



March 1, 2016

14048 Valley Blvd.  
P.O. Box 60009  
City of Industry, CA 91716-0009  
Fax (626) 330-4686  
(626) 336-3636

Mr. Tom Bakaly  
City Manager  
City of Hermosa Beach  
1315 Valley Drive  
Hermosa Beach, CA 90254

RE: Annual Rate Adjustment/Minimum Wage/Organics

Dear Tom,

As you know, in accordance with Athens' Integrated Solid Waste Management Services Agreement (Agreement) with the City of Hermosa Beach, and pursuant to Article 6 of this Agreement, we may request an adjustment to maximum rates and provide documentation by March 1 of each year requesting a rate adjustment effective July 1. This communication is to let you know that based on the rate adjustment methods described and formulas shown in Article 6 we have calculated that rate and determined based on the prescribed formula that city residential and commercial businesses will not see any rate increase on July 1. The methodology actually shows a -.46% decrease for 2016/2017 as shown in the attachment.

In addition, as per Article 6, section 6.5, Extraordinary Adjustments, we would like to request a rate adjustment as they relate to State and Local Law Changes, to be effective July 1, 2016. The state legislature and Los Angeles County Board of Supervisors have enacted laws that have a direct effect on our costs and this increase is something that impacts all Los Angeles County business's; specifically **AB 10** (State of California Minimum Wage Law); **AB 304** (State of California sick leave, accrual and limitations); and **Los Angeles County Ordinance 8.100.010** (Minimum Wage Ordinance, wage regulations). Our Material Recovery Facility is located in the county area and subject to the new ordinance.

The enclosed calculation pages and documentation supporting the rate adjustment factors are consistent with the rate adjustment methods used to increase the minimum wage to the employees that are performing the tasks relating to diversion and recycling. In addition, per Section 12.2 of the Agreement, Athens has an obligation to comply with the laws as passed by our governance, and respectfully pass this Law Change through as an increased cost, subject to City Council approval. Although minimum wage will be increased over 30% in just the first three steps (July 2014 through July 2016; \$8.00 to \$10.50), you can see that the request of 1.14% for the change in law this year has been blended over your tonnage (as indicated in the supporting documents). Please also note for future reference that Los Angeles County will be raising this rate annually to \$15.00 during the period July 1, 2016 through July 1, 2020. This change of law increase is not related to or combined with any current CPI or formulaic rate increase. It stands alone.

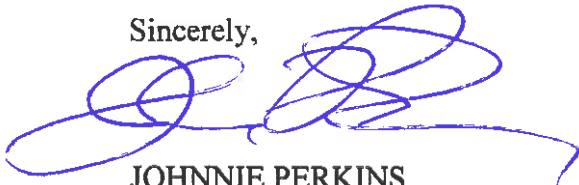
Mr. Tom Bakaly  
Hermosa Beach  
March 1, 2016  
Page Two

Lastly, with the initiation of AB1826 the mandatory commercial organics law effective April 1, 2016, we would like to discuss the costs and rate adjustments required for Athens to provide this state mandated service. Our thoughts are to incorporate this change into a July 1, 2016 rate adjustment discussion.

Athens is diligent in providing services at a competitive rate, and keeps our rate increase requests as low as possible. Please review and let me know how you would like to proceed with discussing implementation of the 2016/2017 rate adjustment, minimum wage costs and organics pricing.

I look forward to discussing this with you in the next few weeks. Thank you for your attention to this matter.

Sincerely,



JOHNNIE PERKINS  
Executive Vice President

Attachments

cc: Kristy Morris, Environmental Analysts, City of Hermosa Beach  
Christian Warner, Director of Contract Compliance, Athens Services

## Hermosa Beach

### Annual Rate Adjustment Calculation for Carts & Bins

For Rates Effective:

July 1, 2016

#### Step One: Calculate percentage change in indices

Row	Adjustment Factor	Index	A Old Index Value	B New Index Value	C % Change in Index ((Column B/Column A) - 1)
1	Labor	(1)	120.950	123.850	2.40%
2	Fuel	(2)	180.458	123.417	-31.61%
3	Equipment	(3)	138.983	141.283	1.65%
4	Disposal	(4)	236.894	241.046	1.75%
5	All Other	(5)	236.894	241.046	1.75%

