



# City of Carson

## Report to Mayor and City Council

June 7, 2011  
New Business Consent

**SUBJECT: CONSIDER APPROVAL OF A RATE ADJUSTMENT FOR THE COMMERCIAL/INDUSTRIAL WASTE MANAGEMENT SERVICES**

Submitted by M. Victor Rollinger  
Development Services General Manager

Approved by Clifford W. Graves  
Interim City Manager

### **I. SUMMARY**

Waste Management Inc. has submitted a rate adjustment request of 1.20% for FY 2011/12 for Integrated Commercial/Industrial Waste Management Services (Exhibit No. 1). According to Article 6, "Company Compensation and Rates" of both agreements with the City, Waste Management is entitled to submit data each April for a rate adjustment based upon the Consumer Price Index (CPI) and tipping fees at Puente Hills Landfill, to be effective in July of each year. The City Manager may grant the adjustment or refer the proposed adjustment to the City Council (Exhibit No. 2).

### **II. RECOMMENDATION**

APPROVE an increase of 1.20% to the Integrated Commercial/Industrial Waste Management Services price matrix for the FY 2011/12.

### **III. ALTERNATIVES**

TAKE another action that the City Council deems appropriate.

### **IV. BACKGROUND**

Waste Management Inc., one of the city's commercial/industrial waste haulers, has submitted a rate adjustment for Commercial/Industrial Waste Management Services. According to the agreement with the city, Waste Management Inc. is entitled to submit data for a rate adjustment each year in April for a July rate adjustment. This proposed rate adjustment may be granted by the City Manager or referred to the City Council. If a rate adjustment is granted for the Commercial/Industrial Waste Management Services Agreement, the price matrix established by the city will be adjusted and both of the city's commercial/industrial haulers will be affected. EDCO Services LLC, the city's second commercial/industrial waste hauler, did not submit data for a rate adjustment.

The Integrated Commercial/Industrial Waste Management Services agreement states in Article 6.3 that future adjustments shall be adjusted to changes in the CPI for "All Urban Consumers, for the Los Angeles-Anaheim-Riverside Area,

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as published by the United States Department of Labor, Bureau of Labor Statistics.”

The annual CPI increased last year by 1.2% (Exhibit No.3).

This would increase the rate of servicing one 3-cubic yard container serviced one time per week, from \$152.66 to \$154.49 per month.

Staff and the City Attorney analyzed all of the data submitted by Waste Management Inc. for the Commercial/Industrial Waste Management Services rate adjustments and found the information accurate and in compliance with contractual obligations.

## V. FISCAL IMPACT

The Integrated Commercial/Industrial Waste Management Services cost increase will impact the city’s General Fund for FY 2011/12 by an increase in franchise fees. The city’s franchise fees will increase approximately 1.20% for FY 2011/12.

## VI. EXHIBITS

1. Waste Management Commercial/Industrial rate adjustment letter. (pgs. 4-5)
2. Article 6, Commercial/Industrial agreement. (pgs. 6-8)
3. Consumer Price Index (CPI), All Urban Consumers, for the Los Angeles-Anaheim-Riverside Area, as published by the United States Department of Labor, Bureau of Labor Statistics. (pg. 9)
4. Commercial/Industrial price matrix. (pg. 10)

G:PW:commercial rate increase 2011

Prepared by: Uli Fe’esago, Public Works Superintendent

TO:Rev122210

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development Services	Public Services

Action taken by City Council	
Date _____	Action _____



March 20, 2011

Ms. Doris Reed  
Acting Program Administrator  
City of Carson  
2390 E. Dominguez Street  
Carson, CA 90749

RE: Company Compensation and Rates (Future Adjustments) for 2011-12 Rate Year:  
Integrated Commercial and Industrial Waste Management Services

Dear Ms. Reed:

Pursuant to Article 6, Section 6.3, Waste Management is requesting the maximum annual adjustment of 1.20% for Integrated Commercial and Industrial Waste Management Services allowed under the current franchise agreement. This adjustment is based on an annual CPI increase of 1.20%. There was no change to the disposal.

Attachment A includes our formula to determine the commercial/industrial roll-off disposal (Section 6.6) and CPI adjustments (6.3).

Thank you for your consideration in this matter, and please contact me if you have any questions about this request.

