiry service request calls. A review of billing inquiry service requests indicates that for December 2020 (662 billing inquiries received) and January 2021 (715 billing inquiries received), the number of incoming requests for these months is consistent with the average monthly number of 726 billing inquiries for 2020.

In terms of billing inquiry requests received specific to the January 2021 rate increase message in RSP bills to customers, upon a cursory review of the comments of billing inquiry requests received in December 2020 and January 2021, approximately 81 are related to the 2021 rate increase, of which, 8 are notated as requests for payment assistance. To get a more definite breakdown of the 2021 rate increase inquiries, LASAN will need to perform an in-depth analysis. Additionally, LASAN is awaiting information from the RSPs regarding direct calls they received from customers pertaining to 2021 rate increases.

How are customer's rates expected to change?

- Approx. 60 percent (37,666) of customers will see an increase between \$6 to \$25 monthly
- Approx. 27 percent (16,987) of customers will see an increase between \$25 to \$50 monthly
- Approx. 7 percent (4,470) of customers will see an increase between \$50 to \$75 monthly
- Approx. 3 percent (1,879) of customers will see an increase between \$75-\$100 monthly
- Approx. 3 percent (1,778) of customers will see an increase between \$100-\$200 monthly
- Less than 1 percent (334) of customers will see an increase over \$200 monthly

For reference, customers experiencing an increase of \$75 or more are those with an average previous monthly rate of \$1,225.00 or more.

COVID-19 Impacts and Responses

Early on, LASAN recognized the potential COVID-19 impacts to recycLA customers, and enacted various measures to monitor and alleviate the operational and financial challenges recycLA customers were facing. This included LASAN working with the RSPs to encourage service adjustments and payment arrangements for recycLA customers during the trying times caused by the pandemic. Below are efforts taken to assist recycLA customers facing COVID-19 challenges:

- **Operational Continuity Plan.** On March 9, 2020, LASAN asked RSPs to provide detailed operational continuity plans to ensure recycLA customers' service would continue

uninterrupted during staff shortages. The information requested from the RSPs were Operation Impacts-to-Date resulting from staff shortages, Operational Continuity Plans for how RSPs will mitigate the effects of staff shortages on day-to-day operations and plan to provide uninterrupted collection services, and Daily Route Lists identified with critical/high priority customers to coordinate resources should there be an emergency.

- **Blue Bin Processing.** Shortly after the declaration of the emergency and the safer at home order, and in accordance with CDC-issued guidelines, some of the RSPs temporarily suspended the processing of blue bin recyclables. This was due to processing facilities being shut-down to retrofit them with COVID compliant measures such as distance and separation protocols, physical barriers between staff, staggered shifts, and securing of personal protection equipment. LASAN's own recycling program experienced the same impacts.
- **Reduced In-Person Customer Interaction.** To ensure the health and safety of RSP workers and recycLA customers, LASAN requested the RSPs to limit and reduce face-to-face Outreach and Education, and waste assessments to customers; these activities were suspended in order to abide by the social distancing requirements during the period of local emergency enacted by the Mayor related to the COVID-19 pandemic. Some of the RSPs developed alternative virtual methods to interact with customers to conduct various aspects of outreach and education.
- **Daily COVID-19 Impact Reports.** Effective March 2020, LASAN requested RSPs to provide daily COVID-19 operations impact reports to LASAN on the status of their operations, service to recycLA customers and handling of solid resources during the period of local emergency enacted by the Mayor related to the COVID-19 pandemic. LASAN also developed a COVID-19 Dashboard that tracks the daily reports of the RSPs and to easily see where there are issues and concerns.
- **This operation monitoring was done to ensure continued service to recycLA customers and to be able to immediately identify service issues.** Fortunately, to date, there have been no major operational challenges prohibiting service to customers by the RSPs. Waste Management reported a minor operational challenge that occurred in December 2020 where approximately fifty (50) of their drivers were out do to COVID-19 related issues. This could have been a bigger crisis, however due to LASAN's close operation monitoring and Waste Management's commitment to service, less than 10% of their customers experienced delayed service that was recovered within a day.
- **Weekly Meetings Between LASAN and RSPs.** Effective March 16, 2020, LASAN held weekly emergency meetings with the RSPs to discuss operations during the pandemic. These meetings were held daily beginning March 2020, then weekly in April 2020 with weekly meetings continuing through Mid-June 2020.
- **Service Level Adjustments.** LASAN requested RSPs work with each recycLA customer to adjust or suspend service levels for customers who temporarily close their businesses or reduce their business operations during the period of local emergency related to the COVID-19 pandemic. The RSPs committed to increased communication with customers

