

2012 COMPLIANCE EVALUATION AND FINANCIAL REVIEW OF SOLID WASTE SERVICES

REVISED FINAL HAULER AUDIT REPORT

December 3, 2013

Note: A final report of findings was submitted to the City of El Monte on July 23, 2013. This revised report was developed after the receipt of input and direction from the City Manager's office.

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With the assistance of Huls Environmental Management, LLC.

FINAL REPORT OF FINDINGS

Integrity Waste (Consultant) has completed an in-depth analysis and evaluation (Evaluation) of the existing collection system and future infrastructure of El Monte's Solid Waste System (System). The Evaluation was performed for calendar years 2011 and 2012. Since there are many facets to the City's program and significant uncertainty in the future of the solid waste industry in Southern California, Integrity Waste focused on five (5) major components in the Evaluation:

- I. Disposal and Diversion Integrity and Compliance
- II. Financial Fulfillment and Reconciliation
- III. Future Stability of Solid Waste System
- IV. Community Benefits Review and Recommendations
- V. Select Contract Compliance Issues

The review of these five factors is important to the City of El Monte (City) and critical to the success of the System now and in the future. This Evaluation will focus on the compliance of franchisee required reporting, financial obligations and the stability of the System upon closing of the Puente Hills Landfill, new diversion goals of 75%, as well as AB 341, SB 32, AB 323 and SCAQMD clean air regulations going forward. The table on the following page provides a listing of applicable laws, and a brief description of each.

| Legislative Bill | Summary Description | Affect on City |
|-------------------------|---|--|
| Assembly Bill 341 | <p><i>Mandatory Commercial Recycling Law</i></p> <p>AB 341 would create green jobs by expanding recycling to every multi-family dwelling and business and would charge CalRecycle with the responsibility for ensuring that the state is recycling at least 75% of the garbage that it generates by 2020.</p> | <p>Requires all City businesses that generate 4 cubic yards or more of refuse each week, multi-family complexes of five units or more, and development projects, to recycle by July 1, 2012. City to monitor. City and haulers to implement education and outreach. City to await direction from CalRecycle regarding 75% diversion by 2020.</p> |
| Assembly Bill 323 | <p><i>Organics Recycling</i></p> <p>AB 323 presents a package of policies that will drive the recycling of yard trimming and food scraps, not only resulting in a reduction of pollution and greenhouse gases, but also creating jobs and supporting a burgeoning industry.</p> | <p>AB 323 would disallow Alternative Daily Cover to be counted as green waste diversion. This would affect the City as the green waste collected would need an alternate method of diversion such as mulching, composting, co-composting, conversion to energy, etc.</p> |
| Assembly Bill 32 | <p><i>Global Warming Solutions Act</i></p> <p>The bill would require the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions levels in 1990 to be achieved by 2020, and authorize the state board to adopt cap and trade programs.</p> | <p>Since the bill would require the state board to establish emissions limits and other requirements, the violation of which would be a crime, this bill would create a state-mandated local program. The City would become responsible for implementation.</p> |

Pending bills that may affect the City and its solid waste system are attached in Exhibit I.

Three waste haulers operate in the City, each with an assigned geographic territory. Below is a listing of each waste hauler and their respective service territories.

| Waste Hauler | Service Territories |
|-----------------------------|--|
| American Reclamation, Inc. | <p>25% of the Commercial Sector</p> <p>50% of the Multi-Family Sector</p> <p>Valley Mall Special Waste District</p> |
| Valley Vista Services, Inc. | <p>100% of the Residential Sector</p> <p>50% of the Commercial Sector</p> <p>50% of the Multi-Family Sector</p> <p>50% of Temporary Services (i.e. - container rentals)</p> <p>Klingerman/Bonwood Special Waste District</p> |
| Waste Management, Inc. | <p>25% of the Commercial Sector</p> <p>50% of Temporary Services (i.e. - container rentals)</p> |

INTRODUCTION

The City has requested a compliance evaluation and financial audit be conducted with respect to existing solid waste franchised haulers and their required services. There is a basic requirement in each of the franchise agreements for financial and operational compliance review and oversight. Because there are numerous franchise agreements with different waste streams, the Evaluation criteria used by the Consultant included the following:

- *Hauler Records, Reports and Customer Account Data Submitted to City*
- *Annual Route Audit Reports Prepared by the Haulers*
- *Quarterly Reports and Annual Reports Submitted to City*
- *Data, Documents, and Support Information from Environmental Services Division*
- *Responses to Complaints, Concerns and Calls from Residents/Businesses*
- *Recycling Education Efforts for Residential, Commercial, and Multifamily Sectors*
- *System Review and Recommendations*
- *Tonnage Reports from LA County's Disposal Reporting System*
- *Diversion Reports*
- *Verification of Customer Charges*
- *Verification and Analysis of Franchise and AB 939 Fees*
- *Verification of Administrative, HHW and Other Required City Fees*
- *Franchised Hauler Compensation*
- *Program Reports Identifying all City-Endorsed Environmental Programs*
- *Records pertaining to pending or threatened litigation, prosecution, bankruptcy, etc.*

With respect to Valley Vista Services, Inc. (VVS), an additional requirement of the Evaluation includes the Performance Study Session. The Performance Study Session may be requested by the City in times of review in accordance with Section 2.5 of the Valley Vista Agreement which states:

2.5 Performance Study Session

A. The City Manager may from time to time conduct a Performance Study Session for the purpose of discussing, evaluating and/or studying : (i) Contractor's ability to timely satisfy all duties and obligations set forth under this Agreement, including but not limited to the timely submission of all reports and information which must be provided to City; (ii) Contractor's ability to meet or exceed all performance standards set forth under this Agreement or the highest industry performance standards if no specific standard of care is set forth under this Agreement; (iii) Contractor's ability or inability to meet all goals and objectives set forth since the last Performance Study Session; (iv) Contractor's ability to keep its vehicles and equipment used in the performance of this Agreement clean and in good working order; (v) Contractor's ability to implement the most up-to-date technology; (vi) Contractor's ability or inability to be meet source reduction, diversion and recycling requirements set forth by State law, this Agreement and/or under the El Monte Municipal Code; (vii) Contractor's ability to timely and promptly respond customer service complaints and to take proactive steps to ensure that the underlying causes of certain common complaints are remedied; (viii) Contractor's ability to avoid or promptly resolve service and payment disputes with customers; (ix) Contractor's ability or inability to timely pay all sums owed to City under this Agreement; and (x) Contractor's ability to keep itself apprised of and in compliance with changing State and federal regulations governing its operations.

C. The Performance Study Session, at the discretion of City, may also serve as a forum for discussion and review of technological, economic, and regulatory changes affecting Contractor's performance of solid waste handling services and measures that can be taken to address such changes with the aim of ensuring that the services to be performed by Contractor under this Agreement remain compliant with all statutes, rules, regulations and orders of federal, State and local authorities with regulatory oversight over Contractor's solid waste handling services.

Section 2.5C of the Valley Vista franchise agreement (inserted above), allows the Performance

Study Session, to serve as a forum for analysis, discussion and review of the impending changes in landfill capacity, the new regulatory environment and the City's responsibility towards AB 341 and the potential loss of diversion credits with the passage of AB 323. According to Californians Against Waste, AB 323 would contain the following criteria:

- Get rid of disincentives for recycling organics, such as a state law that virtually subsidizes the use of this material as landfill cover.
- Require businesses that generate a lot of food scraps or yard debris to sign up for recycling of this material.
- Disallow alternative daily cover as diversion

SOURCE: www.caw.org

AB 323 passed out of policy committee on April 29, 2013 by a 6-3 vote. The next stop for the bill is Assembly Appropriations. Exclusion of diversion credits for Alternative Daily Cover (ADC) will likely occur and will also be addressed with the closing of the Puente Hills Landfill

Additionally with the 2010 acquisition by Valley Vista of the Residential, Multifamily and Commercial Franchise territories from Phoenix Waste and Recycling Services, Inc., a follow-up review must be performed to ensure the transition was a success. If deficiencies were discovered in the aftermath, they could be part of the Performance Study Session.

Section I Disposal and Diversion Integrity and Compliance

The Consultant has reviewed diversion and disposal data in each of the quarterly reports submitted by the City's franchised haulers (Haulers) and summarized this information for application to consistency and conformance with solid waste industry (Industry) standards.

