

DIVE BRIEF

Athens Services set to receive LA recycling contract potentially worth \$87M

The proposed five-year deal, which includes possible extensions, would cover the processing of 450 tons per day of residential recyclables.

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Dive Brief:

- Los Angeles is set to award a new MRF contract to Athens Services, which could potentially be worth up to \$87.1 million over a five-year period. The contract has the option for two additional five-year extensions, which could raise its potential value to \$382.9 million over a 15-year period.
- The contract would cover the processing and marketing of an estimated 450 tons per day of residential recyclables collected by LA Sanitation & Environment in the East Valley and West Valley wastesheds.
- A Los Angeles City Council committee approved a report about the contract on Oct. 11 and the Los Angeles Board of Public Works previously recommended awarding it. It will now go before the full council and return to BPW for final authorization.

Dive Insight:

The pending finalization of this contract caps off a multiyear effort by LASAN to update its MRF processing agreements in the wake of recent commodity market changes that affected local governments around the country. LASAN is responsible for collecting material from an estimated 750,000 single-family houses and apartment buildings with four units or fewer.

During last week's council hearing, LASAN staff also shared a broader update about how regional market dynamics had shifted in the wake of China's scrap import restrictions. While the city's residential blue bin program used to generate an estimated \$6 million per year in revenue, that shifted to an estimated \$18 million per year in costs.

Nicholas Nuccio, an environmental engineering associate with the agency, noted changes such as limiting the acceptance of certain mixed plastics, but he said average inbound contamination rates remained high — around 30% — and commodity values had become less reliable. He also said processing costs had “skyrocketed due to inflation and increased labor costs.”

LASAN previously finalized a contract for CR&R Environmental Services to handle material from the city’s four other wastesheds in July 2021. It was set to finalize a contract with Athens for the Valley areas but could not reach an agreement. In the meantime, the city continued working with Athens via a series of short-term agreements.

The agency released a new RFP for these areas last year and received responses from American Reclamation, Athens, Sun Valley Paper Stock and WM. The first company rescinded its proposal in January, leading to an evaluation of the remaining three.

WM proposed tiered pricing to handle different tonnages at its Sun Valley Recycling Park. It initially did not offer to handle the full volume of material, but later came back with a proposal of \$135.30 to do so. Athens proposed handling all the material at its Sun Valley MRF, but stipulated it would only move forward with a contract that covered both wastesheds.

Athens’ processing unit cost is \$128.75 per ton, with built-in annual escalators based on inflation indexes, and this may be discounted based on commodity values. If the blended value of commodities is less than this processing cost, then Athens will share 100% of any commodity revenue as a discount on the fee. If the blended value exceeds the processing cost, then Athens will not charge a service fee and will share 70% of the resulting profit.

The contract also includes a series of provisions about waste characterization studies, contamination measurement and education funding. It notes that material from the two Valley wastesheds currently has an estimated 50% contamination rate.

During the council meeting, LASAN staff requested that elected officials look for more ways to raise awareness about contamination and fund additional education efforts.

“We may never get back to a future where the revenue that we gain from selling recyclables is better than the cost to recycle, but we can make it so we get as heavy of a discount as possible,” said Nuccio.

LASAN staff also noted the potential for favorable changes in the recycling stream due to California’s pending extended producer responsibility for packaging regulation, as well as a proposed local plastics reduction program that was presented to the council last month. That proposal laid out a range of options such as pilot programs for reusable takeout and beverage containers.

LASAN also raised the possibility of the city investing in its own MRF infrastructure and requested that this be considered in future rate study discussions.

Alex Helou, assistant director for solid resources program development, said the agency used to see more competitive pricing, but that has changed as the number of viable local MRFs dropped due to consolidation and other factors. He said a city-owned MRF could potentially benefit from lower processing costs and keeping more of the commodity revenue.

“It does make sense as a city to control your own destiny in a way, or at least part of it,” said Helou, noting potential economies of scale given how much material the city handles. “We’re the second-largest in the country, but we’re the largest generator of recyclable material.”

This story first appeared in the Waste Dive: Recycling newsletter. [Sign up for the weekly emails here.](#)