#### Step Two: Determine components

Row	Adjustment Factor	Index	D Cost Factor Category Weighted as a % of Component Total (6)	E Percent Change in Index (from Column C)	F Total Weighted Change (Column D x E)
6	Labor	(1)	24.59%	2.40%	0.59%
7	Fuel	(2)	7.07%	-31.61%	-2.23%
8	Equipment	(3)	12.71%	1.65%	0.21%
9	Disposal	(4)	26.35%	1.75%	0.46%
10	All Other	(5)	29.28%	1.75%	0.51%
11	Total		100.00%		-0.46%

#### Step Three: Apply percentage change to rates

Row	Rate Category	G Existing Customer Rate (7)	H Customer Net Rate of AB 939 Fees (Column G - L)	I Total Weighted % Change (Row 11, Column F)	J Rate Increase or Decrease (Column H x I)	K Adjusted Customer Net Rate (Column H + J)	L AB 939 Fee	M Adjusted Customer Total Rate (Column K + L)
12	Res service w/96 gal, refuse	\$15.58	\$15.33	-0.46%	-\$0.07	\$15.26	\$0.25	\$15.51
13	Res service w/64 gal, refuse	\$11.33	\$11.08	-0.46%	-\$0.05	\$11.03	\$0.25	\$11.28
14	Res service w/32 gal, refuse	\$7.09	\$6.84	-0.46%	-\$0.03	\$6.81	\$0.25	\$7.06
15	Extra 96 gal refuse cart	\$8.49	\$8.49	-0.46%	-\$0.04	\$8.45	\$0.00	\$8.45
16	Extra 64 gal refuse cart	\$6.37	\$6.37	-0.46%	-\$0.03	\$6.34	\$0.00	\$6.34
17	Extra 32 gal refuse cart	\$4.24	\$4.24	-0.46%	-\$0.02	\$4.22	\$0.00	\$4.22
18	Alternative Residential Rate	\$11.33	\$11.08	-0.46%	-\$0.05	\$11.03	\$0.25	\$11.28
19	3 cubic yard bin, 1X week	\$116.47	\$113.22	-0.46%	-\$0.52	\$112.70	\$3.25	\$115.95
20	3 cubic yard bin, 2X week	\$180.85	\$174.35	-0.46%	-\$0.80	\$173.55	\$6.50	\$180.05
21	3 yard bin, extra pick-up	\$55.26	\$55.26	-0.46%	-\$0.25	\$55.01	\$0.00	\$55.01
22	Commercial 96 gal cart	\$53.78	\$53.27	-0.46%	-\$0.24	\$53.03	\$0.51	\$53.54

#### Step Four: Re-weight cost components

Row	Adjustment Factor	Index	N Cost Component Weighting (Column D)	O Percent Change in Index (Column E)	P Change in Cost Component Weighting (Column N x Column O)	Q Adjusted Cost Component Weighting (Column N + Column P)	R Cost Components Re-weighted to Equal 100% (Column Q Row / Total)
23	Labor	(1)	24.59%	2.40%	0.59%	25.18%	25.30%
24	Fuel	(2)	7.07%	-31.61%	-2.23%	4.84%	4.86%
25	Equipment	(3)	12.71%	1.65%	0.21%	12.92%	12.98%
26	Disposal	(4)	26.35%	1.75%	0.46%	26.81%	26.94%
27	All Other	(5)	29.28%	1.75%	0.51%	29.79%	29.93%
28	Total		100.00%		-0.46%	99.54%	100.00%

(1) Employment costs index CIU20100005200001, Total Compensation, Private Industry, Index Number, Transportation and material moving - average annual change \*

(2) Producer Price Index WPU0531, not seasonally adjusted, Fuels and related products and power, natural gas - average annual change \*

(3) Producer Price Index, PCU336120336120, Heavy duty truck manufacturing - average annual change \*

(4) Consumer Price Index for All Urban Consumers, less food and energy, U.S. city average - average annual change \* or 5%, whichever is lower.

