



## Review of Garaventa Enterprises 2010 Solid Waste Rate Application and New Three-Cart System for 2011



January 6, 2011

FINAL DRAFT REPORT

NewPoint Group®  
Management Consultants

*Proudly serving our clients since 1995*



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Ms. Deidra Dingman  
Conservation Programs Manager  
Contra Costa County  
Department of Conservation & Development  
651 Pine Street, 4th Floor – North Wing  
Martinez, California 94553

Regarding: **FINAL DRAFT REPORT – Review of Garaventa Enterprises 2010 Solid Waste Rate Application and New Three-Cart System for 2011**

Dear Ms. Dingman:

NewPoint Group is pleased to present to Contra Costa County (County) our draft report titled, *“Review of Garaventa Enterprises Solid Waste Rate Application and New Three-Cart System for 2011.”* This final draft report presents results of our review of Garaventa Enterprises *2010 Base Year Rate Application* (Application). Our review includes both an evaluation of the 2010 Application, and an assessment of the impact of transitioning to a new three-cart residential collection system in 2011. Our review was conducted in accordance with procedures specified in the County’s Rate Setting Manual (Manual).

This report documents the following components of our rate review:

- Necessary adjustments to the 2010 Application submitted by Garaventa
- A description of the residential collection system before, and after, the proposed new three-cart system would be operational in 2011
- Potential increases in diversion levels from the new 2011 three-cart system
- New 2011 refuse, curbside recycling, and yardwaste rates, rate structures, and frequency distribution (subscription level) assumptions
- A survey of comparative rates of neighboring jurisdictions and within the unincorporated County
- An implementation timeline for the new 2011 three-cart system
- A summary of a recent customer satisfaction survey of Garaventa services.

Garaventa’s transition to a new three-cart residential collection system in 2011 represents a shift in how refuse, curbside recyclables, and yardwaste is accumulated and collected in the County. Garaventa will be challenged to effectively implement the new three-cart system. While there are customer benefits with the expanded three-cart capacity, the reality is that the new three-cart system also increases Garaventa’s overall costs.

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January 6, 2011

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This report recommends a new 2011, residential collection rate and rate structure. The proposed 2011 rates are competitive and allow Garaventa to earn a reasonable financial return. These rates are fair to the County and Garaventa in light of the capital investment in new carts, and the associated risks, that Garaventa Enterprises, is undertaking.

The County must carefully weigh the potential overall benefits and costs of this 2011 solid waste system change as it involves a shift in the types of containers Garaventa uses for residential collection service. County policy makers must evaluate whether the mostly qualitative residential customer benefits (e.g., increased storage capacity, more container size choices, new carts, and ease of commingling “single stream” recycling), and some County-related benefits (e.g., enhanced street appearance and an increase in overall County diversion levels), are sufficient to offset the incremental County costs of new carts. Should the County policy makers approve the new three-cart system for 2011, following implementation, the County and Garaventa should expect a transitional period of at least a year, or more, characterized by some degree of residential service level instability and increased residential customer inquiries and demands. Finally, County areas served by Garaventa are undergoing a major shift this year, as the City of Oakley will assume franchise responsibilities for the areas formerly falling under the Ironhouse Sanitary District’s jurisdiction. The County should be aware that, following this transition, the revenue and cost structure of the remaining unincorporated areas may change (e.g., for the next base year).

\* \* \* \* \*

If you have any questions concerning this final draft report, please contact me at (916) 442-0189, or Mr. Erik Nylund at (916) 442-2456. Thank you for the opportunity to serve Contra Costa County.

Very truly yours,

NewPoint Group®, Inc.



James A. Gibson, Ph.D.  
Director

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## **Executive Summary**

# Executive Summary

This report represents NewPoint Group's review of Garaventa Enterprises (Garaventa's) 2010 Base Year Rate Application and our assessment of a proposed new three-cart residential collection system for 2011. This executive summary is organized as follows:

*A. Rate Review Background*

*B. 2010 Rate Review Results and Rate Recommendations*

*C. 2011 Three-Cart Residential System Rate Review Results and Recommendations.*

## A. Rate Review Background

### 1. Garaventa Rate Application

Garaventa submitted its 2010 Base Year Rate Application (Application) on December 9, 2009, requesting an effective 21.10 percent rate increase. After our initial review of the Application, we adjusted the Application for some minor mathematical errors and Garaventa's effective rate increase equaled 20.93 percent.

NewPoint Group, Inc. (NewPoint Group) was retained by Contra Costa County (County) to conduct an independent review of Garaventa's Application. For the review, we used guidelines provided in the County's *Rate Setting Process and Methodology Manual for Residential Solid Waste Charges (Manual)*. The 1998 Manual provides official framework for how the County reviews rate applications.

Garaventa subsidiary companies, and the unincorporated communities (County areas) they serve, are shown in **Table ES-1**, on the next page.

### 2. Garaventa Customer Satisfaction and Collection System Efforts

We summarize (in Appendix C) results of a recent customer satisfaction survey conducted by Garaventa for County services areas. In general, Garaventa's County customers are very satisfied with the refuse, recycling, and yardwaste collection services provided by Garaventa. County customers had a 90 percent satisfaction rating for refuse, recycling, and yardwaste collection services.

Garaventa Enterprises, recently invested approximately \$15 million in the Mt. Diablo Recycling Center (MDRC), located in Pittsburg, California. This state-of-the-art materials recovery facility (MRF) processes all Garaventa recyclables. Garaventa Enterprises constructed this facility using the most current and advanced sorting equipment and capabilities. Currently, Garaventa uses this MRF to process County area recyclables, both collected in crates at the curb, and from commercial businesses.





**Table ES-1**  
**Contra Costa County**  
**Garaventa Service Areas and Companies**

Service Area	Company Providing Service
1. Bay Point	Pittsburg Disposal and Debris Box Service, Inc.
2. Brentwood	Brentwood Disposal Services, Inc.
3. Byron Sanitary District areas	Brentwood Disposal Services, Inc.
4. Discovery Bay	Discovery Bay Disposal, Inc.
5. Oakley areas	Oakley Disposal Service, Inc.
6. North Concord	Minor – served by Concord Disposal Service
All Areas	Delta Debris Box Service Inc. (for debris box service)

The County requested that we examine a new three-cart residential collection system that Garaventa may implement in 2011 should the County approve this new program. As part of this new system, County ratepayers would receive a new refuse collection cart (32-, 64-, or 96-gallon), a new 96-gallon recycling cart (for bi-weekly service), and a 96-gallon yardwaste cart (for bi-weekly service). Garaventa would process materials collected from the single stream 96-gallon recycling cart using the new MRF's full sorting capabilities.

### 3. Prior Rate Changes

The County approved the last rate increase in mid-2008. Recent County rate increases, for Garaventa-served County areas, have been as follows:

- 2009: 0.00 percent
- 2008: 6.71 percent
- 2007: 6.44 percent
- 2006: 2.69 percent
- 2005: 3.89 percent.

On average, residential rates have increased 3.9 percent per year, since 2005. During this same five-year period, the San Francisco-Oakland-San Jose Consumer Price Index (CPI) increased by an average of 2.2 percent per year.

Garaventa has recently faced a financial challenge with declining collection revenues, increasing operating costs (e.g., labor and tipping fees), and poor recycling markets. As a result, Garaventa companies servicing the County showed a modest net income (before income taxes) of \$145,390 in its 2008 audited financial statements.<sup>1</sup>

### 4. Garaventa Rate Regulation

Garaventa provides collection services to the residential, commercial, and light industrial sectors. The County regulates rates of the residential and commercial sectors using adopted Manual guidelines.

In “base years,” the County examines all revenues, costs, and profits of Garaventa's County regulated activities. The County and Garaventa historically have not attempted to disaggregate costs, by sector, as Garaventa's operations costs are highly co-mingled.

Historically, the County has general applied rate changes to residential rates at the same level as commercial rates. In some years (e.g., 2004), the County approved an increase for commercial rates which was different from the residential rate increase.

### 5. Survey of Comparative Rates

We compared current County rates to rates of the following eleven (11) jurisdictions:

1. City of Antioch
2. City of Clayton
3. City of Concord
4. City of Lafayette
5. City of Martinez

<sup>1</sup> This financial statement result does not reflect any adjustments for rate setting purposes.

**Table ES-2**

**Comparison of Contra Costa County Garaventa-Served Area Residential Rates  
With Eleven (11) Comparative Jurisdictions  
(May, 2010)**

Size (gallons)	Contra Costa County Rate (Per Customer, Per Month)	Average Rate of Eleven (11) Jurisdictions (Per Customer, Per Month)	Percent Difference
20 (mini)	\$23.34	\$19.26	+21%
32	28.85	22.43	+29%
96	31.11	54.62	-43%

6. City of Moraga
7. City of Orinda
8. City of Pleasant Hill
9. City of Walnut Creek
10. Contra Costa County (CCCWA areas)
11. Town of Danville.<sup>2</sup>

**Table ES-2**, above, shows how current Garaventa County area residential rates compare to the eleven (11) jurisdictions. On a “nominal” comparison basis, Garaventa County area residential rates for the smaller container sizes are well above average, and the Garaventa County area’s residential rate for the 96-gallon container size is substantially below average.

Most Garaventa County area customers subscribe to the 96-gallon residential service level. As a result, most Garaventa County area residential revenues come from the 96-gallon customer. Garaventa thus can price its 96-gallon container rate lower than these comparative jurisdictions and still cover its residential revenue requirements.

In contrast, for the comparative jurisdictions, most residential revenues are generated from the smaller container sizes. Many of these comparative jurisdictions price their 96-gallon cart rate high to encourage customers to shift to smaller container

sizes. This rate structure difference results in significantly fewer comparative customers at the 96-gallon service level than for the County. As an example, seven (7) of the eleven (11) comparative jurisdictions had just five (5) percent, or less, of their residential customers with 96-gallon service.

Most current County bin and debris box rates are relatively close to the average of the eleven (11) comparative jurisdictions. Common bin and debris box percentage rate comparisons are shown below:

#### **Bin Service**

- 2 yard/1 per week, -1%
- 3 yard/1 per week, -7%

#### **Debris Box Service**

- 20 yard debris box (per pull), -15%.

In general, we caution the County’s use of comparative rates as a basis for setting rates as rates of other different jurisdictions have unique:

- Cross-subsidies between sectors
- Franchise fees and other services (contained within the rates)
- Legacy rate setting practices
- Levels of residential, commercial, and industrial business
- Profitability levels
- Rate structure objectives (e.g., reward waste reduction)

<sup>2</sup> The County has used these eleven (11) jurisdictions for rate comparisons since the Manual was adopted.

- Frequency distributions by cart size
- Rate setting methods
- Service levels (e.g., bi-weekly versus weekly yardwaste or recycling collection)
- Transfer station and landfill tipping fees (based on the proximity to these facilities).