Hauler Disposal and Diversion Data

The Consultant requested and received hauler account data and various required reports from each of the franchised haulers in El Monte. A summary of the information requested is tabulated in the table on the following page:

Table 1: Disposal and Diversion Reports for 2011-2012

| Name of Franchised Hauler | Disposal Quantity 2011 | Diversion Quantity 2011 | Total Generation 2011 | Disposal Quantity 2012 | Diversion Quantity 2012 | Total Generation 2012 |
|---------------------------|------------------------|-------------------------|-----------------------|------------------------|-------------------------|-----------------------|
| American Reclamation | 14,592.57 | 1,170.01 | 15,762.58 | 12,935.72 | 1,399.92 | 14,335.64 |
| Valley Vista Services | 51,860.92 | 15,443.60 | 67,304.52 | 49,733.34 | 18,725.97 | 68,459.31 |
| Waste Management | 7,694.74 | 524.63 | 8,219.37 | 7,068.03 | 672.40 | 7,740.43 |
| Totals | 76,159.23 | 17,138.24 | 93,297.47 | 69,737.09 | 20,798.29 | 90,535.38 |

Based on the information presented, disposal decreased in 2012 by almost 6% while diversion increased by nearly 3,660 tons largely due to an increase in diversion through processing at the Grand Central Recycling and Transfer Station (GCR), owned and operated by Valley Vista Services (VVS). The Consultant made several trips to the GCR facility while an \$8.2 million upgrade was being completed for the processing of multi-family and commercial waste streams.

Diversion Requirements and Compliance

AB 939 requires all California cities to maintain a diversion rate of at least 50%. AB 341 requires an aspiration to 75% diversion state-wide by the year 2020. The City has delineated some of the environmental responsibilities and requirements to the franchised haulers related to diversion compliance. Table 2 identifies the diversion rate achieved by each of the City’s waste haulers during 2011 and 2012.

Table 2: Disposal and Diversion Compliance per Hauler

| Name of Franchised Hauler | Diversion Quantity 2011 | Diversion % 2011 | Diversion Quantity 2012 | Diversion % 2012 |
|---------------------------|-------------------------|------------------|-------------------------|------------------|
| American Reclamation | 1,170.01 | 7.4% | 1,399.92 | 9.8% |
| Valley Vista Services | 15,443.60 | 22.9% | 18,725.97 | 27.4% |
| Waste Management | 524.63 | 6.4% | 672.40 | 8.7% |
| Totals | 19,149.24 | 20.1% | 22,810.29 | 24.1% |

A) According to the American Reclamation and Waste Management Franchise Agreements, each hauler is required to increase the rate of diversion each year by 30% of the total waste generated in their sector. We have requested the City's interpretation of this clause as it seems subject to interpretation. If we apply this paragraph as 30% over the previous year, both haulers are in compliance as shown below:

| <u>Hauler</u> | <u>2011 Diversion %</u> | <u>2012 Diversion %</u> | <u>Increase</u> |
|---------------|-------------------------|-------------------------|-----------------|
| WM | 6.4% | 8.7% | 36% |
| AR | 7.4% | 9.8% | 32% |

However, if the City Attorney deems the 30% diversion requirement as more closely reflecting the clause in 7.1 B of the Commercial and Multi-Family Agreements, which requires 30% new diversion over the Agreement term, both haulers have not yet met the required diversion goal and have not put forth a "good faith effort". Although the haulers have until the end of their Agreement term, March 31, 2016, to achieve 30% new diversion, they are not on track to reach that goal and will fall short given the current trend. As indicated above, a 6-10% diversion rate of all solid waste collected shows very little "good faith effort" on the part of these franchised haulers in implementing the Integrated Waste Management Plan and Agreement program requirements, which are also embodied in the City's Municipal Code.

In addition, American Reclamation currently services approximately 50% of the multi-family sector and cannot offer the types of services required by the multi-family community in order for them to cost effectively comply with AB 341. Although it is not the responsibility of American Reclamation nor the City to comply with AB 341, the haulers should be able to provide feasible recycling opportunities for all commercial and multi-family customers in El Monte. For American Reclamation, due to their limited processing capabilities, this does not appear to be the case for either the commercial nor multi-family sector.

Recommendation:

- 1) Obtain a legal interpretation of Section 7.1B of the franchise agreements from the City Attorney's office for a final interpretation of compliance.

2) Require that American Reclamation and Waste Management begin an aggressive campaign of Commingled Recycling Services or Mixed Waste Processing Services provided to all commercial and multi-family customers so there is an opportunity for compliance with AB 341. Also require these haulers to make a “good faith effort” as required by the City’s Municipal Code.

B) Valley Vista’s Franchise Agreement requires good faith in assisting the City in maintaining a 55% diversion rate throughout the City. Their diversion is as follows:

| <u>Hauler</u> | <u>2011 Diversion %</u> | <u>2012 Diversion %</u> | <u>Increase</u> |
|---------------|-------------------------|-------------------------|-----------------|
| VVS | 22.9% | 27.4% | 20% |

The City is currently maintaining an overall diversion rate of greater than 55% as required. Diversion is as high as 67% in the commercial sector and 65% in the residential sector according to the following table from CalRecycle and the differences in the Resident Disposal Rate Target and the Employee Disposal Rate Target presented therein:

Per Resident Disposal Rate Target (PPD): 6.8
 Per Employee Disposal Rate Target (PPD): 29.5

| <u>REPORT YEAR</u> | <u>REVIEW YEARS</u> | <u>JURISDICTION REVIEW STATUS</u> | <u>COMPLIANCE STATUS</u> | <u># OF PROGRAMS IMPLEMENTED</u> | <u>ANNUAL REPORT REVIEW STATUS</u> | <u>ANNUAL PER CAPITA DISPOSAL RATE (PPD) PER RESIDENT</u> | <u>ANNUAL PER CAPITA DISPOSAL RATE (PPD) PER EMPLOYEE</u> |
|--------------------|---------------------|-----------------------------------|--------------------------|----------------------------------|------------------------------------|---|---|
| 2007 | 07/11 | Approved | | <u>35</u> | <u>Staff Reviewed</u> | 6.0 | 25.3 |
| 2008 | 07/11 | Approved | | <u>35</u> | <u>Staff Reviewed</u> | 5.1 | 21.2 |
| 2009 | 07/11 | Approved | | <u>35</u> | <u>Staff Reviewed</u> | 4.4 | 19.8 |
| 2010 | 07/11 | Approved | | <u>35</u> | <u>Staff Reviewed</u> | 5.1 | 23.8 |
| 2011 | 07/11 | Approved | | <u>35</u> | <u>Staff Reviewed</u> | 4.3 | 19.6 |
| 2012 | | | | <u>36</u> | <u>Staff Reviewed</u> | 4.4 | 19.7 |
| Page 1 of 1 | | | | | | Count: 6 | |

Since Valley Vista holds the majority share of the City’s waste stream, they are the biggest contributor to maintaining roughly 66% city-wide diversion, as compared to the other two

haulers. Valley Vista is in compliance with their diversion requirement. based on the calculations and according to 4.6C.

Valley Vista has recently upgraded their Recycling and Transfer Station to increase their processing capabilities, and therefore their diversion rate for the City. The upgrade has allowed Valley Vista to provide mixed waste processing, which may be the only way many commercial and multi-family customers can achieve compliance with AB341’s Mandatory Commercial Recycling requirement.

Recommendation: Review and potentially open negotiations with Valley Vista on their proposal to perform mixed waste processing for all of El Monte’s waste streams, which could close the gaps on existing haulers that are not providing this service and potentially increase diversion towards the 75% overall diversion goal from CalRecycle.

Construction and Demolition Debris Diversion Program Goals

There are two Temporary Services Franchise Agreements (Temporary Services) in the City of El Monte, held by Valley Vista and Waste Management. The Temporary Services franchise territories are divided above and below the 10 State Freeway confined to the jurisdictional boundaries of El Monte. Waste Management maintains the Temporary Services franchise below the 10 State Freeway, and Valley Vista to the north.

