

CITY OF LOS ANGELES

CALIFORNIA



KAREN BASS
MAYOR

BOARD OF PUBLIC WORKS MEMBERS

STEVE S. KANG
PRESIDENT

JENNY CHAVEZ
VICE PRESIDENT

JOHN GRANT
PRESIDENT PRO TEMPORE

FAITH I. MITCHELL
COMMISSIONER

ERNESTO CARDENAS
COMMISSIONER

ELYSE MATSON
EXECUTIVE OFFICER

BUREAU OF SANITATION

TRACI MINAMIDE
INTERIM DIRECTOR AND GENERAL MANAGER

VACANT
CHIEF OPERATING OFFICER

SARAI BHAGA
CHIEF FINANCIAL OFFICER

NICOLE BERNSON
ALEXANDER E. HELOU
GABRIEL MIRANDA
ROBERT POTTER
ASSISTANT DIRECTORS

HI SANG KIM
HYPERION EXECUTIVE PLANT MANAGER

1149 SOUTH BROADWAY, 9TH FLOOR
LOS ANGELES, CA 90015
TEL: (213) 485-2210
FAX: (213) 485-2979
WWW.LACITYSAN.ORG

DATE: April 9, 2026

TO: Energy and Environment Committee
Honorable Adrin Nazarian, Chair
Honorable Katy Yaroslavsky
Honorable Ysabel Jurado
Honorable Nithya Raman
Honorable Imelda Padilla

**SUBJECT: RECYCLA PROGRAM UPDATES: PROPOSED AMENDMENTS TO
LOS ANGELES MUNICIPAL CODE SECTIONS 66.03 AND 66.33 AND
ESTABLISHMENT OF THE RECYCLA ADMINISTRATION FEE
SPECIAL FUND**

At the March 15, 2024 direction of the City Council (Council File No. 23-1032), LA Sanitation and Environment (LASAN) developed a new Request for Proposals (RFP) inviting waste collection and hauling companies to submit proposals for new franchise contracts under the recycLA program, with contracts resulting therefrom anticipated to become effective on February 1, 2027.

In developing the RFP, LASAN reviewed and evaluated the Los Angeles Municipal Code (LAMC) provisions adopted for the initial implementation of the recycLA Program on February 1, 2017 and identified opportunities to refine certain provisions based on the City's experience administering the program. These targeted updates are intended to support effective program administration and to recover the City's costs to administer and oversee the program.

zero waste • zero wasted water

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

Recyclable and made from recycled waste



To address these opportunities and to provide the City with additional tools and flexibility to achieve its waste diversion, service, and compliance goals, LASAN recommends targeted amendments to the LAMC, including Sections 66.03(d), 66.33.4, and 66.33.5, as described below. These amendments are not intended to impact the current

franchise agreements, but would govern any new franchise agreements executed as a result of the RFP.

RECOMMENDATIONS

1. REQUEST the City Attorney, in coordination with LASAN and based upon the information contained in this report, to prepare and present an ordinance modifying the City's exclusive waste hauling and recycling franchise system for commercial and multi-family properties within the City pursuant to the following:
 - a. Amend LAMC Section 66.35.5 to replace the negotiated annual franchise fee with the following two fees to be paid to the City by the respective franchisee: (1) an annual administration fee designed to recover the City's costs to administer, oversee, and enforce the recycLA Program; and (2) a one-time implementation fee to recover the City's costs associated with program transition, contract implementation, and start-up activities;
 - b. Create and establish a special fund within the Treasury of the City of Los Angeles named the "recycLA Administration Fee Special Fund" which shall receive payments of the annual administrative fee and one-time implementation fee;
 - c. Amend LAMC Section 66.33.4 to rename the three (3) "single" Franchise Zones to "Small" Franchise Zones, and allow a Small Franchise Zone to be granted to a Franchisee in combination with one or more other Small Franchise Zones, but not in combination with any of the other eight (8) Franchise Zones (e.g., Large Franchise Zones);
 - d. Amend LAMC 66.03(d) to clarify that the minimum level of service to which the owner, generator, or agent of non-City serviced Commercial Establishments and Multi-Family Dwellings shall subscribe includes an adequate number, size of containers, and collection frequency for Solid Waste, Commingled Recyclables, Source-Separated Recyclables, and

Organics, sufficient to remove all material generated at the site within a seven-day period;

- e. Amend any associated LAMC and Los Angeles Administrative Code (LAAC) sections as may be necessary to effectuate the new recyclA franchise contracts, and to implement any other necessary changes addressed in this report.
2. DIRECT LASAN to conduct required environmental review pursuant to the California Environmental Quality Act (CEQA) for all discretionary actions associated with the proposed recyclA ordinance amendments and related program changes and present for consideration any required environmental documentation in accordance with CEQA Guidelines.