## B. 2010 Rate Review Results and Rate Recommendations

### 1. Projected 2010 Revenue Requirement Shortfall

For 2010, we estimated an approximate \$1,270,000 revenue shortfall. We determined the following five (5) factors caused this shortfall:

- Labor cost increases associated with wage and benefit increases tied to union labor agreements (46.51% of shortfall)
- Combined transfer station and landfill “tipping fee” increases from \$65 per ton in 2008, to \$72.25 per ton in 2010 (19.78% of shortfall). This cost category includes the costs of refuse consolidation, transportation, and landfill disposal
- Trucking and equipment cost increases associated with (1) increasing wages and benefits for mechanics and shop laborers, (2) fuel and oil cost increases, and (3) property lease cost increases (14.86% of shortfall). This cost category includes the costs of all truck and equipment depreciation, repair and maintenance, parts, fuel, and storage
- County franchise fee increases<sup>3</sup> (17.56% of shortfall)
- Depreciation and other operating cost increases (1.29% of shortfall).

<sup>3</sup> As franchise fees are calculated based on a percentage of gross revenues, franchise fees increase as other costs increase.

### 2. NewPoint Group Review Adjustments

Our rate setting adjustments decreased the shortfall requested in Garaventa’s Application by approximately \$0.6 million, from \$1.9 million to \$1.3 million. We made adjustments to the following categories (with the percentage of our adjustment shown in parenthesis):

- Decrease in corporate and local general and administrative costs (59 percent reduction)
- Decrease in tipping fees (16 percent reduction)
- Decrease in operating profits (9 percent reduction)
- Increase in residential revenues (7 percent reduction)
- Decrease in franchise fees (5 percent reduction)
- Decrease in trucking and equipment costs (10 percent reduction)
- Increase in direct labor (11 percent increase)
- Decrease in depreciation and other operating cost (2 percent reduction)
- Increase in Recycled material sales (2 percent reduction)
- Decrease in County administrative fee (1 percent reduction).

### 3. Rate Options for 2010

Based on our review, we determined that a rate increase of 13.88 percent is needed to cover the revenue shortfall for 2010. A 13.88 rate increase if applied across all rates would fully cover the approximately \$1,270,000 2010 revenue shortfall.

We show the residential rate structure before, and after, this 13.88 percent rate increase in **Table ES-3**, on the next page. A 13.88 percent residential rate increase would result in 2010 residential rates that range from \$3.04 to \$4.00 per customer, per month. The most common 96-gallon rate (96 percent of customers) would increase from \$31.85 to \$35.85 per customer, per month.

**Table ES-3**

Contra Costa County  
Garaventa-Served Areas  
Residential Solid Waste Collection Rates  
With A 13.88 Percent Rate Increase  
(Per Customer, Per Month)

Service Level	Current 2009 Rate (Per Customer, Per Month)	Recommended 2010 Rate (Per Customer, Per Month)	Rate Increase (Per Customer, Per Month)
<b>County Areas (Other Than Byron Areas)</b>			
20-gallon can	\$23.34	\$26.58	\$3.24
32-gallon can	\$28.85	\$32.85	\$4.00
96-gallon cart	\$31.85	\$35.85	\$4.00
<b>Byron Areas</b>			
20-gallon can	\$21.88	\$24.92	\$3.04
32-gallon can	\$26.00	\$29.61	\$3.61
96-gallon cart	\$29.00	\$32.61	\$3.61

**Table ES-4**

Contra Costa County  
Garaventa-Served Areas  
Estimated 2010 Revenues and Expenses, by Sector  
(As a Percent of Total Revenues and Expenses)<sup>4</sup>

Description	Residential	Commercial	Total
Revenues	65%	35%	100%
Expenses	65%	35%	100%

We analyzed residential and commercial revenues and costs for this base year. These data are shown in **Table ES-4**, above.

### C. 2011 Three-Cart Residential System Rate Review Results and Rate Recommendations

For 2011, we evaluated impacts of an entirely new residential solid waste rate structure in conjunction with a new three-cart collection

system. The proposed residential three-cart collection system will include:

- **Refuse collection** – customer choice of a 20-gallon mini-can (company provided), 32-gallon cart (company provided), 64-gallon cart (company provided), or 96-gallon cart (company provided)
- **Curbside recycling collection** – a 96-gallon cart (bi-weekly service)
- **Yardwaste collection** – a 96-gallon cart (bi-weekly service).

In contrast to the current two 14-gallon crate system, customers will place all curbside recyclables commingled into a 96-gallon cart (called a “single stream” system) provided by the company. In contrast to the current customer-provided can and bag system, the customer will place all yardwaste materials into a 96-gallon cart provided by the company.

The single stream curbside recyclable materials will be processed at the new state-of-the-art Materials Recovery Facility (MRF) sort line at the Pittsburg Recycling and Transfer Center (Pittsburg California).

<sup>4</sup> These revenue and cost percentage figures reflect the pooling of all unincorporated County revenues and costs (i.e., are fully inclusive of the franchise areas of the City of Oakley areas which ultimately will be part of a new City of Oakley franchise in the near term). These figures presume that unincorporated County areas (both non-City of Oakley and City of Oakley) have a similar distribution of revenues and costs.

Overall, there are benefits and costs of the new collection system. County diversion is expected to increase with the new system. Garaventa anticipates that there will be an eighteen (18) percent increase in curbside recyclables tonnage, and a twenty-five (25) percent increase in yardwaste tonnage.

In evaluating the rate impacts of this new system, we carefully considered of a number of important factors, including the:

- *Price elasticity of different rate structures* – This factor refers to how customers respond to different rate structure scenarios, namely the percentage change in quantity demanded as a result of the percentage change in price
- *Customer transition period* – This factor refers to how long it takes before customers come into equilibrium on their cart selections. There likely will be a period of up to one year during which customers continue to shift service levels<sup>5</sup>
- *Determination of initial customer refuse cart size preferences* – This factor refers to the customers' initial selection of cart preferences. Garaventa plans to query residential customers, in a three-month period prior to placing its final cart orders (October through December 2010).

Based on our review, the new proposed rate structure, and rates, fully reflect new cart capital outlays totaling over \$2.1 million, including the purchase of nearly 40,000 new carts for total County area-wide refuse, curbside recycling, and yardwaste services. Rate assumptions included the Company's proposed ten (10) year amortization period, a 5.0 percent interest rate on the purchase of the carts, and allowed cart costs (with profit) in the rate base. The amortization period proposed by Garaventa would extend nearly six years beyond the term of Garaventa's current franchise granted by the County.

<sup>5</sup> Garaventa agrees to allow customers to shift service levels without restriction as opposed to requiring customers to commit to a service level over some set period of time.

**Table ES-6**  
Contra Costa County  
Assumed Residential Customer  
Frequency Distribution  
(Year 2011)

Service Level	Percent of Customers
20-gallon mini-can	1%
32-gallon cart	34%
64-gallon cart	40%
96-gallon cart	25% <sup>6</sup>
Total	100%

There are some risks associated with the transition to the three-cart system, including:

- Customers could, on average, select smaller refuse cart sizes than assumed in the customer preference frequency distribution
- There would be no "balancing account," or another similar mechanism to true-up projected revenues, and/or costs, with actual revenues and costs through 2011
- There could be revenue fluctuations and cash flow instability to the company throughout the year, as customers decide on their service levels and migrate to their preferred cart sizes.

Our assumed short-term frequency distribution (of the number of customers by rate category) is shown in **Table ES-6**, above. Our assumptions were based on:

- Over 96 percent of current customers have 96-gallon refuse service and we believe that some customers will, at least initially, want to retain their existing refuse cart capacity

<sup>6</sup> We believe that this is a conservative estimate for the company, and that it could take longer for County customers to transition from 96-gallon service to a smaller cart size (i.e., the first year result could show a larger number of customers subscribed to the 96-gallon carts). To the degree that it does take longer for customers to migrate to lower container sizes, the company would benefit from a profitability standpoint.

- 
- Consideration of actual frequency distribution data for other jurisdictions in the area following implementation of a three-cart system (City of Rio Vista, City of Concord).<sup>7</sup>

Under the assumption that the County approved a 13.88 percent rate increase in 2010, in **Table ES-7**, on the next page, we show that the 2011 residential

rate changes would range from -\$2.65 per customer, per month, to +\$4.60 per customer, per month. The most common 96-gallon residential rate would increase from \$35.85 per customer, per month, to \$40.45 per customer, per month, a 12.8 percent increase for an estimated 25 percent of County customers. The remaining estimated 48 percent of County customers would have a rate decrease.

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<sup>7</sup> There is a large amount of uncertainty in determining the frequency distribution. We cannot represent that our assumed frequency distribution will be the actual frequency distribution at the end of 2011. Our assumed frequency distribution is an average, used for revenue generation estimation purposes, relevant only for 2011. The County and Garaventa should carefully reevaluate both the rate structure, and frequency distribution assumptions, at the end of 2011. At that time, with more stability in customer behavior, and actual operating data under the new automated system, customer frequency distributions (number of customers by rate category) should begin to stabilize.



**Table ES-7**

Contra Costa County

Residential Rate Structure Before and After 13.88

Recommended Rate Increase for 2011 Three-Cart Residential System

(Calendar Year 2011)

Service Level	Proposed 2010 Rate (Per Customer, Per Month) <sup>8</sup> (With A 13.88 Percent Rate Increase)	Recommended 2011 Rate (Per Customer, Per Month)	Rate Change (Per Customer, Per Month)
20-gallon mini-can	\$26.58	\$24.95	-\$1.63
32-gallon cart	\$32.85	\$30.20	-\$2.65
64-gallon cart	N/A	\$35.95	N/A
96-gallon cart	\$35.85	\$40.45	+\$4.60

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<sup>8</sup> From Table ES-5, shown for County Areas other than Byron.



## **Section 1**

### **Introduction and Background of Rate Review**

# 1. Introduction and Background of Rate Review

On December 8, 2009, Garaventa Enterprises (Garaventa) submitted a 2010 Base Year Rate Change Application (Application) to Contra Costa County (County). Garaventa can submit a Base Year Rate Application every four (4) years in accordance with the County's 1998 *Rate Setting Process and Methodology Manual for Residential Solid Waste Charges* (Manual).

Garaventa submitted this 2010 Application at a time of unprecedented downturn in the economy. The recent recession caused customers to purchase fewer goods and consequently dispose of less refuse. As customers generated less refuse, they decreased their refuse collection service levels. Garaventa revenues have, in turn, recently declined.

A refuse collection company's costs of operation are largely fixed (e.g., trucks, facilities, overhead). Even though Garaventa revenues have declined, Garaventa costs have not decreased at the same rate. The result is that Garaventa profits recently have fallen below the target profit level specified in the Manual.

The Application comes as a time when Garaventa Enterprises has expended significant resources to finance and construct a new Materials Recovery Facility (MRF) sort line at the Pittsburg, California location. Mt. Diablo Recycling processes County recyclables using this MRF sort line.

The Application is submitted at a time of minimal inflation, as measured by the San Francisco-Oakland-San Jose Consumer Price Index (CPI). The annual percentage change in this CPI in 2009 ranged from just 0.10 percent to 2.61 percent.<sup>1</sup>

Under these complex and mostly unfavorable conditions, in the Application Garaventa has requested a 21.10 percent rate increase for 2010. This large requested rate increase is unprecedented over the past approximately twelve (12) years since the County adopted the Manual.