Waste Management is required, per Section 7.1.B of their Agreement, to achieve a diversion goal of 50% new diversion, over the term of the Agreement, of all construction and demolition (C&D) debris. The municipal code requires a 50% diversion of all construction and demolition debris for all C&D projects. According to the audited hauler reports the following has been found:

Table 3: Disposal and Diversion Compliance for Temporary Services

| Temporary Services Hauler | Temp Svcs Disposal 2011 | Temp Svcs Diversion 2011 | Diversion Estimate 2011 | Temp Svcs Disposal 2012 | Temp Svcs Diversion 2012 | Diversion Estimate 2012 |
|---------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| Valley Vista Services | 1,212.98 | 3,054.82 | 71.6% | 1,078.58 | 4,770.22 | 81.6% |
| Waste Management | 1,619.76 | 310.35 | 16.1% | 816.24 | 619.56 | 43.2% |
| Cumulative Totals | 2,832.74 | 3,365.17 | 54.3% | 1,894.82 | 5,389.78 | 74.0% |

Please note that Waste Management hauler reports do not identify construction and demolition tonnage separately, and therefore the data presented above has been extrapolated. The extrapolation for arriving at Waste Management's Temporary Services diversion rate is attached in Exhibit II. Based on the extrapolated data, Waste Management has not yet met their 50% diversion requirement, but is on track to do so by the end of the Agreement term (March 31, 2016). However, based on the Municipal Code, they are required to divert 50% of all debris generated by a project during the term of their Franchise Agreement. Based on the extrapolated data, Waste Management seems deficient in diversion requirement goals.

At this time, only Valley Vista and not Waste Management is in compliance with C&D debris diversion requirements set forth in the Municipal Code.

Recommendation:

- 1) Begin the process of notifying Waste Management by sending a letter from the City Manager with a pre-determined time to cure diversion goal requirements set forth in the Municipal Code or present findings that explain the diversion deficiency.

Section II Financial Fulfillment and Reconciliation

Based on continuous reconciliation of all franchised hauler quarterly reports for Years 2011 and 2012, checks issued to the City of El Monte, diversion and disposal data, reminders and correspondence from the City of El Monte and Huls Environmental staff member Susan Contreras, we have found all haulers to be in compliance with contractually required fees and payments.

Below are the reconciliation tables for Fiscal Years 2011/2012 and 2012/2013:

Table 4: Franchise Compliance Fee Reconciliation for FY 2011/2012

| Fiscal Year 2011/2012 | AB 939 Fees Received | Franchise Fees Received | Admin Fees Received | HHW Fees Received | TOTAL CITY FEES RECEIVED |
|--------------------------|-------------------------|----------------------------|------------------------|----------------------|-----------------------------|
| 1st QTR | | | | | |
| WM | \$ 17,967.80 | \$ 36,463.55 | \$ 5,312.50 | \$ 1,750.00 | \$ 61,493.85 |
| VVS | \$ 95,603.17 | \$ 205,978.06 | \$ 26,750.00 | \$ 20,825.00 | \$ 349,156.23 |
| AR | \$ 28,463.75 | \$ 63,601.29 | \$ 7,812.50 | \$ 3,500.00 | \$ 103,377.54 |
| 2nd QTR | | | | | |
| WM | \$ 16,475.92 | \$ 33,156.58 | \$ 5,312.50 | \$ 1,750.00 | \$ 56,695.00 |
| VVS | \$ 86,408.80 | \$ 200,563.94 | \$ 27,000.00 | \$ 20,825.00 | \$ 334,797.74 |
| AR | \$ 26,517.00 | \$ 63,474.77 | \$ 7,512.50 | \$ 3,500.00 | \$ 101,004.27 |
| 3rd QTR | | | | | |
| WM | \$ 14,923.76 | \$ 33,490.11 | \$ 5,312.50 | \$ 1,750.00 | \$ 55,476.37 |
| VVS | \$ 80,155.76 | \$ 214,346.15 | \$ 26,875.00 | \$ 20,825.00 | \$ 342,201.91 |
| AR | \$ 25,888.59 | \$ 62,961.99 | \$ 7,812.50 | \$ 3,500.00 | \$ 100,163.08 |
| 4th QTR | | | | | |
| WM | \$ 16,626.09 | \$ 34,950.00 | \$ 5,312.50 | \$ 1,750.00 | \$ 58,638.59 |
| VVS | \$ 74,791.12 | \$ 209,267.28 | \$ 26,875.00 | \$ 20,825.00 | \$ 331,758.40 |
| AR | \$ 25,963.10 | \$ 63,196.48 | \$ 7,812.50 | \$ 3,500.00 | \$ 100,472.08 |
| TOTAL | \$ 509,784.86 | \$ 1,221,450.20 | \$ 159,700.00 | \$ 104,300.00 | \$ 1,995,235.06 |

Table 5: Franchise Compliance Fee Reconciliation for FY 2012/2013

| Fiscal Year 2012/2013 | AB 939 Fees Received | Franchise Fees Received | Admin Fees Received | HHW Fees Received | TOTAL CITY FEES RECEIVED |
|--------------------------|-------------------------|----------------------------|------------------------|----------------------|-----------------------------|
| 1st QTR | | | | | |
| WM | \$ 17,259.07 | \$ 34,173.78 | \$ 5,312.50 | \$ 1,750.00 | \$ 58,495.35 |
| VVS | \$ 75,591.39 | \$ 222,820.53 | \$ 27,212.01 | \$ 21,086.15 | \$ 346,710.08 |
| AR | \$ 24,982.64 | \$ 64,745.83 | \$ 7,812.50 | \$ 3,500.00 | \$ 101,040.97 |
| 2nd QTR | | | | | |
| WM | \$ 18,484.37 | \$ 35,168.09 | \$ 5,312.50 | \$ 1,750.00 | \$ 60,714.96 |
| VVS | \$ 74,029.41 | \$ 223,131.08 | \$ 27,212.00 | \$ 21,086.15 | \$ 345,458.64 |
| AR | \$ 23,712.82 | \$ 63,311.49 | \$ 7,812.50 | \$ 3,500.00 | \$ 98,336.81 |
| 3rd QTR | | | | | |
| WM | \$ 17,019.52 | \$ 34,745.28 | \$ 5,312.50 | \$ 1,750.00 | \$ 58,827.30 |
| VVS | \$ 76,274.90 | \$ 226,897.02 | \$ 28,304.06 | \$ 21,086.15 | \$ 352,562.13 |
| AR | \$ 23,732.04 | \$ 63,294.75 | \$ 7,812.50 | \$ 3,500.00 | \$ 98,339.29 |
| 4th QTR | | | | | |
| WM | TBD | TBD | TBD | TBD | TBD |
| VVS | TBD | TBD | TBD | TBD | TBD |
| AR | TBD | TBD | TBD | TBD | TBD |
| TOTAL | \$ 351,086.16 | \$ 968,287.85 | \$ 122,103.07 | \$ 79,008.45 | \$ 1,520,485.53 |

Based on the evidence in the tables above and contributions from Susan Contreras in compiling the franchise and administrative fees received by the City, the Consultant has concluded that the franchised haulers in the City are up to date on the payment of fees. The Consultant does not warrant that the fee payments are accurate but that they are consistent with previous payments received and rate increases in solid waste fees approved by the City.

Comparison of Gross Receipts vs Tons Collected

Table 6: Comparison of Gross Receipts versus Tons Collected

| Name of Franchised Hauler | Disposal Quantity 2011 | Diversion Quantity 2011 | Total Gross Receipts 2011 | Gross Receipts Per Ton for Service 2011 | Disposal Quantity 2012 | Diversion Quantity 2012 | Total Gross Receipts 2012 | Gross Receipts Per Ton for Service 2012 |
|---------------------------|------------------------|-------------------------|---------------------------|---|------------------------|-------------------------|---------------------------|---|
| American Reclamation | 14,592.57 | 1,170.01 | \$2,307,044.1 | \$146.36 | 12,935.72 | 1,399.92 | \$2,326,645.8 | \$162.30 |
| Valley Vista Services | 51,860.92 | 15,443.60 | \$7,477,032.5 | \$111.09 | 49,733.34 | 18,725.97 | \$7,584,022.9 | \$110.78 |
| Waste Management | 7,694.74 | 524.63 | \$1,395,932.0 | \$169.83 | 7,068.03 | 672.40 | \$1,378,005.5 | \$178.03 |
| Totals | 74,148.23 | 17,138.24 | \$11,180,008.6 | \$122.47 | 69,737.09 | 20,798.29 | \$11,288,674.2 | \$124.69 |

As shown above, there is a great difference in gross receipts per ton for waste collected by the three franchised haulers. In particular it seems the revenue received per ton for American Reclamation and Waste Management far exceeds that of Valley Vista. Valley Vista's lower revenue per ton could simply be the benefit of the economy of scale, since VVS services the large majority of the City. Or perhaps the haulers are inaccurately reporting solid waste disposal and diversion.