TRANSMITTAL

1. [recyclA 2.0 Cost Analysis Report- R3 Consulting Group, Inc.](#)

BACKGROUND

On April 8, 2014, the Los Angeles City Council certified the Final Environmental Impact Report (EIR) for the Citywide Exclusive Solid Waste Collection and Handling system and adopted Ordinance No. 182986, establishing an exclusive waste hauling and recycling franchise system for commercial and multi-family properties within the City, known as the recyclA Program.

On December 13, 2016, the City Council approved the award of Exclusive Franchise Agreements to seven franchise haulers, also known as recyclA Service Providers (RSPs), under Council File No. 10-1797-S17. All seven franchise agreements were executed on February 1, 2017. Pursuant to Article 14 of the franchise agreements, the contracts have an initial ten-year term, with two optional five-year renewal periods exercisable at the City's sole discretion. The initial term of the existing franchise agreements is set to expire on January 31, 2027, at which time the City may elect to renew any or all of the contracts for another five-year term.

In anticipation of the January 2027 contract expiration and the City's potential non-renewal of the existing agreements, on March 15, 2024, the City Council directed LA Sanitation and Environment (LASAN) to develop a new Request for Proposals (RFP) for the recyclA Program (Council File No. 23-1032). On September 15, 2025, the Board of Public Works authorized LASAN to issue a new RFP, providing solid waste collection companies the opportunity to submit proposals for new eight-year franchise agreements with the City.

On the same date, the Board of Public Works adopted California Environmental Quality Act (CEQA) Addendum No. 3 to the certified Program Environmental Impact Report

(Program EIR) and prior addenda for the 2025 recycLA RFP. The Board found that the issuance of a new RFP was within the scope of the previously certified Program EIR, that no new environmental impacts or mitigation measures would result, and that no

additional environmental documentation was required. The Board also re-adopted the Mitigation Monitoring and Reporting Program, CEQA Findings, and Statement of Overriding Considerations originally adopted by the City on April 8, 2014, and approved the issuance of the new RFP.

Since its implementation, the recycLA Program has achieved many of its core objectives, including advancing environmental justice, reducing diesel particulate matter emissions, expanding recycling services to all customers, improving infrastructure through new and upgraded facilities, and enhancing working conditions for solid waste employees. While the program has been successful, its implementation has also revealed certain challenges. Lessons learned from the current franchise period have informed the development of the new RFP and will be incorporated into the next generation of recycLA franchise agreements. Some of these changes require updates to the LAMC and LAAC, including modifications to the structure of the franchise fee, the establishment of a special fund, and provisions related to the potential award and bundling of the small franchise zones.

COST-BASED ADMINISTRATION FEE FRAMEWORK

In February 2025, the Board of Public Works approved the award of Task Order Solicitation S-025 (TOS S-025) to Jacobs Engineering Group Inc. (Jacobs) to support development of the new recycLA RFP and to prepare technical and fiscal studies related to recycLA 2.0. As part of this effort, Jacobs, through its subcontractor R3 Consulting Group, Inc. (R3), conducted an analysis to identify and project the City's fiscal year 2026-27 costs associated with LA Sanitation and Environment's (LASAN's) management and administration of the recycLA 2.0 Program (Transmittal #1).

Based on financial data provided by LASAN, R3 identified annual recurring projected costs of approximately \$41.66 million for FY 2026-27 associated with program management and administration, including staffing salaries and benefits, overtime, supplies, transportation services, equipment, and centralized services in accordance with the City's Cost Allocation Plan. In addition, R3 identified one-time costs of approximately \$3.18 million associated with LASAN's transition to new recycLA 2.0 contracts. These one-time costs include consulting and professional services, equipment, and overtime related to procurement, contract transition, and implementation activities, and are anticipated to be incurred through FY 2027-28.

Informed by this analysis, LASAN recommends modifying the recycLA ordinance to replace the existing Franchise Fee with the following two fees: (1) an annual administration fee designed to recover the City's actual and reasonable costs to manage, administer, and oversee the recycLA Program; and (2) a one-time implementation fee to recover costs associated with program transition and contract implementation. Both fees would be paid by the respective franchisees, and would be

aligned with the cost methodology and findings documented in the R3 study. The administration fee would also be subject to an annual cost-based adjustment.