On April 12, 2010, the County retained NewPoint Group to review and analyze the Application. This report documents results of our rate review. The remainder of this introductory section is organized as follows:

- A. *Background of Review*
- B. *Scope of Rate Review*
- C. *Regulation of Residential and Commercial Sectors*
- D. *Overview of Rate Application and Rate Request*
- E. *Garaventa Enterprises and Related Companies*
- F. *Rate History.*

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<sup>1</sup> Based on year 2009 changes in the San Francisco-Oakland-San Jose Consumer Price Index (CPI) as follows: February 2008 to February 2009 (+1.16 percent), April 2008 to April 2009 (+0.80 percent), June 2008 to June 2009 (+0.23 percent), August 2008 to August 2009 (+0.17 percent), October 2008 to October 2009 (+0.10 percent), December 2008 to December 2009 (+2.61 percent).



### A. Background of Review

Garaventa has an exclusive franchise with the County to collect, and remove for disposal and recycling, all residential and commercial, and light industrial solid waste, including recyclable materials. Garaventa has a twenty-year franchise with the County, beginning with an effective date of May 9, 1995, and ending May 8, 2015. The County has jurisdiction to regulate collection, removal, and disposal of all solid waste, and the recycling of all materials.

Garaventa provides service to the following six (6) geographic areas located within unincorporated Contra Costa County:

1. Bay Point (part of Bay Point)
2. Brentwood
3. Byron Sanitary District areas
4. Discovery Bay
5. Oakley areas
6. North Concord – unincorporated areas

**Exhibit 1-1**, on the next page, shows the refuse collection service areas located within unincorporated Contra Costa County.

Garaventa has five (5) subsidiary companies that perform the actual collection activities for the first five (5) service areas, noted above. These companies are:

- Brentwood Disposal Services, Inc.  
(Brentwood, Byron, Knightsen, other rural County areas)
- Delta Debris Box Service, Inc.
- Discovery Bay Disposal, Inc.  
(Discovery Bay area)
- Oakley Disposal Service, Inc.  
(Ironhouse Sanitary District area)
- Pittsburg Disposal and Debris Box Service, Inc. (Bay Point area).

Concord Disposal Service (CDS) performs the refuse collection for the small North Concord area. A total of approximately 30 County customers are

served by CDS in this area. CDS rates are subject to rate review by the City of Concord and, as a result, the revenues and costs for this small area have not been included in this County rate review. North Concord area rates are set equal to City of Concord rates. Throughout this report, we use “Garaventa” to refer to the five (5) companies that actually provide the collection service.

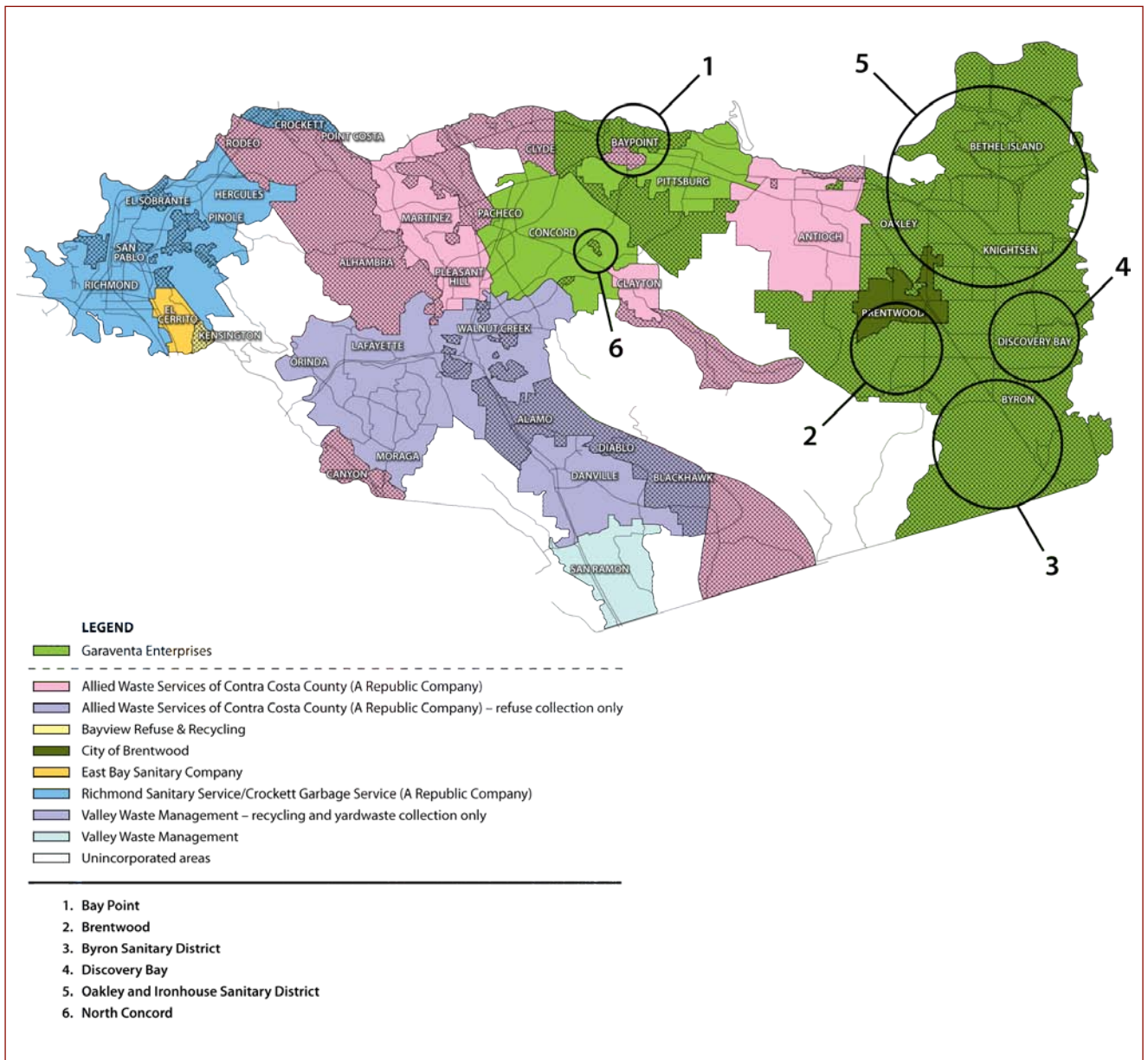
### B. Scope of Rate Review

For this base year rate review, we followed requirements contained in the County’s *Rate Setting Process and Methodology Manual for Residential Solid Waste Charges*, September 28, 1998 (Manual). Our review included the following ten (10) tasks:

1. Conduct periodic project status meetings with the County
2. Conduct a detailed review of Garaventa’s Application and Garaventa financial statements
3. Conduct onsite visits and meet with Garaventa management and staff to review the Application, our data requests, and obtain supporting documentation between April and July, 2010
4. Meet with Garaventa during August 2010 to discuss preliminary rate review findings and provide an opportunity for Garaventa to provide additional information or comments on findings
5. Assess current Garaventa operating practices
6. Evaluate changes to Garaventa costs and operations related to potential implementation of a new residential three-cart system
7. Analyze trends in Garaventa revenues and costs
8. Compile rate surveys of comparative jurisdictions
9. Compile franchise extension terms granted for comparative jurisdictions
10. Develop a report, and present findings to the Board of Supervisors.

## Exhibit 1-1

### Map of Contra Costa County Refuse Collection Service Areas



In addition to the information provided in this report, we have supporting workpapers documenting results of our review. We also developed an extensive spreadsheet model which we used to generate our adjustments to the Application.

### C. Regulation of Residential and Commercial Sectors

The County and Garaventa use the *Rate Setting Process and Methodology Manual for Residential Solid Waste Charges* to set solid waste collection rates. This Manual was developed in 1998.

The Manual provides a formal structure for establishing solid waste collection rates. The Manual provides rate change policies, provides application forms, specifies reporting formats, and identifies required supporting documents. The Manual specifies procedures for requesting, reviewing, and adopting rate changes.

“Base year” rates are established every four (4) years. In each of the “interim years” between base years, rate changes follow a more streamlined process. Interim adjustments are set based on a composite index, consisting of the change in consumer price index (CPI), change in regulatory and tipping fees, and an adjustment for the County’s franchise fee.

The County regulates rates for refuse, curbside recycling, and yardwaste collection. Residential rates are set to cover allowable costs and a reasonable profit to the hauler for providing residential refuse, curbside recycling, and yardwaste collection services.

The County conducted its last Base Year rate review in 2007. In accordance with the Rate Manual, the next Base Year review normally would occur in 2011. Under the normal schedule, the County would allow Garaventa Enterprises to submit an Interim Year rate application.

However, on July 3, 2009, Garaventa Enterprises submitted a letter to the County requesting that the

County allow Garaventa to submit a Base Year rate application. Garaventa indicated that an Interim Year rate application (tied to the CPI) would be insufficient to provide adequate revenues “given the changes that have occurred in the local economy.” This letter also indicated a preference to consider a new residential service restructuring, including automated refuse collection, single stream recycling, and yard waste container pickup. Garaventa requested the County to consider a franchise extension so that the cost of new wheeled carts could be reasonably amortized.

The County Board of Supervisors agreed to allow Garaventa to submit a Base Year application. The Board also agreed to consider the new programs and franchise extension request from Garaventa.

### D. Overview of Rate Application and Rate Request

Garaventa submitted their Application on December 8, 2009. We include a copy of their Application in **Appendix A**. In the Application, Garaventa requested an increase to refuse collection rates of 22.10 percent. Current and requested residential rates are shown in **Table 1-1**, on the following page.

As shown in Table 1-1, current County rates are regionalized (i.e., the same) for the following areas: Bay Point, Brentwood, Discovery Bay, and a portion of Oakley (County areas outside of the Ironhouse Sanitary District). Current County rates are slightly below the regionalized rate for the Byron area and Oakley area (within the Ironhouse Sanitary District).

We provide the total number of residential customers for each County area in **Table 1-2**, on page 1-6. Over one-half of the customers are currently within the Ironhouse Sanitary District service area. Another one-quarter are in the Discovery Bay service area.



**Table I-1****Contra Costa County****Garaventa-Served Areas****Current and Garaventa Requested Residential Solid Waste Collection Rates****(Per customer, Per month)<sup>2</sup>**

<b>Service Area/Container Size<sup>3</sup></b>	<b>Current 2009 Rate per Customer, per Month</b>	<b>Requested Rate Change per Customer, per Month</b>	<b>2010 Garaventa Requested Rate per Customer, per Month</b>
<b>1. Bay Point Area (Served by Pittsburg Disposal &amp; Debris Box Service, Inc.)</b>			
20-gallon customer-provided can	\$23.34	\$4.91	\$28.25
32-gallon customer-provided can	\$28.85	\$6.10	\$34.95
96-gallon toter	\$31.85	\$6.10	\$37.95
<b>2. Brentwood Area (Served by Brentwood Disposal Service, Inc.)</b>			
20-gallon customer-provided can	\$23.34	\$4.91	\$28.25
32-gallon customer-provided can	\$28.85	\$6.10	\$34.95
96-gallon toter	\$31.85	\$6.10	\$37.95
<b>3. Byron Area (Served by Brentwood Disposal Service, Inc.)</b>			
20-gallon customer-provided can	\$21.88	\$4.62	\$26.50
32-gallon customer-provided can	\$26.00	\$5.50	\$31.50
96-gallon toter	\$29.00	\$5.50	\$34.50
<b>4. Discovery Bay Area (Served by Discovery Bay Disposal Service, Inc.)</b>			
20-gallon customer-provided can	\$23.34	\$4.91	\$28.25
32-gallon customer-provided can	\$28.85	\$6.10	\$34.95
96-gallon toter	\$31.85	\$6.10	\$37.95
<b>5. Oakley Area (Within Ironhouse Sanitary District, Served by Oakley Disposal Service, Inc.)</b>			
20-gallon customer-provided can	\$23.11	\$4.89	\$28.00
32-gallon customer-provided can	\$28.11	\$5.94	\$34.05
96-gallon toter	\$31.11	\$5.94	\$37.05
<b>6. Oakley Area (County areas, Served by Oakley Disposal Service, Inc.)</b>			
20-gallon customer-provided can	\$23.34	\$4.91	\$28.25
32-gallon customer-provided can	\$28.85	\$6.10	\$34.95
96-gallon toter	\$31.85	\$6.10	\$37.95

<sup>2</sup> Includes most of the rate categories in the residential rate structure. Some rates (e.g., extra can service) are not shown in this table.<sup>3</sup> The 96-gallon toter rates include a \$3 per month toter rental charge.