Recommendation: Further review of this particular item to ensure the reporting of all required items are accurate to the highest degree.

Special Waste Districts of El Monte

There are two special solid waste districts in the City, each with its own franchise agreement. The first is the Klingerman-Bonwood housing area, and the second is the Valley Mall retail area.

The Klingerman-Bonwood franchise was developed to mitigate a blighted multi-family housing area. This special franchise, awarded to Valley Vista, has been in effect since March, 2001 and

consists of 43 separate multi-family properties with a total of 296 rental units.

To date, Valley Vista has been diverting more than 25% of the waste collected from this special district and will continue to maintain compliance with the City's Code and AB 341 requirements.

The Valley Mall is a group of businesses governed by DEMBA, or the Downtown El Monte Business Association. Solid waste collection for this special district is billed by the City's Water Department, along with water services. The Valley Mall franchise, awarded to American Reclamation, was created to ensure that all businesses receive uniform service, consolidated recycling programs and education and outreach on recycling and waste diversion. Prior to the implementation of the Valley Mall special district franchise, there were numerous haulers with various sizes, shapes and colors of bins in good, fair and poor condition. At the time this special waste district was awarded to American Reclamation, 50 (fifty) refuse bins and 8 (eight) recycling bins were in service. The associated section of the original agreement with American Reclamation is included as Exhibit III.

Review of Klingerman-Bonwood Collection Services; Service Provider = Valley Vista

To determine if the number of bins and service level requirements were consistent with the original contract and subsequent amendments, consultant Susan Contreras conducted an on-site review of bin locations, bin sizes, bin conditions and level of service conducted by Valley Vista.

A request was also made to Valley Vista to determine what the current quantity of bins is in the Klingerman-Bonwood district. On July 8, 2013, Joel Simonian, Municipal Liaison for Valley Vista, claims there are 25 (twenty-five) 3 yd³ bins and 2 (two) automated carts. A review of the current number of bins and bin sizes was validated by Susan Contreras in the field and through data correspondence. There has been an increase over the original number of 22 bins approved by the City in 2001 and serviced by Valley Vista.

Based on 25 (twenty-five) bins and 2 (two) carts serviced 5 (five) times per week, the amount of AB 939 fees paid to the City by Valley Vista is consistent with the number, size and frequency of collection. There are roughly 1,500 services per quarter at 3 cubic yards per service. Note that AB 939 fees are paid per cubic yard serviced.

Review of Valley Mall Collection Services; Service Provider = American Reclamation

Upon reviewing the City's Original Contract (executed in March 2002) and recent Amendments with American Reclamation, the following observations were made:

1. The number of bins currently serviced within the Valley Mall has been reduced by an estimated 40% as compared to the number of bins serviced at the time of contract inception. American Reclamation has not reduced its rates by an equivalent level. As a result, American Reclamation is being paid the same amount to do less work. This information is based on analysis of the original contract and current service levels, and field observations, and is presented in the table below.

Table 7: Potential Overage in Valley Mall Payments to American Reclamation

| Service Description | Bin Size | Number of Bins | Number Difference | Percent Difference | Current Monthly Rate Paid to AR | Estimated Monthly Rate Due to AR | Difference | | | |
|--|----------|----------------|-------------------|--------------------|---------------------------------|----------------------------------|------------|-----------|------------------|-----------------|
| Mar-02 | | | | | | | | | | |
| Refuse | 3 | 50 | | | | | | | | |
| Recycling | 3 | 8 | | | | | | | | |
| Current | | | Difference | Percent | | | | | | |
| Refuse | 3 | 30 | -20.00 | -40% | | | | | | |
| Recycling | 3 | 8 | 0 | 0% | | | | | | |
| Estimated Difference in Monthly Compensation 2009* | | | | | \$ | 10,789.00 | \$ | 6,473.40 | \$ | 4,315.60 |
| Estimated Difference in Monthly Compensation 2013 | | | | | \$ | 13,079.66 | \$ | 7,847.80 | \$ | 5,231.86 |
| Estimated Number of Quarters Applicable to Potential Overpayment by Valley Mall Customers = | | | | | | | | 18 | | |
| Total Estimated Amount = | | | | | | | | \$ | 85,927.18 | |

* The reduction in bins serviced occurred in 2009.

Based on a field survey conducted by Susan Contreras, the actual number of bins observed were 30, 3 yd³ bins for refuse and eight, 3 yd³ bins for recycling. This observation of bins differs from the original contract by about 40%. Quarterly reports for AB 939 fees presented by American Reclamation confirm that only 30 refuse bins and eight recycling bins are currently in service. An AB 939 fee of \$0.39 per cubic yard serviced is paid to the City each quarter. The actual loss of AB 939 fees as a result of the reduced number of bins, therefore cubic yardage, is depicted in the following table:

Table 8: Loss of AB 939 Fees Paid to City

| Valley Mall Bin Size | Original No. of Bins | Number of Services | Original Yds | Original AB 939 Fees |
|---|----------------------|--------------------|--------------|----------------------|
| 3.0 | 58 | 2260.26 | 7933.5 | \$ 2,644.50 |
| Valley Mall Bin Size | Current No. of Bins | Number of Services | Current Yds | Current AB 939 Fees |
| 3.0 | 38 | 1482.00 | 5201.8 | \$ 1,733.94 |
| <i>Difference in Quarterly Fees Paid to City =</i> | | | | 910.56 |
| <i>Estimated Number of Quarters w/Reduced AB 939 Fees =</i> | | | | 22.0 |
| <i>Estimated Reduction in Fees to the City =</i> | | | | \$ 20,032.41 |

2. According to the diversion requirement stated in the original contract, American Reclamation should be recycling at the Valley Mall, consistent with current State and AB 939 requirements. However, the current diversion rate achieved by American Reclamation for the Valley Mall is around 15% according to quarterly reports submitted by the hauler.

Based on these findings, there is a possibility that non-compliance with the Franchise Agreement for the Valley Mall has been triggered.

Recommendation:

- 1) Open discussion on renegotiating the contract rate to accurately reflect the fluctuating service levels, and potentially correct the billing mechanism.
- 2) Commence demand of overcharges be repaid to the City.

Section III Future Stability of Solid Waste System

The City of El Monte and its Consultant are concerned about the future stability of the solid waste industry with respect to the following important issues:

1. Closing of Puente Hills Landfill Adjacent to the City of El Monte
2. Inevitable Passage of AB 323 Disallowing the use of Green Waste as ADC Cover
3. SB 32 and AB 341 Recycling Goals for Businesses and Cities
4. Diversion Goal of 75% for California Cities by 2020

Puente Hills Landfill Closing October 2013

The Puente Hills Landfill is closing on or about October 2013 and the beginning of 2014 is bound to be a surprising one for all cities without a plan of action, dedicated franchised haulers with landfill ownership or contractual control over landfill space. Of the haulers currently servicing the City, only Waste Management has landfills in southern California that could receive solid waste and only Valley Vista has a long term relationship with landfills in Los Angeles and Orange counties that can provide disposal capacity for the City for more than ten (10) years from January 1, 2014.

The Consultant has attached the latest Schedule of Rates for the Los Angeles County Sanitation District (LACSD) in Exhibit IV which indicates that the Puente Hills MRF (PH MRF) rate will increase slightly to \$45.75 per ton while green waste will cost \$37.50 per ton. This could increase the City's rates as the annual rate increase due to Valley Vista depends partly on the PH MRF rates as they ebb and flow.

The rates for disposal have gone from approximately \$38 per ton at Puente Hills Landfill pre-closure to \$45.75 per ton at the PH MRF. Green waste has nearly doubled in the last three years. It is possible that the City haulers will use the PH MRF as a disposal and diversion site, if necessary, but that may increase rates significantly to the residents and businesses of El Monte. The Consultant did meet with the LACSD representative to determine programs, rates and alternatives to disposal available once the Puente Hills Landfill closes.

