



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

333 West Ocean Boulevard • Long Beach, CA 90802

April 4, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

1. Authorize the City Manager to execute the First Amendment to Contract No. 28469 with Rehrig Pacific Company, for the purchase of refuse carts, to extend the term of the contract for five years and increase the annual not to exceed amount to \$1.5 million; and
2. Authorize the City Manager to increase the City's per unit cost of refuse carts by an amount not to exceed 20 percent for a period of 18 months and, if market conditions warrant, authorize the City Manager to extend this temporary price increase for an additional 12 months. (Citywide)

DISCUSSION

On May 13, 2003, the City Council adopted Resolution No. C-28177 authorizing the City Manager to purchase refuse carts from the Rehrig Pacific Company through a cooperative purchase agreement with the City of Los Angeles. The Resolution provides for an annual expenditure in an amount not to exceed \$550,000 until November 30, 2006, at which time the City has an option to renew the contract for up to two additional terms of five years each upon mutual agreement between the City and Rehrig Pacific Company, and is subject to annual budget appropriations.

Over the past 14 years, approximately 116,000 refuse carts have been distributed to customers citywide. With a warranted life of 7 to 8 years and a useful life of approximately 10 years, the Department will proactively begin to replace carts that have been in the field for over 10 years to minimize cart failures currently being experienced by our refuse customers. This replacement will provide a higher quality of service to our customers and will be prove to be more efficient than replacing failed carts one at a time.

The current contract for refuse carts limits the annual price increase to a maximum of 4 percent per unit. However, since the inception of the contract, the vendor has experienced a cost increase for raw materials of about 214 percent, while the price of refuse carts remains limited to 4 percent.

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The significant increase in raw materials costs may be attributed to increased domestic and international demand, the unplanned disruption of the ethylene supply (due to major storm damage such as Hurricane Katrina, fires and explosions) and the increased cost of other petroleum-based feedstocks. The combined effects of production disruptions, skyrocketing natural gas costs and shortage of raw material supplies have led to significant wholesale price increases. In order to maintain the competitive prices based on this contract, it has become necessary to allow for temporary price increases (up to 20 percent) to address these extreme market conditions. Any upward price adjustments will be at the sole discretion of the City of Long Beach, supported by market data provided by independent indexes, and will return to stated contract prices immediately after market conditions stabilize.

This letter was reviewed by Senior Deputy City Attorney Donna F. Gwin on March 8, 2006 and by Budget Officer David Wodynski on March 10, 2006.

TIMING CONSIDERATIONS

None.

FISCAL IMPACT

In Fiscal Year 2006, \$900,000 has been budgeted in the Refuse/Recycling Fund (EF) in the Department of Public Works (PW).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS

CFA/dm
Cartprice adjustment Rev 1

APPROVED:



GERALD R. MILLER
CITY MANAGER