**Table I-2**  
County Residential Customers  
By Garaventa Service Area  
(Projected 2010)

Area	Customers
Bay Point	2,348
Brentwood	892
Byron	139
Discovery Bay	4,448
Oakley (County, outside Ironhouse)	106
Oakley (Ironhouse Sanitary District)	9,505
Total	17,438

**Table I-3**  
Financial Statement Profit Levels For Each  
Garaventa Enterprises-Related Company Providing  
Collection Services to Contra Costa County  
(Calendar Year Ended December 31, 2008)

Company	Profit/(Loss)
Brentwood Disposal Service, Inc.	(\$176,774)
Delta Debris Box Service, Inc.	(190,722)
Discovery Bay Disposal, Inc.	230,413
Oakley Disposal Service, Inc.	60,847
Pittsburg Disposal and Debris Box Service, Inc. <sup>4</sup>	221,626
Total	\$145,390

Garaventa provided calendar year ended December 31, 2008, audited financial statements for the following five (5) companies:

- Brentwood Disposal Service, Inc.
- Delta Debris Box Service, Inc.
- Discovery Bay Disposal, Inc.
- Oakley Disposal Service, Inc.
- Pittsburg Disposal and Debris Box Service, Inc.

**Appendix B** includes these audited financial statements.

<sup>4</sup> Not audited, but represents the County's allocated portion of the total Pittsburg Disposal & Debris Box Service, Inc. business.

From an audited financial statement perspective, 2008 was not highly profitable for Garaventa.<sup>5</sup> For calendar year 2008, **Table 1-3**, left, shows profit levels (before income taxes) reported by Garaventa on its 2008 audited financial statements. The \$145,390 in profit represents a 98 percent operating ratio based on costs of approximately \$9.2 million, well above the 90 percent target operating ratio (i.e., at a lower profit level).

The Application includes all revenues and expenses of the Ironhouse Sanitary District service area. At the time of this writing, oversight of this franchise was being transferred from the Ironhouse Sanitary District to the City of Oakley.<sup>6</sup> The City of Oakley also was finalizing terms of a new franchise agreement. Terms of the new franchise required Oakley Disposal Services to implement a new cart-based residential collection system. This new cart-based system includes a refuse cart (with 32-, 64-, and 96-gallon options, weekly), a 96-gallon recycling cart (bi-weekly service), and a 96-gallon yardwaste cart (bi-weekly service). The services begin in October, 2010. Even with this change in franchise oversight, Garaventa agreed that our rate review scope should fully include the revenues, and costs, of the Ironhouse Sanitary District service area.

### E. Garaventa Enterprises and Related Companies

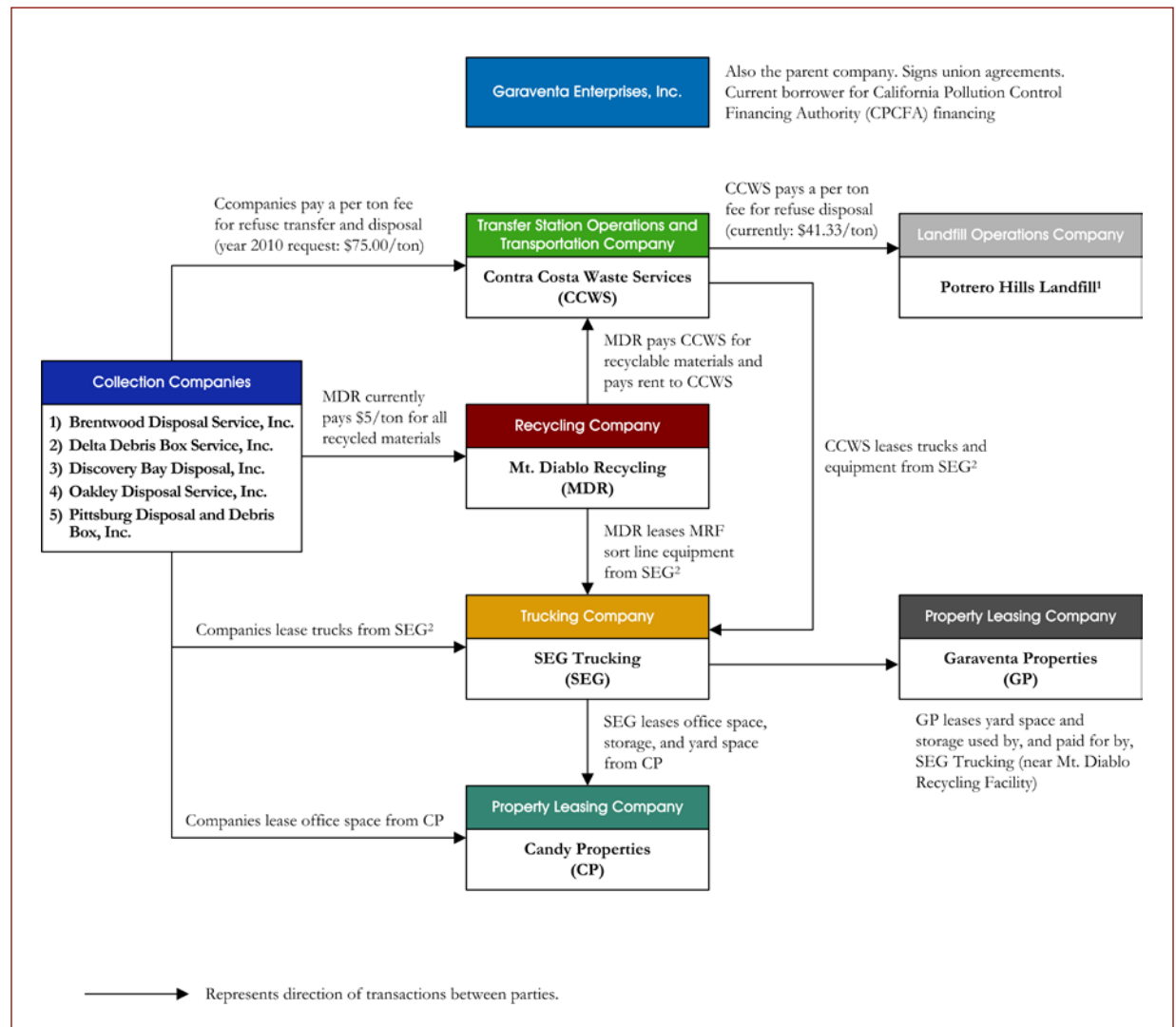
As background for this review, in **Exhibit 1-2** on the next page, we show the relationship of Garaventa to its related companies. Garaventa

<sup>5</sup> Profit levels shown on Garaventa audited financial statements do not reflect the County's treatment of allowable costs, pass-through costs, and non-allowable costs. As part of the County's rate setting process, the County makes rate setting adjustments to Garaventa revenues and costs in order to set rates charged to County customers. After incorporating County rate setting adjustments, Garaventa "rate setting" profit levels are typically higher than "audited financial statement" profit levels.

<sup>6</sup> Effective February 1, 2010, the City of Oakley withdrew from the Regional Agency (a Joint Powers Agreement) which had included Contra Costa County, the City of Oakley, and the Ironhouse Sanitary District.

## Exhibit 1-2

### Related Parties to Garaventa Enterprises and Transactions Flow Diagram



<sup>1</sup> Not a related party to Garaventa, but rather now owned by Waste Connections. CCWS also takes a small amount of refuse to Vasco Road Landfill, also not a related party to Garaventa, but rather owned by Republic Services (current tipping fee of \$31.78 per ton). CCWS takes a small amount of organic materials to Northern Recycling (also not a related party to Garaventa) in Zamora, California (current tipping fee of \$18.00 per ton).

<sup>2</sup> Includes depreciation; interest; direct labor for repair and maintenance (welders and mechanics); parts; fuel and oil; and overhead.

companies servicing the County have related-party transactions with the following five (5) companies:

*Parent Company*

1. Garaventa Enterprises

*Transfer Station and Transportation*

2. Contra Costa Waste Services (CCWS)

*Recyclables Processing*

3. Mt. Diablo Recycling

*Trucking Company*

4. SEG Trucking

*Property Leasing Company*

5. Candy Properties.

Refuse collected by Garaventa is taken to the Contra Costa Waste Transfer Station in Pittsburg, California. Refuse is consolidated and transported by CCWS to Potrero Hills Landfill in Solano, County, a landfill owned and operated by Waste Connections. Waste Connections is not a related party company to Garaventa.

Recyclables collected by Garaventa are taken to the Materials Recovery Facility (MRF) for processing. The MRF is operated by Mt. Diablo Recycling. This MRF is collocated in Pittsburg, California with the Contra Costa Waste Transfer Station.

Yardwaste collected by Garaventa is taken to the Contra Costa Waste Transfer Station. Yardwaste is consolidated and transported by CCWS to Potrero Hills Landfill in Solano, County, where it is composted by Waste Connections.

SEG Trucking leases trucks and equipment to Garaventa companies serving the County. Candy Properties leases office, storage, and yard space to Garaventa companies serving the County.

We reviewed transactions between Garaventa companies serving the County, and these related entities, for reasonableness and consistency with County rate setting practices and treatment.

**Table 1-4**

**Contra Costa County  
Garaventa-Served Areas  
Residential Solid Waste Collection  
Rate Changes (1993 to 2009)**

Year	Rate Year Type	Approved Rate Change
1. 1999	Interim	None
2. 2000	Interim <sup>7</sup>	+7.7 to 8.5% (new green waste program)
3. 2001	Interim	None
4. 2002 <sup>8</sup>	Base	+7.66% (implemented in 2003)
5. 2003	Interim	None
6. 2004	Interim	+0.00% residential +11.79% commercial
7. 2005	Interim <sup>9</sup>	+3.89%
8. 2006	Interim <sup>10</sup>	+2.69%
9. 2007	Base <sup>11</sup>	+6.44%
10. 2008	Interim <sup>12</sup>	+6.71%
11. 2009	Interim	None

## F. Rate History

Every four years, the County conducts a Base Year rate review of Garaventa solid waste collection services. Since the County developed the Manual in 1998, the County has conducted two base year rate reviews in 2002 and 2007.<sup>13</sup> This 2010 base year review represents the third base year review. Interim years, which occur in each of the three years between base years, follow a simplified approach.<sup>14</sup>

Rate changes since the Manual's inception are shown in **Table 1-4**, above. Garaventa requested,

<sup>7</sup> Effective July, 2000.