In a meeting with Bob Abjian, from LACSD, Mr. Abjian indicated that the diversion rate at PH MRF depends on the waste characterization of incoming waste streams and will be characterized if surrounding jurisdictions and refuse haulers are interested. For a possible solution to AB 341, the City's haulers could consider the PH MRF option for mixed waste processing of all commercial and multi-family waste currently being disposed.

Passage of AB 323 and Effect on Green Waste Diversion

The passage of AB 323 and the disallowance of green waste diversion as ADC Cover will inevitably raise green waste collection and recycling costs to the City of El Monte and surrounding jurisdictions.

With respect to green waste diversion for residential waste in the City of El Monte, Valley Vista has partnered with Rios Recycling, ColMac, Mitsubishi and Beneficial Ag for the composting and energy conversion of green waste and organic products including wood. Review of this arrangement reveals the City now has a processing arm for green waste into energy and compost thereby sidestepping the need for ADC so many cities have come to rely upon. This should stabilize the diversion of green waste for the City of El Monte in the short and medium terms. American Reclamation and Waste Management have very little green waste in their respective City waste streams and therefore are of little concern in the near and mid-term future.

Section IV Community Benefits Review and Recommendations

There has been sufficient transition in the City's solid waste system since the inception of the original residential and commercial/industrial franchises commencing on December 2005 and March 2008 respectively. Originally, the Residential Refuse and Recycling Franchise Agreement (Residential Franchise) was held by 2 (two) franchised haulers, Phoenix Waste and Recycling Services and Valley Vista. Since then, the Residential Franchise has been consolidated under Valley Vista and has brought significant benefit to the City and its residents.

In July 1, 2010, the Residential Franchise transition from Phoenix to Valley Vista was completed. The benefits of consolidation were significant. Here is the history of vehicles used for residential collection in El Monte:

Transition History and Current Use of Residential Collection Vehicles

Prior to December 2005. Prior to the Phoenix and Valley Vista Residential Franchise sharing program, Waste Management ran twenty-five (25) residential trucks servicing the entire City 2 times per week. The amount of waste collected was unlimited.

December 2005. With the implementation of the 3 cart system, as under the Phoenix/Valley Vista Residential Franchise, the number of trucks servicing the city dropped to sixteen (16). The service still remained at 2 times per week with a break on Wednesdays for bulky items.

Phoenix operated eight (8) refuse collection vehicles west of Peck Road, and Valley Vista ran 8 vehicles east side of Peck Rd to accommodate the residential customers. Bulky items collection occurred on Wednesdays using the "sweep method" for the entire City.

July 2010. After combining Phoenix and Valley Vista residential routes, the residential vehicle count dropped to thirteen (13), further reducing air pollution, wear and tear on City streets, traffic while increasing safety through the minimization of refuse and recycling vehicles in residential neighborhoods.

July 2011. With the most recent transition occurring mid-2011 and completing prior to the end of the year, the total residential vehicle count, using Compressed Natural Gas (CNG), is now down to eight (8) as collection decreased from two times per week to just once per week per residential unit. That's a total reduction of 68% throughout the total transition history.

With respect to commercial collection vehicles, Phoenix operated two (2) commercial vehicles and two (2) scouts to service 1 commercial quadrant and one-half (1/2) of the multifamily sector, including condos and Planned Unit Developments (PUDs) with bin service. Valley Vista operated one (1) vehicle for one (1) commercial quadrant, and roll offs operated on an as needed basis. After the transition, Valley Vista now uses two (2) refuse collection vehicles further reducing air pollution, NOx, traffic and wear and tear on City streets.

Proposal from Valley Vista to Further Consolidate Solid Waste Collection System

The City has received a proposal from Valley Vista that needs to be evaluated to determine if there are benefits and opportunities to the City's residents and businesses and what the best options are going forward. The Consultant has reviewed the proposal and determined there are benefits to the City, its residents, compliance with State law and the overall environmental well-being of El Monte. The scope of the proposal is attached in Exhibit V and itemized as follows:

1. Reduction in residential billing of almost \$9.00 per quarter
2. Assumption of commercial and multifamily waste streams upon expiration of franchise
3. Guaranteed diversion processing and recycling program for all City customers
4. Proposed 10.85% increase in non-residential rates for AB 341 processing and compliance
5. Dedicated use of Grand Central Transfer Station in Industry for AB 341
6. Final consolidation of all solid waste streams, quadrants and sectors in El Monte

Savings to the City’s residents is in excess of \$5 million dollars over the life of the existing Residential Franchise with Valley Vista. Other benefits include but may not be limited to:

- Reduced vehicle traffic and use of CNG vehicles
- Increased diversion overall
- Long-term stability of disposal capacity and rates
- Lesser quantity of disposal for reliance on landfill
- Improved air quality through vehicle reduction
- Enhanced performance liability and execution
- Compliance with State MCR (Mandatory Commercial Recycling) requirements

Although these benefits are immeasurable financially, they do contribute to compliance with AB 32, the Greenhouse Gas Reduction Act which has spawned AB 341 and other significant environmental legislation. As a result of the 10.85% increase to the business and multifamily sector waste streams, all solid waste will be collected by Valley Vista and transported to the Grand Central Transfer Station in the City of Industry for processing. It is anticipated and the Consultant has ascertained, that no less than 25% of the solid waste in these waste streams will be diverted from landfilling. A table of costs and benefits is inserted below for review:

Table 9: Economic Benefits/Additional Costs Anticipated

| Items of Economic Benefit/Additional Cost | Annual Savings/Cost | Benefits/Costs of Extended Contract | Economic/Cost Recipient |
|--|---------------------|-------------------------------------|-------------------------|
| Reduced Collection Rates | \$500,000 | \$5,000,000 | El Monte Residents |
| Reduced Emissions ¹ | Unknown | Unknown | El Monte Residents |
| El Monte Local Economy ² | \$500,000 | \$5,000,000 | Local Economy |
| El Monte Business Community | (\$450,000) | (\$4,500,000) | Businesses |
| Reduced Road Wear and Tear | \$55,000 | \$550,000.00 | El Monte Gen Fund |
| Total Savings to City & Residents | \$605,000 | \$6,050,000 | |

¹ Difficult to determine health benefits to residents and regulatory compliance for City

³ Assuming El Monte Residents have more to spend in local economy through reduced service rates

The Consultant recommends entering into negotiations with Valley Vista to negotiate the terms of the potential for \$5 million savings to the City’s residents and other items as described herein. Upon validation of proposal claims by Valley Vista and successful negotiations thereafter, the City may gain value in its quest for disposal capacity, system stability and environmental

compliance for the next decade as the disposal portion of the City's solid waste system will be minimized and the dependence on actual landfill space should be reduced.

Section V Select Contract Compliance Issues

In addition to the items reviewed, the Consultant believes the following items are important to determine just to what extent the franchised haulers are complying with the terms of the respective franchise Agreement(s):

- Adherence to Vehicle Requirements
- Customer Education and Outreach
- Corrective Action Notices
- Government Agency Documentation
- Customer Services and Resolution Log
- Commercial Accounts and Contacts
- Recycling Program Implementation
- Safety Training and Compliance
- Vehicle Inspections

Vehicle Requirements

- A) Waste Management operates one CNG and one gasoline truck in the City. All BIT reports and the AQMD Rule 1193 has been satisfied.
- B) Valley Vista is operating 16 CNG vehicles and two diesel vehicles. They are in compliance with AQMD Rule 1193 requirements and all BIT reports have been satisfied.
- C) American Reclamation operates five trucks in the City, four are diesel and one is a CNG vehicle. All BIT reports and the AQMD Rule 1193 has been satisfied.

Huls Environmental surveyed information submitted by the haulers in order to determine compliance with vehicle requirements. As stipulated by contract, all collection vehicles operated by Waste Management and American Reclamation in El Monte must be a maximum of 12 years old, and must use exclusively alternative fuel. Waste Management was found to be in compliance. Waste Management operates one CNG and one gasoline truck in the City and they all meet the age requirement. American Reclamation operates five trucks in the City, four are diesel and one is a CNG vehicle. All meet the age requirement, but only one vehicle operates on alternative fuel requirement.