(5) Consumer Price Index for All Urban Consumers, less food and energy, U.S. city average - average annual change \*

(6) First year based on Section 6.4. After the first adjustment, this column comes from Column O of the previous year's rate adjustment worksheet.

(7) Example rates listed. Adjustment applies to all applicable rate categories.

\* See Exhibit 3C.

## Hermosa Beach

### Annual Rate Adjustment Calculation for Compactor Roll-off & Disposal Rate

For Rates Effective: July 1, 2016

#### Step One: Calculate percentage change in indices

Row	Adjustment Factor	Index	A Old Index Value	B New Index Value	C % Change in Index ((Column B/Column A) - 1)
1	Service Comp (Pull Rate)				
2	Labor	(1)	120.950	123.850	2.40%
3	Fuel	(2)	180.458	123.417	-31.61%
4	Equipment	(3)	138.983	141.283	1.65%
5	All Other	(4)	236.894	241.046	1.75%
6	Refuse Ton	(5)	236.894	241.046	1.75%

#### Step Two: Determine components

Row	Adjustment Factor	Index	D Cost Component Weighted as a % of Component Total (6)	E Percent Change in Index (from Column C)	F Total Weighted Change (Column D x E)
7	Service Comp (Pull Rate)				
8	Labor	(1)	38.10%	2.40%	0.91%
9	Fuel	(2)	24.04%	-31.61%	-7.60%
10	Equipment	(3)	12.01%	1.65%	0.20%
11	All Other	(4)	25.84%	1.75%	0.45%
12	Service Comp Total (or 5%)		100.00%		-6.03%
13	Refuse Ton	(5)	100.00%	1.75%	1.75%

#### Step Three: Apply percentage change to rates

Row	Rate Category	G Current Customer Rate	H Customer Rate Net of AB 939 Fees (Column G - L)	I Total Weighted % Change (Column F or 5%)	J Rate Increase or Decrease (Column H x I)	K Adjusted Customer Net Rate (Column H + J)	L AB 939 Fee	M Adjusted Customer Total Rate (Column K + L)
14	Standard Roll-off Box Pull Rate	\$199.19	\$189.19	-6.03%	-\$11.42	\$177.77	\$10.00	\$187.77
15	30yd Compactor Roll-off Box Pull Rate	\$220.86	\$213.36	-6.03%	-\$12.88	\$200.48	\$7.50	\$207.98
16	Refuse Ton	\$63.78	\$63.78	1.75%	\$1.12	\$64.90	\$0.00	\$64.90
17	Demurrage Charge	\$11.03	\$11.03	-6.03%	-\$0.67	\$10.36	\$0.00	\$10.36

#### Step Four: Re-weight cost components

Row	Adjustment Factor	Index	N Cost Component Weighting (Column D)	O Percent Change in Index (Column E)	P Change in Cost Component Weighting (Column K x Column L)	Q Adjusted Cost Component Weighting (Column K + Column M)	R Cost Components Re-weighted to Equal 100%
18	Labor	(1)	38.10%	2.40%	0.91%	39.02%	41.51%
19	Fuel	(2)	24.04%	-31.61%	-7.60%	16.44%	17.50%
20	Equipment	(3)	12.01%	1.65%	0.20%	12.21%	12.99%
21	All Other	(4)	25.84%	1.75%	0.45%	26.29%	27.98%
22	Total		100.00%		-6.03%	93.96%	100.00%

(1) Employment costs index CIU20100005200001, Total Compensation, Private Industry, Index Number, Transportation and material moving - avg annual change \*

(2) Producer Price Index WPU0531, not seasonally adjusted, Fuels and related products and power, natural gas - average annual change \*

(3) Producer Price Index, PCU336120336120, Heavy duty truck manufacturing - average annual change \*

(4) Consumer Price Index for All Urban Consumers, less food and energy, U.S. city average - average annual change \*

(5) Consumer Price Index for All Urban Consumers, less food and energy, U.S. city average - average annual change \* or 5%, whichever is lower.