Sincerely,

Vickie Wippel  
Community Relations Manager

CC: Doug Corcoran  
Mike Grim  
Darrell Kato



EXHIBIT NO. - 1

ATTACHMENT A

Formula to Determine Residential Disposal and CPI Price Adjustment

	Effective Date					
		7/1/2007	7/1/2008	7/1/2009	7/1/2010	7/1/2011
Current Base	\$ 26.06					
Per Contract Agreement Section 6.6						
Puente Hills						
California Integrated Solid Waste Fee:	\$ 20.88	\$ 24.43	\$ 26.21	\$ 29.42	\$ 33.86	\$ 38.26
Los Angeles County Solid Waste Fee:	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
Los Angeles County Department of Health Services Regulatory Fee:	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 1.50	\$ 1.50
	\$ 0.16	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.21
<b>Total</b>	<b>\$ 18.46</b>	<b>\$ 21.98</b>	<b>\$ 23.75</b>	<b>\$ 26.95</b>	<b>\$ 30.75</b>	<b>\$ 35.15</b>
Downey Area Recycling & Transfer Facility (D.A.R.T)						
California Integrated Solid Waste Fee:	\$ 36.75	\$ 40.32	\$ 42.10	\$ 45.31	\$ 49.75	\$ 54.15
Los Angeles County Solid Waste Fee:	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
Los Angeles County Department of Health Services Regulatory Fee:	\$ 0.86	\$ 0.86	\$ 0.86	\$ 0.86	\$ 1.50	\$ 1.50
	\$ 0.16	\$ 0.19	\$ 0.20	\$ 0.21	\$ 0.21	\$ 0.21
<b>Total</b>	<b>\$ 34.33</b>	<b>\$ 37.87</b>	<b>\$ 39.64</b>	<b>\$ 42.84</b>	<b>\$ 46.64</b>	<b>\$ 51.04</b>
New Base	\$ 26.40	\$ 29.93	\$ 31.70	\$ 34.90	\$ 38.70	\$ 43.10
Formula Per Contract Agreement Section 6.6						
Disposal Increase / (Decrease)	\$ 0.34	\$	\$ 1.77	\$ 3.20	\$ 3.80	\$ 4.40
Percentage Change	1.30%		5.91%	10.10%	10.90%	11.4%

Formula to Determine Commercial CPI Price Adjustment Section 6.3  
U.S. Department of Labor Bureau of Labor Statistics

Annual Previous	182.2	201.8	201.8	210.4	217.338	225.008	225.219
Annual Current	187	210.4	210.4	217.338	225	225.219	225.394
Index Change	4.8	8.6	8.6	6.938	7.662	-1.789	-2.675
Divided By Previous Index Multiply By 100 for Percent Change	2.63%	4.26%	4.26%	3.3%	3.5%	-0.8%	-1.2%

Calculated Rate Increase  
Requested

## ARTICLE 6

### ~~COMPANY COMPENSATION AND RATES~~

#### 6.1 General

- A. The compensation provided for in this Article 6 shall be the full compensation due to the Company under this Agreement for all labor, equipment, materials, supplies, taxes, insurance, bonds, overhead, disposal, transfer, profit and all other things necessary to perform any and all services required by this Agreement.

The Company shall perform the duties described in this Agreement in consideration of the right to receive compensation for such services rendered at maximum rates fixed from time-to-time by the City.

#### 6.2 Compensation to the Company

The compensation paid to the Company for services from and after August 1, 2003 is set forth in Exhibit 1, unless otherwise provided for in a written amendment to this Agreement. Unless and until the rates set forth on Exhibit 1 are adjusted, the Company shall provide the services required by this Agreement, charging no more than the rates authorized by Exhibit 1, except as provided herein and in Section 6.4. Between the Effective Date and July 31, 2003, Company shall charge the rates set forth in the July 1991 agreement for commercial and industrial collection services, as amended.

#### 6.3 Future Adjustments

Effective July 1, 2004, and on each July 1 thereafter, the compensation paid to the Company shall be adjusted annually to rates that are based upon changes in the Consumer Price Index ("CPI"), All Urban Consumers, for the Los Angeles-Anaheim-Riverside Area, as published by the United States Department of Labor, Bureau of Labor Statistics. The Company shall submit to the City, each April, beginning in April 2004, information in support of an annual adjustment. This information will include changes in the CPI that have occurred during the preceding calendar year. The City Manager or his designee shall review the information submitted by Company and

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approve the rate adjustment if the information submitted is determined to be accurate. As an alternative, the City Manager may refer the proposed adjustment to the City Council for approval, in its reasonable judgment.