<sup>8</sup> Approved by the Board on December 17, 2002, and implemented in 2003. Rates were regionalized at that time. There was no interim application submitted in 2003.

<sup>9</sup> Approved by the Board on April 12, 2005.

<sup>10</sup> Approved by the Board in April, 2006.

<sup>11</sup> Approved by the Board in May, 2007.

<sup>12</sup> Approved by the Board on April 5, 2008.

<sup>13</sup> The 2001 base year review was initiated in 2001 and completed in February 2002.

<sup>14</sup> Garaventa has the option to submit an interim year rate application.

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and the County approved, rate changes in seven (7) years of the eleven (11) years since the County adopted the Manual in 1998. There was no rate change implemented in 1999, 2001, 2002, and 2009.

Residential rates have increased 3.2 percent per year, on an average compounded basis, since 1998. During this same eleven-year period, the

Consumer Price Index (CPI) increased by 2.7 percent per year, on an average compounded basis. On a program adjusted basis (removing the 2000 rate increase for a new green waste program), residential rates have increased 2.5 percent per year compared to the 2.7 percent per year average for the CPI.

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## **Section 2**

### **Baseline Residential Refuse, Recycling, and Yardwaste Collection Services**

## 2. Baseline Residential Refuse, Recycling, and Yardwaste Collection Services

This section describes the current residential collection system in use for the County. The collection system includes the containers, trucks, equipment, and facilities used by Garaventa to collect and handle County residential refuse, recycling, and yardwaste.

Container types, collection trucks, and material processing methods are described for refuse, recycling, and yardwaste services. Garaventa currently uses a mix of automated side-loader trucks and semi-automated front-loader trucks for refuse; manual, side-loader trucks for curbside recycling collection; and a mix of semi-automated trucks and rear-loader trucks for yardwaste collection.

The section identifies current refuse, recycling, and yardwaste operating metrics for the County. Recyclable materials accepted in the County's current two crate system are identified. Existing and historical recycling tonnages, and County diversion levels, also are presented.

This section provides baseline data for the County to use to measure implementation progress should it adopt the proposed three-cart collection system, including single stream recycling. An understanding of the current collection system is necessary so planned changes to the system can be clearly identified, and future potential efficiencies and cost-savings tracked and quantified. This section also identifies some of the potential operational issues associated with the current system.

This section is organized as follows:

- A. Current Refuse Collection Services*
- B. Current Curbside Recycling Collection Services*
- C. Current Yardwaste Collection Services*
- D. Historical County Diversion Levels*
- E. Customer Satisfaction with Refuse, Recycling, and Yardwaste Collection.*

### A. Current Refuse Collection Services

The County's current residential refuse collection system design began in the early 1990s. Over the years, Garaventa has taken an operations approach that maximized the longevity of system assets by focusing on ongoing regular maintenance and repair of containers, trucks, and equipment.



## 2. Baseline Residential Refuse, Recycling, and Yardwaste Collection Services

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**Picture 2-1**

Current Residential Customer Setout with Customer-provided Can



**Picture 2-2**

Current Residential Customer Setout with 96-gallon Cart



**Picture 2-3**

Automated Side Loader Truck



**Picture 2-4**

Cart Being Lifted by Arm of Side Loader Truck



### 1. Refuse Containers

For refuse, County customers can either (1) provide their own 20-gallon mini can, (2) provide their own single can<sup>1</sup>, or (3) rent a 96-gallon wheeled cart. Refuse collection is weekly. **Picture 2-1**, above, shows a sample setout with a customer-provided container. A sample setout for 96-gallon wheeled cart service is shown in **Picture 2-2**, above.

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<sup>1</sup> Garaventa will accept up to 40 gallons of refuse in the can.

### 2. Refuse Collection Vehicles

Garaventa collects refuse with some automated side loaders and some three-axel, front loader, “semi-automated” trucks. Automated trucks allow the driver to use an arm located on the side of the truck to lift the carts. The driver does not have to exit the vehicle, but rather operates the arm via a joystick located inside the truck. An example of an automated side loader truck serving the Oakley area is shown in **Picture 2-3**, above. A picture of the cart being lifted by the arm is shown in **Picture 2-4**, above.

For the semi-automated service, the driver exits the truck, places a refuse can, or wheels a refuse cart, onto a “tipper” which is mounted to the side of a larger bin located at the front of the truck. The driver then engages the tipper which lifts the can or cart to deposit the material into this larger bin. When full, the forward bin is raised over the front of the truck cab where the refuse is tipped into the truck body.

Automated refuse collection trucks pick up an average up to 600 households per day. Current semi-automated refuse collection trucks pick up, on average, approximately 300 to 450 households per day. For refuse, Garaventa indicates that they have virtually a 100 percent setout rate (i.e., the number of customers putting their container out on a given day). Trucks have a capacity of approximately 30 cubic yards per truck. Trucks make on average between one and two trips, per route, per day to unload collected refuse at the Contra Costa Waste and Transfer facility, located in nearby Pittsburg, California.

### 3. Refuse Disposal

Collection trucks empty refuse on the tipping floor at the Contra Costa Waste and Transfer facility. Refuse is consolidated into transfer trailers and hauled to Potrero Hills Landfill in Solano County. Contra Costa Waste Service (CCWS), the operator of the Contra Costa Waste and Transfer facility, has a disposal agreement with Waste Connections, Inc., the owner/operator of Potrero Hills Landfill.

Residential refuse tonnage and the number of residential accounts are shown in **Figure 2-1**, on the next page. While the number of County accounts has been increasing since 2004, disposal tonnage has declined materially. In 2009, Garaventa collected 25,968 tons of residential refuse. In 2008, each County residential account generated approximately 1.5 tons of refuse per year. This compares with over 1.8 tons of refuse per year in 2004.

## B. Current Curbside Recycling Collection Services

Garaventa County area customers are currently provided two, 14-gallon crates for recycling. The system was implemented in the late 1980s following passage of Assembly Bill 939 (AB 939). Formerly, the two-crate recycling program required County customers to sort recyclable materials into fiber and other materials. With the construction of the Mt. Diablo Recycling Center, and the ability to process single stream recyclables now, County customers do not need to sort recyclable containers into fiber and other materials. County customers can combine their recyclables into each of the two containers.

The two crate system does have some obvious limitations. The standard 28 gallon capacity may be limiting for some larger recyclers. Customers must manually lift the crates and carry them to the curb. On rainy days, fiber materials can get water logged making the crates difficult to lift. Also materials can blow away from the crate on windy days. Surplus recyclables (beyond the 28 gallon capacity) may be placed in the refuse container.

Garaventa has had ongoing difficulty with theft of recyclables from curbside crates. Materials in crates are easily viewed and accessed.

### 1. Recycling Crates

County customers are provided two, 14-gallon crates, a blue and a white one. Since implementation, the blue crate has been used for fiber materials (cardboard, newspaper, magazines, and mixed paper), and the white crate has been used for commingled plastic, metal, and glass containers and materials. Recently this color-based separating was eliminated.

Garaventa also will accept additional bags of recyclables, or bundles of tied cardboard, if they are set out next to the two crates. Blue and white crates are shown in Pictures 2-1 and 2-2. Recycling services are weekly.

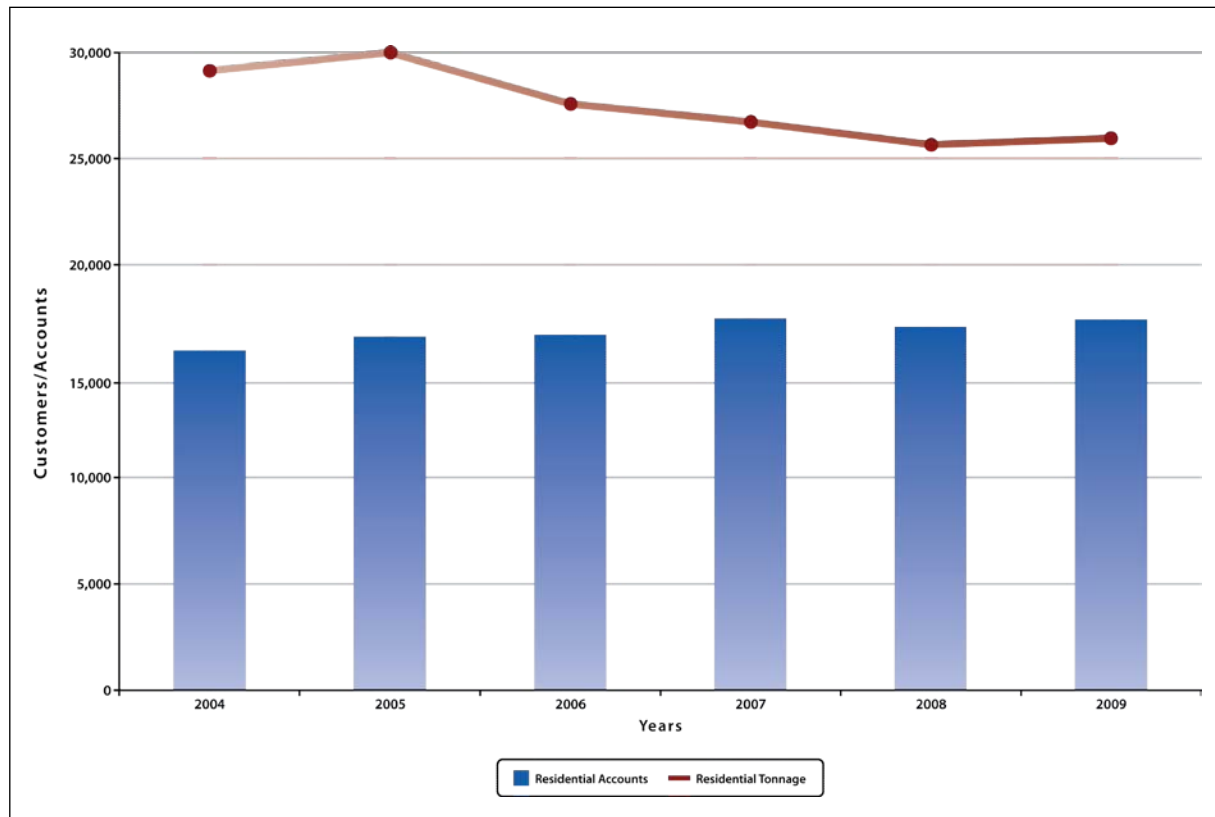
### 2. Recyclable Materials Accepted

Specific materials allowed in the recycling crates include:

#### Fiber Materials

- Boxes and packages
- Carbonless paper
- Cardboard
- Catalogs
- Chipboard (cereal boxes, shoeboxes)
- Construction paper
- Copy paper
- Coupons
- Envelopes with metal clasps
- Envelopes with plastic windows
- Junk mail
- Loose newspaper
- Magazines
- Manila folders
- Newspaper inserts
- Paper (colored)
- Paper (office)
- Paper (white)
- Paper bags
- Paper packaging (with remnant tape)
- Pizza boxes (clean)
- Shredded paper (in a plastic bag)
- Telephone books.