RECYCLA ADMINISTRATION FEE SPECIAL FUND

In connection with the proposed transition to the administration fee and one-time implementation fee structure, LASAN recommends the creation of a dedicated special fund within the Treasury of the City of Los Angeles to be known as the “recycLA Administration Fee Special Fund” (Fund).

The Fund shall serve as the repository for all recycLA administration and implementation fees collected pursuant to LAMC Sections 66.33.5 and related provisions. Monies deposited into the Fund shall be used solely for costs associated with the management, administration, oversight, and enforcement of the recycLA Program. Eligible expenditures shall include, but not be limited to, staffing salaries and benefits, compensated time off, overtime, supplies, services, transportation costs, equipment, professional and technical services, centralized services in accordance with the Controller’s Cost Allocation Plan, contract administration, compliance monitoring, inspections, data management, billing dispute resolution, reporting, enforcement activities, and other program-related functions approved by the City Council.

Departments or bureaus seeking payment for costs associated with recycLA program administration shall be permitted to charge only direct and allocable costs, including labor, fringe benefits, central services, department administration and support, and other applicable overhead as published annually in the Controller’s Cost Allocation Plan. All charges shall be subject to review and approval by the Board of Public Works or its authorized designee to ensure consistency with the purposes of the Fund.

The Fund shall be administered by the LASAN and expenditures therefrom shall be limited to purposes consistent with the administration and oversight of the recycLA Program. LASAN shall reconcile program revenues and expenditures on an annual basis and may recommend adjustments to the administration fee, as necessary, to align revenues with the City’s actual and reasonable program costs.

All interest or other earnings attributable to monies in the Fund shall be credited to the Fund and used exclusively for recycLA-related purposes. Pursuant to Charter Section 344, money in the Fund shall not be subject to reversion to the Reserve Fund of the City.

FRANCHISE ZONES

The initial recycLA program was developed to account for a number of small to medium size waste haulers providing service in the City with less than 1,000 accounts and that may not have the resources to provide service to large service areas. At that time these haulers indicated that small zones should be sized in the 2,000 account range. LASAN designated three smaller zones to provide opportunities for small to medium size waste haulers. These franchise zones are South–East with 2,100 service locations, Downtown

with 2,300 locations and East-Downtown with 1,100 service locations. To address the concern of competitive tipping fees, the smaller zones were created adjacent to the City owned and operated Central Los Angeles Recycling and Transfer Station (CLARTS). This proximity provides small haulers with direct access to a publicly owned facility and stable and transparent rates.

Ordinance No. 182986 as adopted by City Council, as well as the original RFP, specified that no proposer would be awarded more than 49 percent of all accounts. In addition, that RFP stated that if a proposer is awarded one of the three (3) smaller zones (Downtown (DT), East Downtown (EDT), or South (SE) zones) it will not be awarded any of the other ten (10) franchise zones. As a result, the current ordinance refers to these (3) smaller zones as “single” zones, as they cannot be awarded together with any other zone (even other smaller zones). These requirements resulted in the award of contracts to seven separate RSPs.

The waste hauling landscape in the region has changed since the original program and ordinance were developed over ten years ago. At that time, commercial waste collection in many jurisdictions operated under an open market system that included a large number of small independent haulers. Since then, many jurisdictions in the Los Angeles region have transitioned to franchise-based systems where haulers operate under contract with local governments. As such, haulers currently operating in the region have experience providing service under franchise agreements and managing defined service territories, and may therefore have the operational capacity to provide service to one or more of the smaller franchise zones. In addition, LASAN has found that having a greater number of RSPs did not result in better customer service or improved attainment of the City’s environmental goals. Administration of seven franchise agreements required significant City resources and reduced administrative efficiency. Therefore, LASAN recommends modifying the franchise zone requirements to allow for the potential award to a reduced number of service providers, resulting in improved efficiency.

The new recycLA RFP has the same established eleven (11) Franchise Zones. The three (3) smaller, previously “single” Franchise Zones will still exist in order to create opportunities for smaller collection companies to compete for Franchise contracts, but will be designated as “small” rather than “single” zones . As in the original RFP, the new RFP maintains that a proposer that is awarded any one of the “small” Franchise Zones

may not be awarded any of the other eight (8) “large” Franchise Zones. However, in the new RFP the CITY may consider awarding a combination of any or all of the three (3) small zones (Downtown, East Downtown, and South East) as a single award. This option allows the City to maximize service by allowing a single contractor the potential of operating up to three adjacent small zones. The City, at its sole discretion, may still award the three small zones singularly, and not as a bundle.