and where necessary, temporarily suspended service (rather than closing the account) to impacted customers. In some cases, where the RSP could make the determination that a business had closed, the RSP suspended the service on behalf of the customer. This includes granting customers' requests to reduce or temporarily suspend solid resources waste collection services.

- Dissemination of COVID-19 Business Assistance Programs. On August 31, 2020, LASAN staff met with Commissioner Caloza and staff from the Mayor's Business Outreach Office regarding their special project to reach out to constituents adversely impacted financially from the COVID-19 pandemic. As a result, LASAN provided lists of COVID-19-impacted recycLA customers (specifically suspended/cancelled accounts during the pandemic) provided by the RSPs in order for the Mayor's office to disseminate COVID-19-related financial assistance information.

Also, on October 8, 2020, LASAN emailed the RSPs about the Mayor's special project and provided the RSPs with the Mayoral CommBiz Newsletter containing COVID-19 related assistance information to share with recycLA customers inquiring about COVID-19 assistance programs.

- 2021 Rate Increase Assistance for recycLA customers. Understanding that the timing of the 2021 rate increase during the pandemic may only further compound COVID-19 challenges faced by recycLA customers, LASAN appealed to the RSPs and requested that they voluntarily forego the 2021 rate increases and to not implement the 2021 rate increases. The RSPs responded that this was not financially feasible. The RSPs agreed alternatively to work with customers, in some cases proactively, to explore payment plan options or service adjustments, based on fluctuating needs, that could decrease their cost through increased recycling and decreased solid waste service.

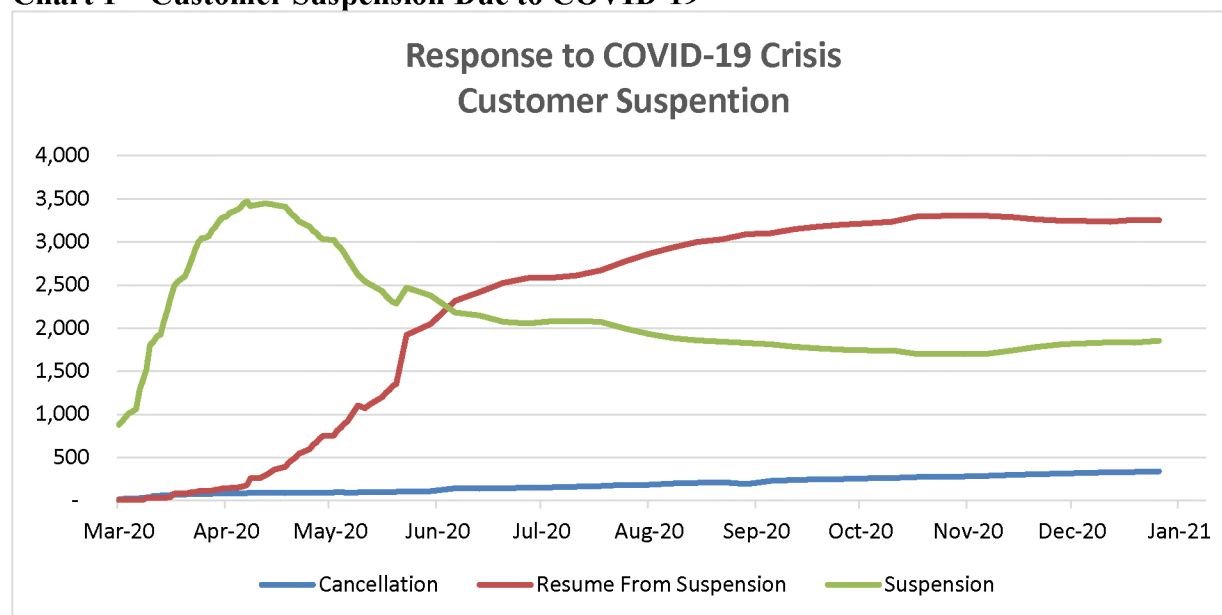
Temporary Service Suspension Assistance

As previously mentioned, LASAN and the RSPs identified that businesses may need to suspend or adjust service due to impacts of the pandemic.