(6) First year based on Section 6.4. After the first adjustment, this column comes from Column O of the previous year's rate adjustment worksheet.

\* See Exhibit 3C.

# Hermosa Beach

## Annual Rate Adjustment Calculation for Indices

For Rates Effective: July 1, 2016

Calculated percentage change in Indices

### Labor

Employment Cost Index, Total Compensation, Private Industry, Index Number, Transportation and Material Moving (CIU2010000520000i)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2013												119.7	
2014			120.4			121.4			122.3				120.950
2014												122.4	
2015			123.5			124.4			125.1				123.850

### Fuel

Producer Price Index - Fuels and related products and power, natural gas (WPU0531)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2013										149.5	150.0	163.2	
2014	180.7	235.1	210.3	194.7	193.4	186.7	179.6	159.5	162.8				180.458
2014										160.4	155.1	170.5	
2015	127.6	114.7	115.8	101.1	101.0	108.8	109.4	112.1	104.5				123.417

### Equipment

Producer Price Index - Heavy duty truck manufacturing (PCU336120336120)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2013										138.0	138.6	138.3	
2014	138.8	139.3	139.4	139.1	139.1	139.2	139.1	139.4	139.5				138.983
2014										139.7	139.8	139.7	
2015	140.7	140.9	141.9	141.9	141.8	141.8	142.3	142.4	142.5				141.283

### Disposal

Consumer Price Index - All Urban Consumers, all items less food & energy index, US City average (CUUR0000SA0L1E)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2013										235.162	235.243	235.000	
2014	235.367	236.075	236.913	237.509	238.029	238.157	238.138	238.296	238.841				236.894
2014										239.413	239.248	238.775	
2015	239.248	240.083	241.067	241.802	242.119	242.354	242.436	242.651	243.359				241.046

### All Other

Consumer Price Index - All Urban Consumers, all items less food & energy index, US City average (CUUR0000SA0L1E)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2013										235.162	235.243	235.000	
2014	235.367	236.075	236.913	237.509	238.029	238.157	238.138	238.296	238.841				236.894
2014										239.413	239.248	238.775	
2015	239.248	240.083	241.067	241.802	242.119	242.354	242.436	242.651	243.359				241.046

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### Employment Cost Index

Series Id: CIU20100005200001 (B)

Not seasonally adjusted

Series Title: Total compensation for Private industry workers in Transportation and material moving, Index

Ownership: Private industry workers

Component: Total compensation

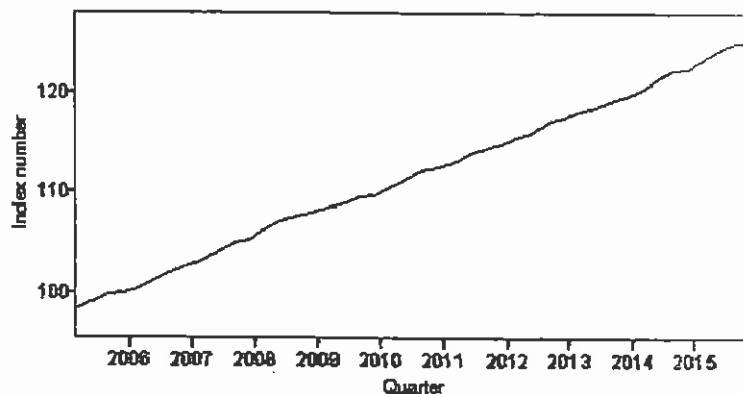
Occupation: Transportation and material moving occupations

Industry: All workers

Subcategory: All workers

Area: United States (National)

Periodicity: Index number



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Year	Qtr1	Qtr2	Qtr3	Qtr4
2005	98.3	99.0	99.8	100.0
2006	100.4	101.2	102.0	102.6
2007	103.1	104.1	104.9	105.3
2008	106.4	107.2	107.7	107.9
2009	108.4	108.9	109.6	109.7
2010	110.4	111.2	112.2	112.5
2011	113.0	114.0	114.4	114.9
2012	115.5	116.0	117.0	117.6
2013	118.2	118.6	119.2	119.7
2014	120.4	121.4	122.3	122.4
2015	123.5	124.4	125.1	125.3

B : Includes wages, salaries, and employer costs for employee benefits.