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#### **6.4 Extraordinary Adjustments**

The Company or the City may request an adjustment to the compensation paid to the Company at times other than those specified in Section 6.3, based upon unusual changes in the cost of providing service under this Agreement. The Company may request only one such adjustment during any rate year. "Unusual changes" may include changes in components of the disposal rate, changes in the disposal site requested by the City, changes in state or local government solid waste fees and charges, and changes in the law. These changes do not include inaccurate estimates by the Company of its proposed cost of operations. For each request, the Company must prepare a schedule documenting the extraordinary costs. The request shall be prepared in a form acceptable to the City with support for all assumptions made by the Company in preparing the estimate. The City shall review the Company's request and, in the City's reasonable judgment, make the final determination on the appropriate amount of the adjustment, if any. A requested adjustment may not be denied in the case of changed or additional services requested by the City, additional reporting required by the City, the City's designation of a transfer station, MRF, transformation facility, or disposal site (except for its initial designation under Section 4.6.C.), any change in the Municipal Code affecting the Company's operations, or changes in state or local government solid waste fees and charges.

#### **6.5 Supporting Information**

If the Company requests a rate adjustment on the basis of unusual changes or extraordinary increases in the cost of doing business, the Company must provide the City with all documentation supporting its request.

#### **6.6 Disposal Price Adjustment**

Beginning July 1, 2004, the compensation paid to Company shall be adjusted by Company each July 1 during the term of the Agreement to reflect the percentage increase or decrease since the Effective Date, or the date of any prior adjustment, as the



case may be, in the average tipping fee per ton charged by the Los Angeles County Landfill at Puente Hills and the DART Materials Recovery Facility in Downey. The average tipping fee is the sum of the tipping fees at Puente Hills and DART, and then divided by two. For purposes of the first such adjustment to occur on July 1, 2004, the initial tipping fees utilized in the computation shall be \$18.13 per ton at Puente Hills and \$34.00 per ton at DART, or an average tipping fee of \$26.06. The tipping fee used for this calculation shall exclude all federal, state and local taxes, fees and assessments levied on or applicable to the processing, transportation or disposal of solid waste at Puente Hills or DART. The City Manager or his designee shall review the information submitted by Company and approve the rate adjustment if the information submitted is determined to be accurate. As an alternative, the City Manager may refer the proposed adjustment to the City Council for approval, in its reasonable judgment.

#### **6.7 Fuel Price Adjustment**

The Company may from time to time request an adjustment to the compensation paid to Company based upon extraordinary changes in the cost of fuel. The Company may request only one such adjustment during any calendar year. For each request, the Company must prepare a schedule documenting the extraordinary costs. The request shall be prepared in a form acceptable to the City with support for all assumptions made by the Company determining the amount of the proposed adjustment. The City Manager shall review the Company's request and, in the City Manager's reasonable judgment, make the final determination on the appropriate amount of the adjustment, if any. As an alternative, the City Manager may refer the proposed adjustment to the City Council for approval, in its reasonable judgment.

#### **6.8 Subsidies or Rebates Prohibited**

The Company is strictly prohibited from charging a rate for services other than as set forth in Exhibit 1, or from offering or providing to any customer, or to any affiliate, partner, or co-venturer of any customer, whether or not located within the City, directly or indirectly, any subsidy, rebate, secret rebate, discount, or other consideration, or engaging in any other conduct prohibited by the California Business and Professions Code §17200 et seq. or §17500 et seq., in connection with offering, arranging for, or providing commercial and industrial solid waste collection services pursuant to this Agreement.

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FONT SIZE:

Change Output Options: From: 2001 To: 2011

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Data extracted on: June 2, 2011 (1:55:47 PM)