Over five thousand customers have suspended service at some point during the COVID-19 crisis. Many of those suspending service did so in the early months of the pandemic. Many customers have resumed service, to date:

- 3,253 have resumed service
- 1,852 remain on suspension
- 337 customers have canceled service all together.

Chart 1 – Customer Suspension Due to COVID-19



Service Level Change Assistance

In addition to customers needing to suspend their service during the COVID-19 crisis, a number of customers needed to change their level of service to account for changes in their businesses. The RSPs have worked with customers that needed to reduce their service and since February 2020, nearly 7,500 customers have reduced their service, which corresponds to a reduction of nearly 85,000 cubic yards of black bin service per month. These reductions in black bins service resulted in decreased bills for the customers. Table 1 below shows the number of customers by RSP that have reduced their level of service.

Table 1 – Customer Changes in Service Levels

RSP	Accounts With Decreased Black Bin Weekly Cubic Yardage From March 2020 To January 2021	Decrease In Weekly Black Containers Collected	Decrease In Black Weekly Cubic Yardage Collected
Athens	1,574	-4,037	-17,551
CalMet	62	-93	-409
NASA	369	-1,559	-5,478
Republic	2,637	-11,305	-39,290
UWS	349	-838	-3,769
WARE	88	-175	-703
WM	2,386	-5,090	-17,612
Grand Total	7,465	-23,097	-84,812

Financial Assistance

Many customers, more specifically multifamily properties, have not seen a decrease in service needs; however, they have experienced financial difficulties due the COVID-19 crisis and associated mandates and actions. The RSPs have regularly acknowledged the financial impacts, and the necessity to maintain service to the greatest extent possible. In addition to suspending regular service if requested by the customer, reducing service levels, and retroactively crediting service when the RSP has verified that a business has been closed due to the pandemic, the RSPs have worked closely with customers who are experiencing financial hardship in order to continue service. If a customer becomes delinquent on payments, the RSPs proactively reach out to the customer via letter, email, phone calls, and onsite visits when possible to provide the customer an opportunity to bring their balance current. Payment plans specific to the customers' needs and circumstances are offered, to the greatest extent possible. In addition to payment plans, subsequent waste assessments are also offered to further identify opportunities to reduce the customer's monthly cost by increasing diversion or landfill avoidance. The assistance to customers with financial challenges during the COVID-19 crisis is extended to those impacted by the recent rate increase. The RSPs have reported that they have not stopped service after 90-day delinquency if a customer is willing to work with the RSP to make payment arrangements.

In the RSPs' effort to bring customers up to date with their payment, the following payment plans have been offered:

- Athens has worked with 126 customers on a payment plan since March 2020.
- Calmet currently has 1 customer on a payment plan; however, there have been a total of 19 customers on a payment plan since March 2020.
- NASA has worked with 47 customers on a payment plan since March 2020.
- Republic currently has 64 customers on a payment plan. Since March 2020, Republic has had up to 110 on a payment plan at any given time.
- At the time of the request for information, UWS is unable to provide the number of customers that it has on payment plans. UWS has indicated that it does not have many delinquent customers in its zone. As of January 22, 2021, less than 1% of UWS' customers have reached the 97-day past due delinquent status. During the COVID-19 pandemic, a large majority of UWS' customers have continued to pay their invoices and have kept their accounts in good standing.
- Ware Disposal is currently working with 99 customers on payment plans.
- Waste Management (WM) reported 123 customers who are currently on a payment plan.

What customers do if they have been impacted by the COVID-19 pandemic

To discuss service adjustments or payment arrangements that may be available to alleviate payment difficulties related to the COVID-19 pandemic, customers have the option of contacting their RSP's billing contact (located on their bill), or LASAN's Customer Care Center at 1-800-773-2489. Notification of these options was included in the RSPs' January bills.

RECOMMENDATIONS

1. Receive and file.

DM/ECZ