**Figure 2-1**  
Residential Tonnage and Residential Accounts (2004 to 2009)<sup>2</sup>



<sup>2</sup> Residential tonnage includes both refuse and yardwaste. Year 2003 data were not available.

### Other Materials

- 5-gallon buckets
- Aluminum cans
- Aluminum foil (clean)
- Aluminum pie plates
- Colored plastics-HDPE #2
- Detergent bottles
- Egg cartons (non-Styrofoam™)
- Food cans (clean)
- Glass bottles
- Glass jars
- Laundry baskets
- Milk jugs
- Milk/juice cartons
- Narrow neck plastic bottles (#1 & #2)
- Paper towel and towel paper tubes
- Pet food cans
- Plastic bags
- Plastic food containers (clean)
- Plastic milk/water jugs-HDPE #2
- Plastic plant pots
- Plastic toys (such as tricycles)
- Plastics #1-#7 (California redemption)
- Plastics #1-#7 (non-California redemption)
- Salad dressing bottles (rinsed)
- Shampoo and bleach bottles
- Soft covered books
- Soft drink bottles-PET #1
- Steel cans
- Tin cans
- Tubs and containers (yogurt, margarine)
- Water jugs.

Unacceptable materials, or materials that cannot be included in the recycling crates, include the following:

- Aerosol cans
- Appliances
- Batteries
- Car parts
- CDs or DVDs
- Ceramics
- Chains
- Diapers
- Drinking glasses
- Electronics
- Fabrics
- Facial tissue
- Food
- Garden hoses
- Green waste
- Hazardous waste
- Light bulbs
- Liquid
- Metal
- Paper towels
- Plates
- Rocks
- Ropes
- Shoes
- Styrofoam™
- Toilet paper
- Videotapes
- Wire
- Window glass
- Wood.



### 3. Recycling Collection Vehicles

Garaventa collects recyclables either using front loader trucks or smaller side loader trucks. The front loader operations have been described in prior sections. Garaventa also collects recyclables manually using two-axle, side loader trucks. The driver exits the truck and picks up each crate and empties the material into a three-bin system located on the right side of the truck.

The driver operates a control that automatically raises and tips the material from the bins into the body of the truck. The side loader trucks have separate compartments in the truck body to store the recyclables.

Drivers currently view recyclable materials in the crates for potential contaminants. If a load is contaminated, the driver will provide a yellow tag to the customers informing them of the contaminated load and also may leave the load. This enforcement mechanism is however seldom required with the current system as most customers understand and follow the crate system requirements.

### 4. Recycled Materials Processing

Curbside recyclables are taken to Garaventa's Mt. Diablo Recycling Facility, collocated with the Contra Costa Waste and Transfer facility, in Pittsburg, California. Garaventa sells recyclables to Mt. Diablo Paper Stock, a related company.<sup>3</sup> Mt. Diablo Paper Stock sorts and prepares materials for transport to a processor or end user.

The MDRC includes a 90,000 square foot building; a large open floor staging area; and an advanced, computer driven, materials sort line. Garaventa Enterprises constructed the MDRC using the most current and advanced sorting equipment and capabilities. Features of the new MDRC include:

- An education center and facility viewing area

- An expansive tipping floor to maximize the efficiency of loading the in-feed conveyer (the location where materials enter the sort line)
- A continuous re-run feature which allows for materials to run through the sort line multiple times to maximize sorting and minimize residuals which must be disposed of
- A large Harris brand baler (a reputable and well-known manufacturer)
- Extensive capabilities for storing baled recyclables
- Ten (10) pre-sort stations to fully remove refuse before separation of recyclables
- Twenty-three (23) total stations on the sort line.

Mt. Diablo Recycling brokers aluminum and plastic materials through Recycle Zone in Fairfield, California. Mt. Diablo Recycling ships paper products, via a broker, to China. Mt. Diablo Recycling delivers glass materials to Strategic Materials, a processor located in San Leandro, California.

Materials are emptied from the recycling truck to the tipping floor of a Mt. Diablo Recycling Center (see **Picture 2-3**, on the next page). Once tipped, a loader pushes the material to the in-feed conveyer. Materials are moved up the conveyer an elevated pre-sort station where non-recyclable materials are removed (**Picture 2-4**, on the next page). Following a series of mechanical and manual sorting efforts along the sort line, materials are baled with the baler located in the warehouse (see output in **Picture 2-5**, on the next page).

### 5. Recycling Tonnage

County curbside recycling tonnage has been declining. Between 2006 and 2008, curbside recycling tonnage averaged 3,045 tons per year. However, tonnage declined over this three-year period, by thirteen (13) percent from 3,267 tons in 2006 to 2,828 tons in 2008.

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<sup>3</sup> Mt. Diablo Paper Stock also is a certified recycling center.

**Picture 2-3**

Tipping Floor of the Mt. Diablo Recycling Center  
(with Sort Line in Background)



**Picture 2-4**

Sorting Stations at the Mt. Diablo Recycling Center



## **C. Current Yardwaste Collection Services**

Garaventa collects yardwaste bi-weekly in customer-provided containers. Garaventa uses manual collection methods with both front loader and rear loader trucks. Yardwaste collection operations require drivers to regularly lift heavy containers (cans and bags), resulting in more frequent lifting-related injuries. The current yardwaste program began in 2000.

**Picture 2-5**

Curbside Containers After Baling  
At Mt. Diablo Recycling Center



### **1. Yardwaste Containers**

Garaventa County area customers provide their own containers, or bags, which are collected at the curb. Customers can either place two (2), 32-gallon containers or five (5) bags (each bag with a maximum of 32-gallons of materials) at the curb. Customers cannot rent a toter from Garaventa for yardwaste, but must provide their own containers. This service is bi-weekly. This represents a current maximum set out quantity of 160 gallons every other week, or 80 gallons per week.

### **2. Yardwaste Materials Accepted**

Specific materials allowed in the yardwaste containers include:

- Brush
- Cactus

- Flower and flower cuttings
- Grass
- Garden trimmings
- Hay
- House plants
- Leaves
- Pruning
- Shrubbery
- Straw
- Tree trimmings
- Tree twigs and branches (6" or less in diameter and 3' or less in length, must be in containers)
- Weeds
- Wood chips
- Yard debris.

Unacceptable materials, or materials that cannot be included in the yardwaste containers, include the following:

- Fruit
- Hazardous waste
- Inorganic materials (or recycling materials like plastics, cardboard, paper, etc.)
- Large tree trunks and stumps (greater than 6 inches in diameter or more than 3 feet in length)
- Plastic bags
- Pet waste
- Rocks and concrete
- Sod and dirt
- Solid waste
- Wood or treated lumber.

### 3. Yardwaste Collection Vehicles

Garaventa currently removes yardwaste using a three-axel, front loader or rear loader truck. As

for refuse, for the front loader, the driver exits the vehicle and either uses the front tipper (for cans) or manually dumps the material into the larger front bin located at the front of the truck.

For the rear loader, the driver exits the truck, picks up the cans/bags, and deposits the yardwaste into the open hopper located at the rear end of the truck. The driver operates a control that automatically compacts and pushes the yardwaste into the body of the truck using a hydraulic system.

### 4. Yardwaste Processing

The County's yardwaste material is taken to the Contra Costa Waste and Transfer facility where it is consolidated and prepared for transport via transfer trailers to Potrero Hills Landfill. At Potrero Hills Landfill the yardwaste material is composted.

Recently reported yardwaste tonnage has been declining. Garaventa collected 2,074 yardwaste tons in 2006, 1,826 yardwaste tons in 2007, 1,654 tons in 2008, and 1,738 yardwaste tons in 2009. From 2006 to 2009, yardwaste tonnage decreased sixteen (16) percent.

In **Table 2-1**, on the next page, we summarize truck types and collection methods for each service type.

## D. Historical County Diversion Levels

The County and Garaventa have continuously worked together to meet AB 939 diversion goals. Recent diversion levels are shown in **Figure 2-2**, on page 2-10. Between 2001 and 2004, the County was slightly below the 50 percent AB 939 goal. In 2005 and 2006, the County exceeded the 50 percent AB 939 goal. In 2007 and 2008, the County easily met the new CalRecycle pounds disposed per day goal requirement (equivalent to the 50 percent diversion objective), on both a per resident, and per employee, basis.

**Table 2-1**  
**Contra Costa County**  
**Trucks Used by Garaventa Companies**

Service Type	Truck Type	Capacity	Method
Refuse	Front Loader (3-Axle)	30-35 cubic yards	Driver exits; moves cart to front of truck; operates small tipping device in front of truck to lift cart into bin; once full front bin is lifted over the top of the truck and contents deposited into body
	Side Loader – Automated (3-Axle)	31 cubic yards	Driver remains in truck; uses joystick to operate arm on side of vehicle; grabs and picks up carts; empties contents into truck body
Recycling	Side Loader (2-Axle)	15-20 cubic yards	Driver exits; manually empties contents of crate into bins on side of vehicle
	Front Loader (3-Axle)	30-35 cubic yards	Driver exits; moves cart to front of truck; operates small tipping device in front of truck to lift cart into bin; once full front bin is lifted over the top of the truck and contents deposited into body
Yardwaste	Front Loader (3-Axle)	30-35 cubic yards	Driver exits; moves cart to front of truck; operates small tipping device in front of truck to lift cart into bin; once full front bin is lifted over the top of the truck and contents deposited into body
	Rear Loader (3-Axle)	30 cubic yards	Driver exits; manually empties container into open rear compartment; once full material is compacted into truck body

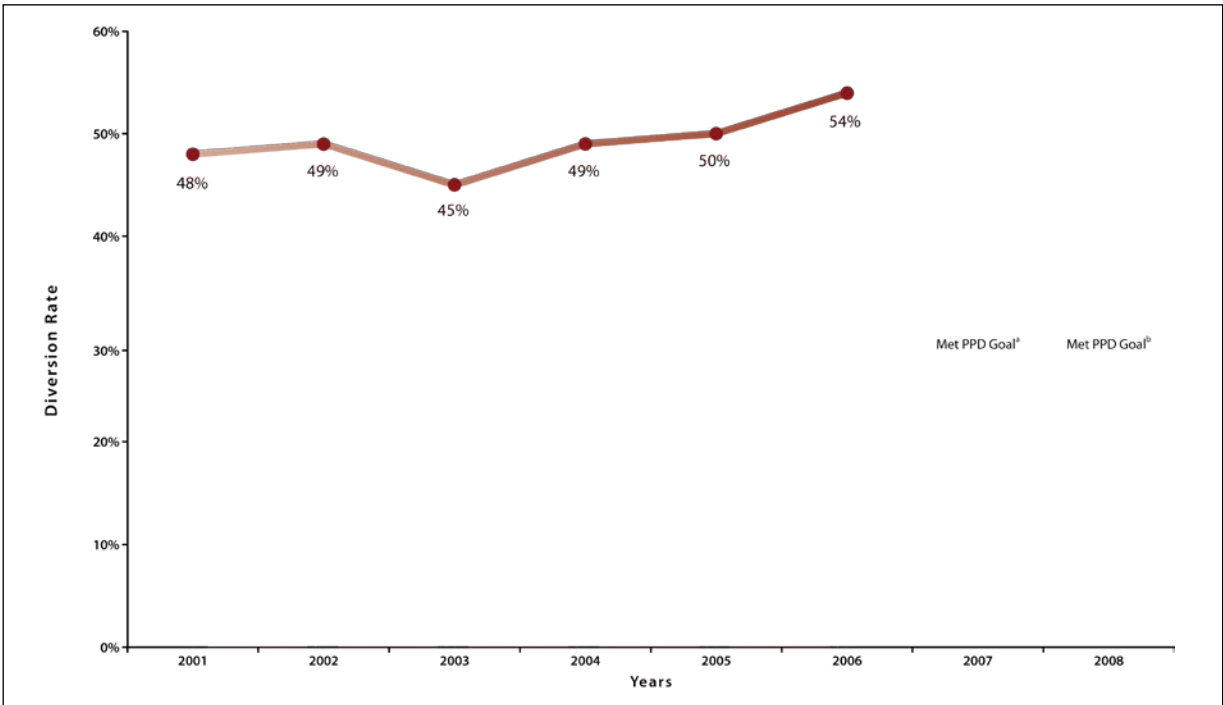
In 2006, Garaventa collected 3,267 tons of material from the residential curbside recycling program. This is the equivalent of a 1.2 percent contribution to the 2006 diversion rate of 54 percent. In 2006, Garaventa collected 2,074 tons of material from the residential yardwaste program. This is the equivalent of a 0.7 percent contribution to the 2006 diversion rate of 54 percent.