MINIMUM LEVEL OF SERVICE REQUIREMENTS

Los Angeles Municipal Code (LAMC) Section 66.03(d) currently requires that the owner, generator, or agent of non-City-serviced Commercial Establishments and Multi-Family

Dwellings subscribe to a minimum level of solid waste service consisting of the number and size of containers, and frequency of collection, necessary to remove all Solid Waste generated at the premises within a seven-day period. However, the existing language expressly excludes Commingled Recyclables and Source-Separated Recyclable Material from this minimum service requirement. As a result, while customers must maintain adequate trash service, there is no parallel requirement in LAMC Section 66.03(d) that adequate recycling or organics service be maintained.

This limitation has created an enforcement gap. The City has experienced increasing incidents of illegal dumping of organic materials, particularly from commercial generators that lack sufficient organics service capacity. Where inadequate trash service is identified, LASAN may issue citations through the Administrative Citation Enforcement (ACE) Program. However, LASAN currently lacks clear authority under Section 66.03(d) to issue citations when a customer's recycling and/or organics service is demonstrably insufficient to manage the materials generated on-site. This constraint limits the City's ability to address service deficiencies that contribute to illegal dumping, contamination, public nuisance conditions, and non-compliance with state and local diversion mandates. While LAMC Section 66.03(e) does provide that "All Commercial Establishments and Multi-family Dwellings shall have Collection Services for Source-Separated Recyclables and/or Commingled Recyclables and Source-Separated Organic Waste," the lack of similar language in Section 66.03(d) has resulted in ambiguity and enforcement challenges nonetheless.

Updating Section 66.03(d) to require that commercial establishments and multi-family dwellings maintain an adequate number, size, and frequency of collection for Solid Waste, Commingled Recyclables, Source-Separated Recyclable Material, and Organics sufficient to remove all materials generated at the site within a seven-day period would align service requirements across all waste streams. This amendment would establish

clear and consistent minimum service standards, support enforcement under the ACE Program, and strengthen the City's ability to ensure proper materials management.

The proposed change does not create new material stream obligations beyond those already required under state law and existing City ordinances; rather, it clarifies and harmonizes the City's minimum service standard to reflect current diversion requirements and operational realities. By closing this enforcement gap, the City will be better positioned to reduce illegal dumping, protect public health and the environment, and support compliance with state-mandated recycling and organics diversion programs.

CONCLUSION

The expiration of the current recycLA franchise agreements in January 2027 presents the City with an important opportunity to modernize, strengthen, and improve the program's legal, fiscal, and operational framework. The proposed amendments to the Los Angeles Municipal Code are targeted and necessary refinements informed by

nearly a decade of implementation experience, lessons learned, and evolving regulatory requirements.

Replacing the existing franchise fee structure with an administration fee and one-time implementation fee will more clearly align the program's revenue framework with the City's costs to manage and oversee recycLA 2.0. This updated approach builds upon the City's experience administering the program over the past decade and provides greater clarity and predictability regarding program funding. Establishing a dedicated recycLA Administration Fee Special Fund will ensure that revenues collected for program administration are properly accounted for and used exclusively for recycLA-related purposes, consistent with the City's longstanding fiscal stewardship practices.

Updating LAMC Section 66.03(d) to require adequate service for Solid Waste, Recyclables, and Organics will close an existing enforcement gap, strengthen compliance tools, and support the City's public health, environmental protection, and diversion objectives.

Together, these amendments provide the legal and structural foundation necessary to successfully implement recycLA 2.0, enhance program stability, and ensure the City remains well positioned to meet its waste reduction, climate, and service delivery goals in the next franchise term.

Please feel free to contact, Paul S. Cobian, Acting Division Manager of the Solid Resources Commercial Franchise Division (recycLA) at paul.cobian@lacity.org or at (213) 675-6412 if you have any additional questions.

A handwritten signature in blue ink that reads "Traci J. Minamide". The signature is fluid and cursive, with the first name "Traci" and last name "Minamide" clearly legible.

Traci J. Minamide
Interim Director and General Manager
LA Sanitation and the Environment (LASAN)