All solid waste services performed by Valley Vista must be performed using compressed natural gas (CNG) collection vehicles. Sixteen (16) of Valley Vista's eighteen (18) refuse collection vehicles utilize CNG, while the remaining two utilize diesel fuel.

Concern: As American Reclamation is a smaller, family owned hauler, when their Agreement expires on March 31, 2016, if the City exercises the two year extension period, the hauler will be subject to Rule 1193. At the point of Agreement renewal, American Reclamation will be required to purchase all CNG vehicles for the automatic two year extension(s) provided in the Agreement. The City, however, has the right to terminate the Agreement after the initial 8 (eight) years ending on March 31, 2016 leaving American Reclamation without a guarantee for additional years to amortize the newly purchased vehicles.

Public Education Requirements

Specific public education requirements are set forth in each franchise agreement. A listing of minimum required materials, and the status of each per hauler, is provided in the table below.

| Public Education Requirement | | AR | VVS | WM | Status |
|------------------------------------|--|--|---|--|----------------------------------|
| Billing Inserts | To be included in any regular billing, upon City request. | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | Accomplished Not-accomplished |
| How-to-Brochure | To be distributed to all new customers when they start service. | <input type="checkbox"/> <input checked="" type="checkbox"/> | <input type="checkbox"/> <input checked="" type="checkbox"/> | <input type="checkbox"/> <input checked="" type="checkbox"/> | Accomplished Not-accomplished |
| Container Labels | To be affixed/imprinted on all containers. | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | Accomplished Not-accomplished |
| Annual Notice | To be mailed once each rate year, may be included with billings. | <input checked="" type="checkbox"/> , 2012 <input checked="" type="checkbox"/> , 2011 | NA | <input type="checkbox"/> <input checked="" type="checkbox"/> | Accomplished Not-accomplished |
| Corrective Action Notice | To be affixed to containers which are contaminated with inappropriate materials. | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | Accomplished Not-accomplished |
| Community Events | Participation in community events, upon City request. | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | <input checked="" type="checkbox"/> <input type="checkbox"/> | Accomplished Not-accomplished |
| Notification of Recycling Services | To be mailed annually, notifying customers of available recycling services. | <input checked="" type="checkbox"/> , 2012 <input checked="" type="checkbox"/> , 2011 | NA | <input checked="" type="checkbox"/> , 2011 <input checked="" type="checkbox"/> , 2012 | Accomplished Not-accomplished |
| Initial Mailing | To be mailed within 10 days of contract start. | NA | <input checked="" type="checkbox"/> , resi <input checked="" type="checkbox"/> , comm/MF | NA | Accomplished Not-accomplished |
| Quarterly Notice | To be mailed at least four times per rate year. | NA | <input type="checkbox"/> <input checked="" type="checkbox"/> | NA | Accomplished Not-accomplished |
| Workshops | Participation in community workshops, upon City request. | NA | <input checked="" type="checkbox"/> <input type="checkbox"/> | NA | Accomplished Not-accomplished |

As shown in the table above, the haulers have not met all public education requirements, however, each has achieved a good faith effort

AB341 Education Requirement: AB341 requires all businesses that generate four cubic yards

or more each week, and all multi-family complexes of five units or more, to implement a recycling program by July 1, 2012. The City is obligated by AB341 to educate its commercial sector about the Mandatory Commercial Recycling law, and to provide information on recycling options. The City developed an informational billing insert to satisfy this education requirement, and per the City's request, each hauler placed it in their July/August 2012 billings.

Recommendation: To work with the haulers to enhance and increase public education to the community. If the haulers were to continue to fail to meet the public education requirement, the franchise agreements allow for a fine of \$500 for the first day of non-compliance and \$1000 for every day thereafter.

Corrective Actions

A variety of common violations are committed by customers on trash collection days, usually unintentionally. Such violations may include overfilled bins, vehicles blocking access to bins, or contamination of recycling bins. Upon discovery of a violation, collection vehicle drivers are required to tag problematic bins with a corrective action notice that explains the nature of the violation. Each of the waste haulers submitted a log of corrective action notices issued to customers found to be in violation on collection days. After a review of the logs, and associated resolutions when available, all three haulers were found to be in compliance with contract requirements. Diligent issuance of corrective action notices is expected to deter future occurrences. A brief description of the process followed by each hauler is provided below

American Reclamation

For every corrective action notice issued, America Reclamation makes personal phone contact with the customer to discuss the issue. The result of the conversation and associated resolution is recorded by American Reclamation staff. As revealed by the information submitted by the hauler, the majority of issues are related to vehicles blocking bins and preventing collection, and overloaded bins.

Valley Vista

Valley Vista submitted a sampling of corrective action logs, specific to the residential sector. All violations were related to the contamination of green waste and recycling carts. Based on the sampling, trash was the contaminant 85% of the time.

Waste Management

According to Waste Management, when a bin cannot be serviced, the driver calls the Dispatch Center with the issue. The Dispatch Center attempts to contact the customer and seek immediate resolution so the driver can service the bin while still on site. A Haul or Call (HOC) ticket is keyed onto the account so that the Customer Service Center can communicate the issue if the customer calls back at a later time.

Government Agency Legal Documentation

City's haulers were asked to submit, if applicable, all documents received from a government agency related to any pending or threatened litigation, prosecution, bankruptcy, notice of violation or enforcement action.

Valley Vista Services

Litigation with respect to a judgment regarding wrongful termination of a confidential employee was handled in the following manner:

1. Settled for much less than original judgment
2. Insurance picked it up
3. Still remain in good standing with CoMerica
4. Subsequent wrongful termination suit(s) also settled

American Reclamation

All National Labor Relations Board (NLRB) charges against American Reclamation as filed by Package & General Utility Drivers, Teamsters Local Union #396 between October, 2011 – February, 2012 have either been dismissed, withdrawn or American Reclamation was found to be in compliance.

All CALOSHA Violations & Appealed Violations against American Reclamation were either abated or are still under appeal.

All CALOSHA Violations & Appealed Violations against South Coast Fibers (American Reclamations sorting facility) were either abated or are still under appeal.

Waste Management

Waste Management has stated that they have no pending or threatened litigation, prosecution, bankruptcy, or notice of violation or enforcement action.

Customer Services and Resolution Log

Customer Services and resolution logs were requested from the haulers. In reviewing these call logs, all calls had appropriate resolution within a reasonable period of time.

Commercial Customer Account Lists

Waste Management

In reviewing the 2011 and 2012 customer account lists, it was found that the customers are being charged correctly for the basic service, AB939 and Franchise Fees, and other charges. The commercial receipts amount charged by Waste Management closely corresponds with the gross receipts being reported on Waste Management's quarterly reports to the City. However, their temporary services are not being charged according to the approved rate calculation methodology, as outlined in their Franchise Agreement.

American Reclamation

In reviewing the 2011 and 2012 commercial and multi-family customer account lists, it was found that the customers are being charged correctly for all charges. The commercial receipts amount charged by American Reclamation closely corresponds with the gross receipts being reported on American Reclamation's quarterly reports to the City.

Valley Vista

Valley Vista's 2011 and 2012 commercial, multi-family and residential customer account lists closely corresponds with the gross receipts reported to the City and reflects that customers are being charged correctly for all services with the following exception:

- A) Commercial scout, locking lid and push out service charges are slightly higher than the amount allowed by the franchise agreement.
- B) Temporary services are not being charged according to the rate calculation methodology outlined in their franchise agreement.

Recommendation: Further investigate and immediately correct the method by which Waste Management and Valley Vista assess service charges. Ensure that each hauler follows the City approved rate schedule. Assess any overcharges and consider their potential repayment to customers.

Recycling Accounts and Contacts

Valley Vista

Valley Vista services 21 commercial recycling accounts representing 234 cubic yards per month and 16 multi-family accounts representing 12 cu yards per month (15 are recycling barrels). They state that they contacted 208 commercial and multi-family accounts regarding recycling.

American Reclamation

American Reclamation services 12 commercial recycling accounts representing 97 cubic yards per month and 5 multi-family accounts representing 31 cubic yards per month. They state that they contacted 58 commercial and multifamily accounts regarding recycling.

Waste Management

Waste Management services 15 commercial recycling accounts representing 56 cubic yards per month. They state that they contacted 122 commercial accounts regarding recycling.