In general, the level of diversion from residential curbside recycling and yardwaste is relatively small. However, it is a contributing factor, and is important particularly when the County is seeking to enhance all sources of diversion.

### **E. Customer Satisfaction with Refuse, Recycling, and Yardwaste Collection**

County residential customers are very satisfied with refuse, recycling, and yardwaste services. In the 2009 customer satisfaction survey of 284 households, nearly 100 percent of customers responding rated garbage service either excellent, good, or average and 90 percent rated garbage service either excellent or good. Satisfaction ratings for recycling and yardwaste collection services were below refuse collection, but customers were still very satisfied with these services. A total of approximately 86 percent of residents surveyed rated recycling services excellent, good, or average, and approximately 83 percent of residents surveyed rated yardwaste services excellent, good, or average. We summarize results of the 2009 customer satisfaction survey in **Appendix C**.

**Figure 2-2**  
Diversion Levels (2001 to 2008)



<sup>a</sup> The annual per capita disposal rate, per resident, was 3.2 pounds per day (PPD), below the 3.9 PPD target. The annual per capita disposal rate, per employee, was 18.4 pounds per day (PPD), below the 21.6 PPD target.

<sup>b</sup> The annual per capita disposal rate, per resident, was 3.1 pounds per day (PPD), below the 3.9 PPD target. The annual per capita disposal rate, per employee, was 18.0 pounds per day (PPD), below the 21.6 PPD target.



## **Section 3**

### **Proposed Residential Refuse, Recycling, and Yardwaste Services**



### 3. Proposed Residential Refuse, Recycling, and Yardwaste Services

This section describes the proposed new three-cart system. Should the County and Garaventa agree to terms of the new system, Garaventa will offer the County resident the choice of three refuse cart sizes. Garaventa will introduce a new 96-gallon cart for curbside recycling collection, collected bi-weekly. Garaventa will provide every other week, cart-based, yardwaste collection. As with the previous section, this section is organized by the three types of residential services: refuse, recycling, and yardwaste services.

With the new three-cart program, the County will increase its diversion rates from the curbside recycling stream and the additional cart-based yardwaste capacity. Diversion estimates are provided in this section.

Garaventa Enterprises has constructed a new state-of-the-art Materials Recovery Facility (MRF) run by Mt. Diablo Recycling in Pittsburg, California. Garaventa will use this MRF to process the County's single stream recyclables. Use of this facility is discussed in this section.

Finally, we provide a discussion of whether or not there will be efficiencies for the new three-cart program. This section is organized as follows:

- A. Proposed Refuse Collection Services*
- B. Proposed Single Stream Cart-Based Curbside Recycling Services*
- C. Proposed Yardwaste Program*
- D. Potential for Increases in Diversion*
- E. New System Cart Setout*
- F. Projected System Efficiencies.*

#### A. Proposed Refuse Collection Services

Garaventa will distribute new refuse carts to all County residential customers beginning in 2011. Garaventa will collect these new carts using a mix of front loader and side loader trucks similar to the mix of front and side loader trucks currently used.

##### 1. Refuse Carts

Garaventa will purchase and provide County residential customers new wheeled containers (referred to as carts or toters) for refuse. Customers will select one refuse cart from the following four (4) sizes:

- 20-gallon
- 32-gallon
- 64-gallon
- 96-gallon.





There will no longer be a separate toter rental charge.<sup>1</sup> New cart costs will be reflected in rates charged.

Most County customers (96 percent) currently rent 96-gallon refuse toters from Garaventa so they are familiar with using a rolled cart for refuse collection. The County will use a tiered rate structure to provide a rate incentive for customers to “downsize” from the current 96-gallon service level to smaller cart sizes.

## 2. Refuse Collection Vehicles

With the fully cart-based refuse collection system, where possible, Garaventa will utilize side loaders to collect the refuse. With side loader vehicles, the driver does not exit the truck and physically pick up or roll the container to the tipper. Instead, the truck has a hydraulic arm (called a gripper) that is used to grab the cart from the curb, tip the cart into the truck, and return the empty cart to the curb. The driver operates the hydraulic arm using a joystick control inside the cab next to the driver’s seat. An example of an automated side-loader truck used by Garaventa is shown in **Exhibit 3-1**, on the next page.

Garaventa is considering alternative fuels for its automated trucks. Garaventa’s current fuel vendor has the capacity to deliver biodiesel fuel. Garaventa is developing a pilot program for biodiesel use. There are two forms of biodiesel, B5 and B20.<sup>2</sup> Garaventa is evaluating among other factors, the fuel costs, truck efficiencies (mpg), and truck performance/break down potential, before electing to fully incorporate this fuel source. Garaventa also has indicated it is researching low-sulfur diesel fuel.

## 3. Refuse Disposal

Garaventa will continue to take refuse trucks to the Contra Costa Waste Transfer Station in

Pittsburg, California. Garaventa will continue to empty truck contents on the tipping floor, consolidate refuse into transfer trailers, and haul the material to Potrero Hills Landfill in Solano County for landfilling.

## B. Proposed Single Stream Cart-Based Curbside Recycling Services

For curbside recycling collection, Garaventa will replace the current two-crate system with a single wheeled 96-gallon cart (bi-weekly service).<sup>3</sup> County customers will place all recyclable materials together into the cart.

County customers currently do not have to sort their recyclables by material type into either crate. Instead, County customers combine their recyclables into either crate. Thus, the current program is effectively a single stream program. Formerly, County customers sorted specific materials into the two crates (referred to as a “dual stream” or source separated program).

County customers will have the convenience of using a wheeled cart. Customers no longer will manually pick up and carry recycling crates to the curb.

### 1. Recycling Carts

Garaventa will purchase and provide County residential customers new 96-gallon wheeled containers (referred to as carts or toters) for recycling. The new 96-gallon cart (bi-weekly service) exceeds the current capacity of the two 14-gallon crate system (weekly service) by 20 gallons per week.<sup>4</sup> With this greater recycling capacity, customers can divert recyclable materials that may have previously been disposed of in refuse containers.

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<sup>1</sup> Current 96-gallon refuse carts are available to customers at a cost of \$3.00 per customer, per month.

<sup>2</sup> Based on the portion of the fuel that is biodiesel. For example B20 is made up of twenty percent biodiesel.

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<sup>3</sup> For those who request alternative recycling capacity, Garaventa will provide an additional 64-gallon cart for \$3.00 per customer, per month.

<sup>4</sup> Garaventa also will pickup recyclable materials placed in bags next to the crates or cardboard that is tied and bundled. We are not certain as to how many customers exceed the current 28-gallon capacity.

**Exhibit 3-1**  
**Automated Side Loader Truck**



## 2. Recycling Materials Accepted

Garaventa will continue to collect all of the recyclable materials currently allowed in the crate recycling containers. We summarize the list of allowable recyclable materials on page 2-4.

## 3. Recycling Collection Vehicles

Garaventa will collect single stream recyclables with three-axel front loader “semi-automated” trucks. The driver will exit the truck and wheel the recycling cart onto a tipper in the front of the truck. The driver will use the tipper to raise and empty the contents of the cart into a larger bin mounted to arms located at the front of the truck. In this way, the driver can view the recyclables for contaminants as the material is tipped.<sup>5</sup> When full, the front bin will be raised over the front of the truck cab where recyclables will be tipped into the truck.

In the future, Garaventa may want to use automated side loaders for recycling collection. Over time, Garaventa may transition to these side loaders, but initially, Garaventa and the County will like the option to continue to view the material as it is tipped so that contamination may be monitored. With an automated side loader, it is more difficult to identify contamination levels as the carts are directly tipped into the truck. In the future, should Garaventa move toward automated side loader trucks for recyclables collection, Garaventa should consider placing cameras to view cart contents as they are tipped into the automated side loader.

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<sup>5</sup> Viewing the recyclable materials both prior to tipping, and during the tipping process, will allow Garaventa drivers to tag the customers cart if there is contamination, noting the contamination issue. With repeat offenders, Garaventa drivers also may leave the full recycling cart uncollected, and place a tag on the cart noting the contamination problem.

## 4. Materials Recovery Facility Sort Line

At the MRF, recycling trucks will empty single stream materials on a tipping floor. A loader pushes the materials into a hopper. An inclined conveyor takes the materials from the hopper up to an elevated pre-sort area where laborers (sorters) manually remove refuse, large items (primarily cardboard), and potentially glass bottles, and deposit these items into up to four bunkers located below the sort line. Materials pass through a series of three consecutive separate screens designed to remove old cardboard, old newspaper, and glass.

Following the screenings, remaining materials pass through an eddy current separator, and potentially a magnetic separator, where non-ferrous metals are sorted from remaining plastic materials (into aluminum cans and separately scrap metals). Finally, plastics and fines pass through a manual sorting area where laborers (sorters) pick out and separate them into various plastic types (type #1 PET, #2 HDPE, and other plastics). To maximize diversion from the recyclable stream, materials remaining at the end of the sort line, called “residuals,” are returned through the sort line throughout the day as a “continuous sort.” There is a large baler used to continuously bale recyclable materials.

In addition to the County, Garaventa uses the MRF sort line to process recyclables from the following other jurisdictions:

- City of Concord
- City of Pittsburg
- City of Rio Vista
- City of Vallejo (residuals from Recology Vallejo’s sort line).

The County’s single stream curbside program material is weighed when it enters the facility (i.e., inbound). Materials are then combined with materials from other jurisdictions prior to

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entering the MRF sort line. The County receives credit for its proportionate share of the outbound recyclables sent to processors/end users.