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### Producer Price Index-Commodities

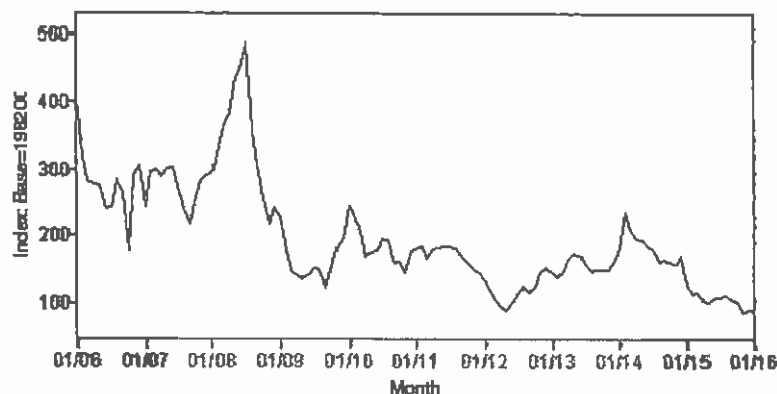
Series Id: WPU0531

Not Seasonally Adjusted

Group: Fuels and related products and power

Item: Natural gas

Base Date: 198200


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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	403.4	317.6	283.6	277.4	275.8	240.9	241.7	284.0	263.4	176.6	292.9	307.0
2007	241.7	295.5	298.1	288.4	301.9	304.7	274.0	241.3	216.8	248.6	282.3	292.1
2008	293.4	332.4	362.7	384.0	437.0	449.5	489.9	355.7	306.9	257.0	217.2	242.0
2009	229.4	175.9	146.8	138.7	135.6	140.2	151.5	147.8	123.3	154.0	181.5	195.1
2010	244.4	231.2	204.3	168.8	175.8	178.0	195.4	194.3	157.7	159.6	143.9	176.7
2011	179.6	183.0	165.0	178.6	182.4	183.9	184.0	182.5	167.1	158.4	148.3	144.4
2012	132.4	115.3	104.7	92.3	89.4	102.1	115.6	125.9	115.4	126.2	143.5	152.3
2013	143.1	138.2	144.2	163.9	172.2	170.1	155.6	146.8	149.8	149.5	150.0	163.2
2014	180.7	235.1	210.3	194.7	193.4	186.7	179.6	159.5	162.8	160.4	155.1	170.5
2015	127.6	114.7	115.8	101.1	101.0	108.8	109.4	112.1	104.5	102.6(P)	86.8(P)	91.3(P)
2016	88.1(P)											

P : Preliminary. All indexes are subject to revision four months after original publication.

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### Producer Price Index Industry Data

**Series Id:** PCU336120336120  
**Industry:** Heavy duty truck mfg  
**Product:** Heavy duty truck mfg  
**Base Data:** 200312

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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	108.3	108.5	108.8	110.2	110.2	110.3	110.3	110.5	110.3	111.4	113.2	113.2
2007	113.3	113.3	113.3	116.3	116.3	116.3	116.2	116.3	116.3	116.3	116.4	116.4
2008	117.8	117.8	117.9	118.1	118.1	118.7	118.8	118.8	119.1	120.4	120.5	120.5
2009	123.1	123.3	123.3	123.3	123.9	124.1	124.1	125.3	125.3	125.6	125.2	126.2
2010	126.2	126.2	126.2	126.2	126.2	129.4	129.5	129.2	129.4	129.6	129.8	129.8
2011	130.4	130.1	130.1	130.1	130.6	130.6	131.3	131.3	131.4	132.5	132.7	132.7
2012	133.6	133.9	133.9	134.4	134.6	134.8	134.7	134.7	134.7	134.7	135.3	135.5
2013	136.1	135.8	135.6	135.2	136.1	136.9	137.1	136.8	136.9	138.0	138.6	138.3
2014	138.8	139.3	139.4	139.1	139.1	139.2	139.1	139.4	139.5	139.7	139.8	139.7
2015	140.7	140.9	141.9	141.9	141.8	141.8	142.3	142.4	142.5	142.5(P)	143.1(P)	143.2(P)
2016	144.9(P)											

P : Preliminary. All indexes are subject to revision four months after original publication.