## Consumer Price Index - All Urban Consumers

Series Id: CUURA421SA0

Not Seasonally Adjusted

Area: Los Angeles-Riverside-Orange County, CA

Item: All items

Base Period: 1982-84=100

Download: .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001	174.2	175.4	176.2	176.6	177.5	178.9	178.3	178.4	178.8	178.3	178.1	177.1	177.3	176.5	178.2
2002	178.9	180.1	181.1	182.2	182.6	181.9	182.2	183.0	183.4	183.7	184.0	183.7	182.2	181.1	183.3
2003	185.2	186.5	188.2	187.6	186.4	186.3	186.3	186.9	188.2	187.8	187.1	187.0	187.0	186.7	187.2
2004	188.5	190.1	191.5	191.9	193.3	193.7	193.4	193.1	194.5	196.3	196.9	195.2	193.2	191.5	194.9
2005	195.4	197.4	199.2	201.1	201.5	200.7	201.4	203.1	205.8	206.9	205.6	203.9	201.8	199.2	204.5
2006	206.0	207.5	208.5	210.5	212.4	211.1	211.4	211.9	212.9	211.4	211.1	210.6	210.4	209.3	211.6
2007	212.584	214.760	216.500	217.845	218.596	217.273	217.454	217.330	217.697	218.696	219.943	219.373	217.338	216.260	218.416
2008	220.918	221.431	223.606	224.625	226.651	229.033	229.886	228.484	227.449	226.159	222.229	219.620	225.008	224.377	225.638
2009	220.719	221.439	221.376	221.693	222.522	223.906	224.010	224.507	225.226	225.264	224.317	223.643	223.219	221.943	224.495
2010	224.610	224.620	225.483	225.916	226.438	225.877	225.991	226.373	226.048	226.794	225.941	226.639	225.894	225.491	226.298
2011	228.652	229.729	232.241	233.319											

## 12-Month Percent Change

Series Id: CUURA421SA0

Not Seasonally Adjusted

Area: Los Angeles-Riverside-Orange County, CA

Item: All items

Base Period: 1982-84=100

Download: .xls

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001	3.8	3.6	3.2	3.5	3.7	4.6	3.8	3.6	3.2	2.6	2.7	2.1	3.3	3.8	3.0
2002	2.7	2.7	2.8	3.2	2.9	1.7	2.2	2.6	2.6	3.0	3.3	3.7	2.8	2.6	2.9
2003	3.5	3.6	3.9	3.0	2.1	2.4	2.3	2.1	2.6	2.2	1.7	1.8	2.6	3.1	2.1
2004	1.8	1.9	1.8	2.3	3.7	4.0	3.8	3.3	3.3	4.5	5.2	4.4	3.3	2.6	4.1
2005	3.7	3.8	4.0	4.8	4.2	3.6	4.1	5.2	5.8	5.4	4.4	4.5	4.5	4.0	4.9
2006	5.4	5.1	4.7	4.7	5.4	5.2	5.0	4.3	3.4	2.2	2.7	3.3	4.3	5.1	3.5
2007	3.2	3.5	3.8	3.5	2.9	2.9	2.9	2.6	2.3	3.5	4.2	4.2	3.3	3.3	3.2
2008	3.9	3.1	3.3	3.1	3.7	5.4	5.7	5.1	4.5	3.4	1.0	0.1	3.5	3.8	3.3
2009	-0.1	0.0	-1.0	-1.3	-1.8	-2.2	-2.6	-1.7	-1.0	-0.4	0.9	1.8	-0.8	-1.1	-0.5
2010	1.8	1.4	1.9	1.9	1.8	0.9	0.9	0.8	0.4	0.7	0.7	1.3	1.2	1.6	0.8
2011	1.8	2.3	3.0	3.3											

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# City of Carson Commercial/Industrial Rates

Effective 7/1/11 to 6/30/12

Standard Bin Rates

Bin Size	Collections per Week						
	1x	2x	3x	4x	5x	6x	7x
2 cubic yards	\$141.64	\$253.66	\$359.23	\$469.66	\$564.07	\$702.85	\$849.87
3 cubic yards	\$154.49	\$307.60	\$439.28	\$577.13	\$698.08	\$867.99	\$1,049.66
4 cubic yards	\$214.38	\$359.23	\$516.90	\$682.08	\$827.40	\$1,030.81	\$1,247.63
6 cubic yards	\$268.67	\$462.48	\$672.14	\$891.97	\$1,086.00	\$1,356.49	\$1,643.53

Optional Services:

Locking Lids	\$13.67	\$21.71	\$30.35	\$39.41	\$47.29	\$58.47	\$71.01
Scout Service	\$45.54	\$84.38	\$126.49	\$170.75	\$210.12	\$264.45	\$327.10
Push-Out Service	\$34.16	\$60.26	\$88.54	\$118.22	\$144.46	\$180.97	\$222.78
Franchise Fee incl.	10%	15.00%	19.00%	22%	22%	26.40%	26.40%

Compactor Bin Rates to be @ 150% of the standard bin rates.

Roll-off Rate \$295.03 per pull and \$77.34 per ton disposal (10% franchise fee on pull-rate only)

Roll-Off compactor rate \$308.40 per pull and \$77.34 per ton disposal (10% franchise fee on pull-rate only)

EXHIBIT NO. - 4

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