

August 16, 2006

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
September 12, 2006

**CONSOLIDATED DISPOSAL SERVICE: NOTICE OF 3% RATE INCREASE
EFFECTIVE JANUARY 1, 2007**

Recommendation:

That the City Council receive and file this notice of the 3% rate increase for solid waste and recycling to residential and commercial accounts effective January 1, 2007 as set forth in the contract with Consolidated Disposal Service (CDS).

Background:

The contract between the City and CDS provides for annual adjustments of 3% or the percentage change in the Consumer Price Index (CPI) for the most recent 12 month period for which data is available, whichever is less. The change in the CPI for the period June 2005 - July 2006 is 5.18% (a copy of the CPI from the Bureau of Labor Statistics is attached). CDS has submitted a request for an adjustment 8.99%, however, the contract limits the annual CPI increase to 3% (a copy of the applicable contract section is attached).

Analysis:

This adjustment will result in a 30¢ increase in the cost for each residential customer. Commercial rates will also increase at the same rate of 3%. Monthly rates would be as follows:

TYPE OF SERVICE	PRESENT RATES	3% INCREASE	PROPOSED NEW RATES BEFORE AB939 FEE	AB939 FEE	NEW RATE
RESIDENTIAL SOLID WASTE & RECYCLING	\$10.07	\$.30	\$10.37	\$.25	\$10.62
COMMERCIAL 3 YARD/1 X WK	\$78.64	\$2.36	\$81.00	\$3.25	\$84.25

For comparison purposes, the rates for our neighboring cities are provided below:

	REDONDO BEACH EFFECTIVE 7/1/06	MANHATTAN BEACH EFFECTIVE 7/1/06	TORRANCE EFFECTIVE 7/1/06	PROPOSED HERMOSA BEACH
RESIDENTIAL PER MONTH	\$12.35 (6.9% increase from \$11.55)	\$13.24 (2.7% increase from \$12.89)	\$20.79 (5.3% increase from \$19.74)	\$10.62

As you can see, even with the adjustment, the City's rate is very good.

As you may recall, the agreement with CDS is for seven years. They were not permitted to increase rates for the first 15 months of the contract, they chose not to request an increase for the 2003 calendar year, received a 3% increase in 2004, and, in 2005, they missed the deadline date specified in the contract for submission of their request for a CPI increase.

Respectfully submitted,



Stephen R. Burrell
City Manager



U.S. Department of Labor
Bureau of Labor Statistics

Bureau of Labor Statistics Data

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Data extracted on: August 4, 2006 (1:01:19 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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
1996	155.7	156.2	157.3	157.7	157.5	156.7	157.6	157.3	158.2	158.8	158.4	158.3	157.5	156.9	158.1
1997	159.1	159.2	159.8	159.9	159.5	159.4	159.5	159.7	160.5	161.1	160.7	161.2	160.0	159.5	160.5
1998	161.0	161.1	161.4	161.8	162.3	162.2	162.1	162.6	162.6	163.2	163.4	163.5	162.3	161.6	162.9
1999	164.2	164.6	165.0	166.6	166.2	165.4	165.8	166.3	167.2	167.2	167.1	167.3	166.1	165.3	166.8
2000	167.9	169.3	170.7	170.6	171.1	171.0	171.7	172.2	173.3	173.8	173.5	173.5	171.6	170.1	173.0
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								209.3	

CONSOLIDATED DISPOSAL SERVICE

A Subsidiary of  **REPUBLIC SERVICES, INC.**

August 4, 2006

Mr. Steve Burrell
City of Hermosa Beach
1315 Valley Dr
Hermosa Beach, Ca 90254 -3685

1449 W. Rosecrans Avenue

Gardena, CA 90249

Telephone (310) 527-6980

Facsimile (310) 527-2987

RE: Refuse Disposal Service Agreement October 3, 2001.

Notice of rate increase, effective January 1, 2007

Dear Mr. Burrell:

In reference to the above-indicated contract, page 30, article 6 Compensation and Rates section 6.2 Annual Adjustment of Rates. This letter will serve as Consolidated Disposal Service, LLC written notice of our intent to increase our rates by 8.99% effective January 1, 2007.

Because there was no rate adjustment for 2006, we based the increase on the combined Consumer Price Index for All Urban Consumers in the Los Angeles- Riverside – Orange County Area, (June – June) for which information is available from the U.S. Department of Labor.

Thank you for your consideration of this request for a rate increase. If additional information is needed I can be reached at 562 663-3532.

Sincerely,


Lewis Glynn
General Manager

Enclosure

cc: Dawn M. Harris, Municipal Marketing Representative,
Jwala Chanani, Controller

ARTICLE 6

COMPENSATION AND RATES

6.2 ANNUAL ADJUSTMENT OF RATES

Subject to the terms herein, Collector may request one Rate adjustment annually. The request and supporting data for each annual adjustment of Rates shall be submitted to the City Manager by Collector on or before September 1 of each year. Each adjustment is to be approved or disapproved by the City Manager by October 1 of each year; and if approved, effective on each subsequent January 1.

6.3 ANNUAL ADJUSTMENT OF RATES PURSUANT TO CPI

6.3.1 The City Manager shall approve an annual Rate adjustment where such adjustment would result in no more than a three (3) percent rate increase for any given service level, or the percentage change in the CPI for the most recent 12 month period for which data is available, whichever is less. Each adjustment is to be based on data for the previous twelve (12) month period. The first adjustment of Rates pursuant to this Section 6.3 shall not be effective until January 1, 2004.

6.3.2 If the CPI is discontinued or revised during the Term by the United States Department of Labor, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the CPI had not been discontinued or revised.