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### Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA011E

Not Seasonally Adjusted

Area: U.S. city average

Item: All items less food and energy

Base Period: 1982-84=100

 Download: [xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2
2005	198.4	199.5	200.7	200.9	200.8	200.6	200.8	201.0	201.3	202.3	202.3	202.1	200.2	201.6
2006	202.6	203.6	204.9	205.5	205.7	205.9	206.2	206.7	207.2	207.8	207.6	207.3	204.7	207.1
2007	208.009	209.112	209.923	210.311	210.316	210.474	210.756	211.111	211.628	212.318	212.435	212.356	209.691	211.767
2008	213.138	213.866	214.866	215.059	215.180	215.553	216.045	216.476	216.862	217.023	216.690	216.100	214.610	216.533
2009	216.719	217.685	218.639	219.143	219.128	219.283	219.350	219.596	220.137	220.731	220.384	220.025	218.433	220.037
2010	220.086	220.602	221.059	221.166	221.193	221.265	221.258	221.551	221.907	222.079	222.077	221.795	220.895	221.778
2011	222.177	223.011	223.690	224.118	224.534	224.891	225.164	225.874	226.289	226.743	226.859	226.740	223.737	226.278
2012	227.237	227.865	228.735	229.303	229.602	229.879	229.893	230.196	230.780	231.276	231.263	231.033	228.770	230.740
2013	231.612	232.432	233.052	233.236	233.462	233.640	233.792	234.258	234.782	235.162	235.243	235.000	232.906	234.706
2014	235.367	236.075	236.913	237.509	238.029	238.157	238.138	238.296	238.841	239.413	239.248	238.775	237.008	238.785
2015	239.248	240.083	241.067	241.802	242.119	242.354	242.436	242.651	243.359	243.985	244.075	243.779	241.112	243.381

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# Minimum Wage & Sick Pay Law Change Financial Impact

City of Hermosa Beach

## Minimum Wage Labor Component of MRF Gate Rate

\$10.29 Minimum Wage Labor Cost per Ton

## Minimum Wage % Increase

\$8.00 Minimum Wage Prior to 7/1/14

\$1.00 7/1/14 Increase to \$9.00

\$1.00 1/1/16 Increase to \$10.00

\$0.50 7/1/16 Increase to \$10.50

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\$10.50 Minimum Wage as of 7/1/16

31.25% Increase  $(\$10.50 - \$8.00) / \$8.00$

## Sick Pay % Increase

3.00 Sick Days per Year

8.00 Hours per Day

\$8.00 Minimum Wage Rate

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\$192.00 Annual Impact

2,080.00 Annual Hours Worked

1.15% Increase  $(\$192 / 2,080) / \$8.00$

## Minimum Wage Labor Component Impact per Ton

32.40% Combined % Increase  $(31.25\% + 1.15\%)$

\$10.29 Minimum Wage Employee Cost per Ton

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\$3.33 Per Ton Impact

## Hermosa Beach 7/1/16 Rate Adjustment %

685 Hermosa Beach Processed Tons into MRF

\$3.33 Per Ton Impact

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\$2,283 Hermosa Beach Tonnage Impact  $(685 \times \$3.33)$

\$200,000 Hermosa Beach Revenue

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1.14% Hermosa Beach Adjustment to Rates  $(\$2,283 / \$200,000)$

## Future Rate Adjustment %

Period	Minimum Wage	% Increase	Current Labor Component	Increase / Ton	Rate Adj To City
7/1/2017	\$12.00	14.29%	\$13.62	\$1.95	0.66%
7/1/2018	\$13.25	10.42%	\$15.57	\$1.62	0.55%
7/1/2019	\$14.25	7.55%	\$17.19	\$1.30	0.43%
7/1/2020	\$15.00	5.26%	\$18.48	\$0.97	0.32%