

STAFF REPORT

City of Lancaster

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Date: May 13, 2008

To: Mayor Parris and City Council Members

From: James R. Williams, Director of Public Works

Subject: **Approve Adjustment to Service Rates for Street Sweeping Operations**

Recommendation:

Approve the adjustment to service rates for street sweeping operations and discontinue exercising the contract option of sweeping of the tops of raised, curbed medians next fiscal year.

Fiscal Impact:

\$616,000.00. Sufficient funds are currently budgeted in Account No. 203-4740-450 for the proposed FY 2008-09 budget.

Background:

Venco Power Sweeping Inc.'s (Venco) request for this year's street sweeping service rate adjustment was received by the City Manager's Office on March 25, 2008, per the terms of the Agreement. The Agreement contains specific provisions that entitle Venco to receive annual rate adjustments, subject to staff review and the City Council's approval. The adjustments are calculated using two (2) categories, changes in the Producer Price Index (PPI) for #2 diesel fuel and changes in the Consumer Price Index – U.S. city average (CPI-U). The contract provides specific formulas to calculate annual rate adjustments including a weighting factor to determine the impact of each category.

The actual December-to-December change in the PPI for #2 diesel is 33.941%. The change in the CPI-U is 4.081%. Venco's request was calculated per the formula provided in the Agreement, permitting 14.975% of the PPI index change and 85.025% of the CPI-U index change (see Table 1).

Table I
Rate Adjustment Formula

| Category | Index Change | Weight Factor | Final Total |
|-----------------------------|-----------------|------------------|----------------|
| Producer Price Index | 33.941% | 14.975% | 5.083% |
| Consumer Price Index | 4.081% | 85.025% | 3.470% |

The total adjustment that is being requested by Venco is 8.553%, equating to \$44,522.00 to the annual base compensation. This increase does not include the acceptance of newly accepted tracts as of May 1, 2008, or requests for special/emergency sweeps. Staff has worked with Venco representatives and has thoroughly reviewed and verified all rate adjustment data and supporting documentation. Staff has found the information provided to be accurate and in compliance with the terms of the Agreement.

Given the size of the increase and the current economic downturn in development, staff re-evaluated all of the services currently provided by Venco. After discussions with Venco, staff recommends discontinuing the sweeping of the tops of raised, curbed medians. This would result in an initial deduction of \$81,808.00, or a \$37,285.00 decrease in the overall contract, after taking the rate increase into consideration.