Safety Training and Compliance

Valley Vista

Employees/Drivers

Valley Vista holds monthly employee safety training covering a different topic each month. They also send employees to Hazardous Waste training, E-waste & Universal Waste handling training, and BMP training. VVS submitted a letter certifying that all drivers are qualified. We also received a certificate from the California Hwy Patrol that VVS drivers participate in a driver's random drug testing program.

Vehicles

Valley Vista operates 15 CNG collection vehicles as well as roll-off trucks and scout vehicles on

an as needed basis. We have reviewed the vehicle BIT reports and all have been satisfied according to the California Highway Patrol.

American Reclamation

Employees/Drivers

American Reclamation holds multiple comprehensive HHW & E-waste training as well as comprehensive safety training for their employees. They have certified that they are compliant with the franchise requirements for personnel/qualified drivers.

Vehicles

American Reclamation operates 4 diesel front loaders and 1 CNG roll off truck in the city. The BIT Inspection reports have been reviewed and all requirements of the California Highway Patrol have been satisfied.

Waste Management

Employees/Drivers

Waste Management holds annual Hazardous Waste training for their employees. They have certified that they are compliant with the franchise requirements for personnel/qualified drivers.

Vehicles

Waste Management operates 2 trucks in the city. One is gasoline and the other is CNG. The BIT reports have been reviewed and have been satisfied.

Conclusion:

In conclusion, we recommend notifying each hauler on the results of this audit as it pertains to them, to put them on notice of any compliance deficiencies and require their compliance within a specified time period. If compliance within the specified time period is not adhered to, there are more punitive remedies allowed within their Franchise Agreements. We also recommend that the City Attorney review the diversion clause in Section 7.1B of all agreements to determine the appropriate interpretation.

EXHIBIT I Pending Solid Waste Collection and Recycling Legislation

[SB 254 \(Hancock and Correa\) Mattress Recycling](#)

Summary.

SB 254 will serve the dual purpose of increasing recycling and reducing illegal dumping of mattresses by requiring mattress manufacturers to establish and implement market based collection and recycling programs for used mattress.

Position and Status. CAW Supports. SB 254 passed off of the Senate Floor by a 32-5 vote and advances to the Assembly.

[AB 1023 \(Eggman\) - Investment in Recycling Market Development](#)

Summary:

AB 1023 directs funding from the AB 32 Cap-and-Trade proceeds to provide incentives for waste reduction, recycling, composting and recycled content manufacturing projects.

Position and Status:

CAW Supports. AB 1023 was held in Assembly Appropriations. The bill is considered dead.

[AB 1021 \(Eggman\) - Sales Tax Exemption](#)

Summary:

AB 1021 provides financial assistance in the form of sales tax exemption on equipment purchases to businesses that process or utilized recycled feedstock.

Position and Status:

CAW Supports. AB 1021 passed out of Senate EQ. Next stop is Senate Appropriations.

[AB 513 \(Frazier\) - Rubberized Asphalt Concrete Market Development](#)

Summary. AB 513 provides a market development incentive program for Rubberized Asphalt Concrete

Position and Status

CAW supports. AB 513 passed out of Senate EQ. Next stop for the bill is Senate Appropriations.

[AB 1001 \(Gordon\) - Bottle Bill Modernization](#)

Summary.

AB 1001 would update and establish a more equitable distribution of existing handling fee payments for supermarket-based recycling centers.

Position and Status: CAW supports.

[SB 529 \(Leno\) Fast Food Packaging](#)

Summary Requires fast food chains to use food packaging that is compatible with local recycling and composting infrastructure.

Position and Status CAW Sponsored. This is now a 2 year bill and won't be acted on until 2014. Held in Senate Appropriations on 5/23. Previously passed out of EQ Committee on 4/17 by a vote of 5-3.

[SB 405 \(Padilla\) Single Use Carryout Bags](#)

Summary Prohibits stores from distributing single use plastic bags and allows the sale of reusable, paper, and (in certain jurisdictions) compostable plastic bags.

Position and Status CAW Supports. On 5/30/13, the bill fell short of the 21 votes it needed to make it off of the Senate Floor, 18-17. Please read a statement from Executive Director Mark Murray.

[AB 1022 \(Eggman\) CRT Glass Market Development](#)

Summary. Provide market-based incentive to in-state recyclers and manufacturers to utilize CRT glass in products. **Position and Status.** CAW supports. AB 1022 passed out of Senate EQ. Next stop, Senate Appropriations.

[AB 323 \(Chesbro\) - Organics Recycling](#)

Summary. AB 323 presents a package of policies that will drive the recycling of yard trimming and food scraps, not only resulting in a reduction of pollution and greenhouse gases, but also creating jobs and supporting a burgeoning industry.

Position and Status.

CAW Supports. 323 passed out of policy committee on April 29 by a 6-3 vote. The next stop for the bill is Assembly Appropriations.

EXHIBIT II Diversion Compliance Tables Extrapolated for Waste Management

| Yr/Qtr | Bin Size | Service | Est Tons/Load | Total Tons | CD Material | Tons Recycled | Temp Div Rate |
|-------------------------|----------|---------|---------------|-------------|-------------|---------------|---------------|
| 2012/1st | 3 | 0 | 0.1 | 0 | | | |
| | 12 | 6 | 8 | 48 | Concrete | 0 | |
| | 25 | 4 | 9 | 36 | | | |
| | 30 | 0 | 5.5 | 0 | | | |
| | 40 | 1 | 6.5 | 6.5 | Mixed CD | 16.36 | |
| Total Est Tons = | | | | 90.5 | | 16.36 | 18.08% |

| Yr/Qtr | Bin Size | Service | Est Tons/Load | Total Tons | CD Material | Tons Recycled | Temp Div Rate |
|-------------------------|----------|---------|---------------|--------------|-------------|---------------|---------------|
| 2012/2nd | 3 | 26 | 0.1 | 2.6 | | | |
| | 10 | 16 | 8 | 128 | Concrete | 42 | |
| | 20 | 15 | 9 | 135 | | | |
| | 30 | 5 | 5.5 | 27.5 | | | |
| | 40 | 27 | 6.5 | 175.5 | Mixed CD | 117.59 | |
| Total Est Tons = | | | | 468.6 | | 159.59 | 34.06% |

| Yr/Qtr | Bin Size | Service | Est Tons/Load | Total Tons | CD Material | Tons Recycled | Temp Div Rate |
|-------------------------|----------|---------|---------------|--------------|-------------|---------------|---------------|
| 2012/3rd | 3 | 2 | 0.1 | 0.2 | | | |
| | 10 | 4 | 8 | 32 | Concrete | 24 | |
| | 20 | 7 | 9 | 63 | | | |
| | 30 | 2 | 5.5 | 11 | | | |
| | 40 | 15 | 6.5 | 97.5 | Mixed CD | 49.32 | |
| Total Est Tons = | | | | 203.7 | | 73.32 | 35.99% |

| Yr/Qtr | Bin Size | Service | Est Tons/Load | Total Tons | CD Material | Tons Recycled | Temp Div Rate |
|-------------------------|----------|---------|---------------|------------|-------------|---------------|---------------|
| 2012/4th | 3 | 0 | 0.1 | 0 | | | |
| | 10 | 25 | 8 | 200 | Concrete | 136 | |
| | 20 | 17 | 9 | 153 | Green Waste | 5.62 | |
| | 30 | 5 | 5.5 | 27.5 | | | |
| | 40 | 45 | 6.5 | 292.5 | Mixed CD | 228.67 | |
| Total Est Tons = | | | | 673 | | 370.29 | 55.02% |

| Year | Bin Size | Service | Est Tons/Load | Total Collecte | CD Material | Tons Recycled | Temp Div Rate |
|-------------------------|----------|---------|---------------|----------------|-------------|---------------|---------------|
| 2012 | 3 | 0 | 0.1 | 2.8 | | | |
| | 10 | 25 | 8 | 408 | Concrete | 202 | |
| | 20 | 17 | 9 | 387 | Green Waste | 5.62 | |
| | 30 | 5 | 5.5 | 66 | | 0 | |
| | 40 | 45 | 6.5 | 572 | Mixed CD | 411.94 | |
| Total Est Tons = | | | | 1435.8 | | 619.56 | 43.15% |

EXHIBIT III Valley Mall Original Specifications of the Agreement

Attachment "E" - Compensation Schedule

REGULAR COLLECTION SERVICE RATES

| Description | Billing Rate | Total |
|--|-------------------|-------------------|
| Regular Collection of 115 Building Units | \$ 50.89 Per Unit | \$5,852.35 |
| Collection at Special Service Locations | \$2,165.00 | \$2,165.00 |
| MONTHLY BILLING TOTAL For 50 - 3-Cubic Yard Solid Waste Bins and 8 - 3- Cubic Yard Commingles Recycling Bins. | | \$8,017.35 |

ADDITIONAL REGULAR COLLECTION SERVICE RATES REQUESTED BY CITY ONLY

| Additional Service Rate Schedule - CITY REQUEST ONLY | | | |
|--|---------------------|----------------------|------------|
| Qty of Bins | Cubic Yard Bin Size | Collections per Week | Rate/Month |
| 1 | 3 | 1 | \$ 56.08 |
| 1 | 3 | 2 | \$100.94 |
| 1 | 3 | 3 | \$138.23 |
| 1 | 3 | 4 | \$176.17 |
| 1 | 3 | 5 | \$210.89 |
| 1 | 3 | 6 | \$257.67 |

EXTRA COLLECTION SERVICE RATES - VALLEY MALL MERCHANT RATE

| Special Service Rate Schedule | | | |
|-------------------------------|---------------------|----------------------|----------|
| Qty of Bins | Cubic Yard Bin Size | Collections per Week | Rate |
| 1 | 3 | 1 | \$ 80.00 |
| 1 | 3 | 2 | \$115.00 |
| 1 | 3 | 3 | \$135.00 |
| 1 | 3 | 4 | \$170.00 |
| 1 | 4 | 3 | \$160.00 |

| Restaurant Rate Schedule | | | |
|--------------------------|---------------------|----------------------|----------|
| Qty of Bins | Cubic Yard Bin Size | Collections per Week | Rate |
| 1 | 3 | 1 | \$ 80.00 |
| 1 | 3 | 2 | \$135.00 |
| 1 | 3 | 3 | \$180.00 |

Exhibit IV Puente Hills MRF Rate Schedule for 2014



**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

13 JUN 23 AM 3:49

1955 Workman Mill Road, Whittier, CA 90601-1400
Mailing Address: P.O. Box 4998, Whittier, CA 90607-4998
Telephone: (562) 699-7411, FAX: (562) 699-5422
www.lacsd.org

GRACE ROBINSON CHAN
Chief Engineer and General Manager

June 24, 2013

Boards of Directors
County Sanitation Districts
of Los Angeles County

Dear Directors:

Planning Activities for the Closure of the Puente Hills Landfill

In anticipation of the closure of the Puente Hills Landfill (Landfill) on October 31, 2013, we have undertaken a number of planning activities to ensure a smooth and reliable transition for your jurisdictions. The Districts' goals are to provide enhanced recycling opportunities, continued green waste reuse, and cost-effective disposal. These activities are outlined below and include negotiated contracts for waste services and estimated rates. Final rates will be determined later in the summer. We welcome the opportunity to meet with your staff to discuss this matter more fully.

Contracts for Waste Management Services

Municipal Solid Waste (MSW). In December 2012, the Districts issued a Request for Proposals (RFP) for solid waste services including disposal of MSW from the Puente Hills Materials Recovery Facility (PHMRF), Downey Area Recycling and Transfer (DART) Facility, and South Gate Transfer Station (SGTS) after the Landfill closes. These three facilities have a combined permitted daily tonnage of 10,400 tons and will be capable of serving the needs of our member cities and unincorporated county areas that currently use the Landfill for disposal. On April 24, 2013, the District No. 2 Board approved execution of an agreement with Orange County for waste disposal from the three facilities through June 30, 2016. The Board will consider a separate contract for transportation to Orange County landfills in the near future.

In July 2011, the Board first adopted an ordinance that authorizes the Districts to enter into Waste Disposal and Processing Agreements (WDPAs) for guaranteed quantities of waste at negotiated rates to increase the use of Districts' facilities. The additional tonnage received through these "Put or Pay" contracts provides a reliable, consistent stream of waste that enables our facilities to operate more efficiently. To date, the Districts have entered into eight WDPAs with waste companies for a combined committed tonnage of 88,000 tons per month (approximately 3,400 tons per day). All of these WDPAs expire when the Landfill closes on October 31. The Districts are interested in entering into new WDPAs for recycling and disposal services. New WDPAs will be brought to the Board for consideration later this summer.

Green Waste. The RFP mentioned above also requested proposals for management of green waste from the three Districts' MRF/Transfer Facilities. The District No. 2 Board will, at the June 26, 2013 meeting, consider execution of agreements for green waste transport and reuse that will ensure reliable reuse destinations for green waste brought to Districts' facilities for the next five years. Starting November 1, clean loads of green waste would be accepted at PHMRF and DART, shredded and then transported for reuse on agricultural fields and at composting facilities. We will be installing equipment at our facilities to support this program.

Future Rates

The current solid waste rates at the Districts' MRF/Transfer Facilities are based on disposal at the Landfill. The new MSW rates at the MRF/Transfer Facilities are expected to remain close to their current rates because of the cost-effective agreement between the Districts and Orange County for MSW disposal. The new rate for green waste at PHMRF will be higher than currently charged because we will no longer be able to utilize the low-cost alternative daily cover program at the Landfill. However, the green waste rate at DART should remain close to its current level as new equipment at the site will make the operation more efficient. The SGTS does not accept green waste. Proposed rates for the MRF/Transfer Facilities which would go into effect after the Landfill closes are not yet finalized; however, enough progress has been made for staff to make preliminary estimates of the proposed MSW and green waste rates after the Landfill is closed which are shown in the table below. All rates are subject to Board approval later in the summer.

Preliminary Estimates of Proposed Rates (\$ per ton), Post-Puente Hills Landfill Closure*

| Facility | Current MSW | Estimated MSW | Current Green Waste | Estimated Green Waste |
|----------|-------------|---------------|---------------------|-----------------------|
| PH MRF | \$42.44 | \$44-\$48 | \$23.97 | \$35-\$40 |
| DART | \$54.45 | \$44-\$48 | \$39.97 | \$35-\$40 |
| SGTS | \$51.91 | \$51-\$53 | N/A | N/A |

*Proposed rates will be finalized later this summer and are subject to Board approval.

In closing, we will continue to plan for the closure of the Landfill with a goal to continue to provide cost-effective and environmentally sound solid waste management services. We are available to meet with your staff to answer any questions they might have regarding our preparations for the Landfill closure. Please contact Mr. Chuck Boehmke, Solid Waste Management Department Head, at (562) 699-7411, extension 2403, if you would like to schedule a meeting.

Very truly yours,



Grace Robinson Chan

GRC:ksc

cc: City Managers/Administrators
Public Works Directors

Exhibit V Proposal by Valley Vista Services to City of El Monte



James Enriquez
Public Works Director
City of El Monte
11333 Valley Blvd
El Monte, Ca 91731

February 12, 2013

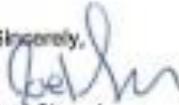
Mr. Enriquez:

As a continuation of our negotiations with the City of El Monte and the former City Manager's desire to fully integrate the City's solid waste collection system, I have developed proposal items for consideration. Valley Vista Services believes that the final consolidation of all refuse and recycling collection services will not only save the City's residents money, but will assist the City in meeting AB 32 goals of fewer emissions while stabilizing disposal and diversion costs now and in the future. Here are a list of items to be discussed for possible negotiations and presentation to the City Council:

1. Reduction in residential billing of almost \$9.00 per quarter
2. Assumption of commercial and multifamily waste streams
3. Guaranteed disposal capacity for 10 years
4. Increase of 10.85% increase in non-residential rates for AB 341 programs
5. AB 341 processing and compliance for all commercial and multifamily waste
6. Dedicated use of Grand Central Transfer Station for mixed waste processing

These proposed items can save the City's residents roughly \$5 million dollars over the life of the franchise agreement with Valley Vista Services, Inc.

Please call me at your earliest convenience to discuss this important matter.

Sincerely,

Joel Simonian
Municipal Marketing

Cc: David Perez, Principal

Telephone 200-442-8404 Address 17445 Railroad St City of Industry, CA printed on recycled paper