## **5. Single Stream Recycling Program Tonnages**

One benefit of transitioning from the County's existing two crate program to a single stream program is the potential for increased recycling tonnage. Garaventa projects curbside recycling tonnage will increase by approximately 18 percent. We believe this expected increase is reasonable as a result of the combination of (1) the additional 20 gallons of recycling capacity in the 96-gallon cart, and (2) the new tiered rate structure which provides an incentive in the form of a lower rate for those customers that recycle more.

Other jurisdictions have had relatively large increases in recyclables collected following the transition to a single stream cart-based program. The cities of Concord, Fremont, San Leandro, and Livermore increased curbside recyclable volumes by 15 to 45 percent following a shift from dual to single stream. The cities of Antioch, Benicia, Clayton, Martinez, and Pleasant Hill had a 35 to 40 percent increase in the recycled material collected. Following implementation of single stream recycling, most recycling programs "eventually settle into a 30 percent increase after an initial surge in recycling tonnage."<sup>6</sup>

We believe the 18 percent estimate for the County may be conservative in light of the above comparative jurisdiction estimates. However, these other jurisdiction metrics followed shifts to entirely new single stream programs, whereas the County already effectively has a single stream program in place (i.e., even though the County uses two crates).

## **6. Single Stream Residual Rates**

Residuals from a residential single stream recycling program vary between 10 percent and 40 percent of the collected tonnage. For example, the City of Los Angeles' residual rate went from 10 percent (dual stream) to 25 percent (single stream). In a study of 70 single stream facilities nationwide, the Government Advisory Associate found residue averaged 16.6 percent for single stream programs compared with 6.6 percent for dual stream systems.

We expect that with continuous education, the County will be able to minimize its residuals to some extent. However, the County should expect residuals to range from 10 to 20 percent of the single stream residential curbside recycling tonnage.

## **C. Proposed Yardwaste Program**

In the new system, Garaventa will provide a 96-gallon cart to each County resident for yardwaste service. Garaventa will collect yardwaste using semi-automated front loader trucks.

### **a. Yardwaste Containers**

For yardwaste, customers will be provided one 96-gallon wheeled cart. For approximately one-half of these customers, Garaventa will use the existing 96-gallon totes currently used for refuse collection (i.e., those in good condition). For the additional one-half of the customers, Garaventa will purchase new 96-gallon totes. Yardwaste totes will be green in color. The County will transition from green refuse totes to green yardwaste totes.

### **b. Yardwaste Collection Vehicles**

Garaventa will collect residential yardwaste using three-axle semi-automated front loaders. Garaventa will continue to utilize the front loaders currently used for yardwaste collection.

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<sup>6</sup> Source: Jerry Powell, editor of Resource Recycling.

#### c. Yardwaste Processing

Garaventa will continue to take the County's yardwaste to the Contra Costa Recycling Center and Transfer Station where Garaventa will consolidate the material and prepare it for transport via transfer trailers to Potrero Hills Landfill. At Potrero Hills Landfill the material will continue to be composted.

Garaventa expects a 25 percent increase in yardwaste tonnage following a shift from customer provided containers to a 96-gallon wheeled cart. We believe this is a reasonable tonnage increase expectation for this new service.

#### D. Potential for Increases in Diversion

With an expected 18 percent increase in curbside recyclables and a 25 percent increase in yardwaste, the County will divert an additional 936 tons. This change to expand diversion capacity also enhances the County's source reduction and recycling programs, a contributing factor considered by CalRecycle in assessing jurisdictional compliance with AB 939.

#### E. New System Cart Setout

Customers will place their carts at the curb. A sample of three-cart setout (refuse, recycling, and yardwaste) is shown in **Exhibit 3-2**, on the next page. The three cart sizes shown are 32-gallon, 96-gallon, and 96-gallon (left to right).

Garaventa will continue to provide all refuse service weekly, and recycling and yardwaste services

every other week. Carts will be colored blue (refuse), brown (recycling), and green (yardwaste).

#### F. Projected System Efficiencies

With the new three-cart system, NewPoint Group does not expect much efficiency savings (in terms of route, driver, or truck usage reductions). There may be some slight savings in terms of avoided disposal costs, but we expect these savings will be minor.

In similar jurisdictions, when a hauler has transitioned to a new cart-based recycling program from a crate-based program, the increased materials setout levels, and overall increased participation, by the residential customers, actually increase the time on route.

For yardwaste collection, while the drivers may be able to more efficiently collect the 96-gallon toters (as opposed to collecting customer provided cans or bags), this efficiency savings likely will be offset by increased yardwaste volumes and customer participation levels.

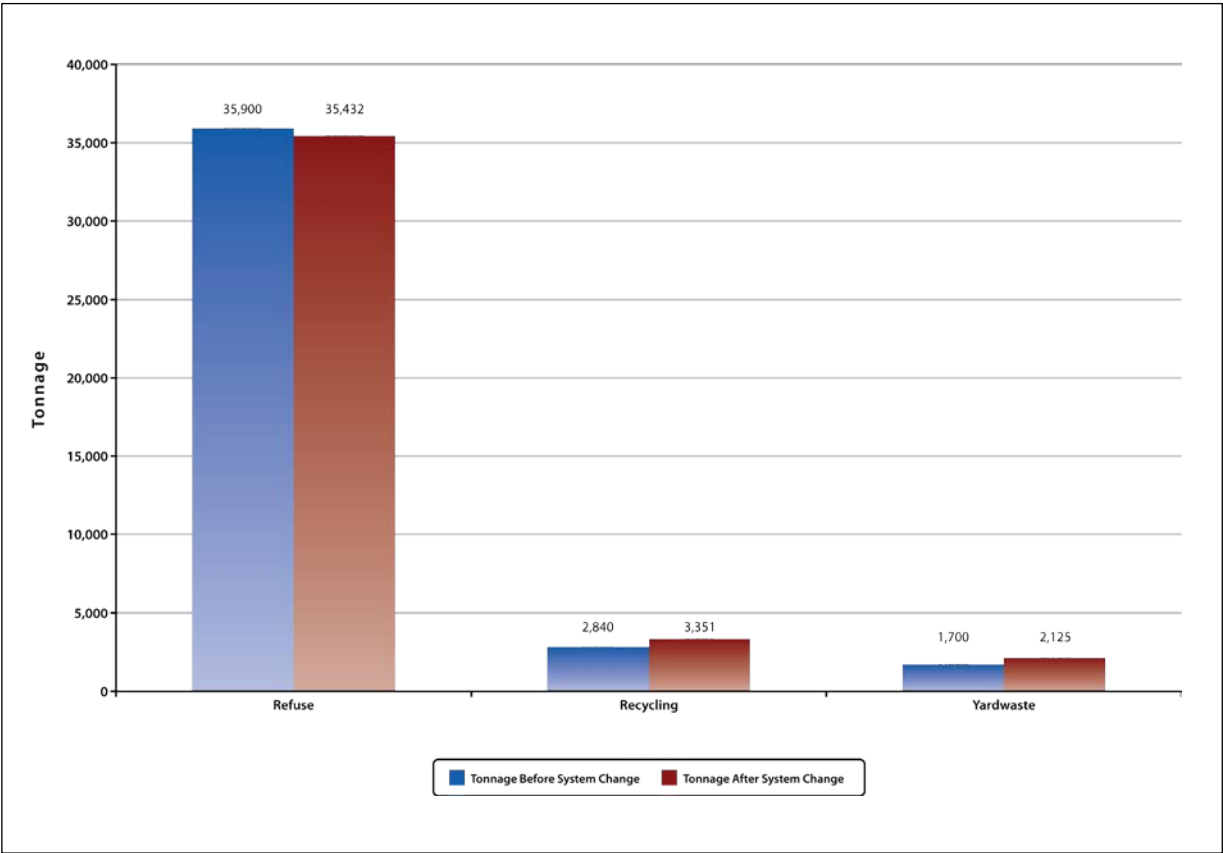
With the three-cart system, NewPoint Group expects a shift in tonnage from refuse to recycling and yardwaste. As shown in **Exhibit 3-3**, on page 3-8, the reduction in refuse collection of 468 tons from 35,900 to 35,432 represents fifty (50) percent of the expected increase in diverted material of 936 tons (i.e., recycling tonnage increase of 511 and yardwaste tonnage increase of 425 tons). The remaining 50 percent of diverted material is expected from material not currently placed in the refuse container.



**Exhibit 3-2**  
Sample Three Cart Setout



**Exhibit 3-3**  
Contra Costa County  
Garaventa-Served Areas  
Tonnage Before and After Proposed System Change







## **Section 4**

### **Review of Rate Application for 2010**

## 4. Review of Rate Application for 2010

This section provides results of our rate review of Garaventa's Application for 2010. We identify cost, revenue, and profit factors influencing this year's review. We also delineate the various cost components that make up the residential rate.

For purposes of this review, we determined the revenue requirement shortfall to Garaventa for 2010. This section is organized as follows:

- A. Rate Setting Requirements in Franchise Agreement and Rate Setting Manual*
- B. Factors Influencing 2010 Rate Review*
- C. NewPoint Group Rate Application Adjustments*
- D. Components of Residential Rate.*

### A. Rate Setting Requirements in Franchise Agreement and Rate Setting Manual

**Exhibit 4-1**, on the following page shows six (6) rate setting policies included in the County's rate regulation of Garaventa. The second column of this exhibit identifies the policy and the third column identifies how we treated the policy for rate setting purposes in this review. All of these key policies were followed for this 2010 review.

### B. Factors Influencing 2010 Rate Review

Between 2008 and 2010, we projected that total Garaventa costs will increase by approximately 10.6 percent. During this same period, total Garaventa revenues will decrease by approximately 2.8 percent (prior to any rate changes). This 13.47 percent difference between Garaventa total costs, and Garaventa total revenues, leads to an approximately \$1,270,000 shortfall for 2010.

#### 1. Costs

We analyzed year-to-year changes in costs and compared these changes with changes in the San Francisco-Oakland-San Jose Consumer Price Index (CPI). We requested explanations from Garaventa for changes in cost categories that exceeded the change in the CPI. The five (5) cost categories, whose change in cost exceeded the CPI, included trucking charges, direct labor costs, tipping fees, franchise fees, and general and administrative costs.

In **Table 4-1**, on page 4-3, we show that five (5) cost factors contributed to the revenue requirement shortfall for 2010. Each of these cost factors is described below.



## 4. Review of Rate Application for 2010

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### Exhibit 4-1

#### Key Rate Setting Policies and Their Treatment in 2010 Garaventa Base Year Rate Review

Rate Setting Area	Special Rate Setting Policy	Treatment in 2010 Projection Year
1. Franchise Fees	Set equal to five (5) percent of gross residential, commercial, and recycling revenues.	Adjusted to equal \$521,754 based on the five (5) percent of gross revenues requirement.
2. General and administrative costs	Allowed up to a cap of 13.2 percent of total costs for corporate, regional, and local general and administrative costs, subject to reexamination in the base year.	Allowed up to a cap of 12.8 percent of total costs for corporate, regional, and local general and administrative costs, based on updated industry averages (for both publicly traded and privately held companies).
3. Office Rent	Allowed with profit (requires three comparable lease rates for office space).	Allowed with profit (checked comparable lease rates of office space).
4. Profit	Allowed to fluctuate between an operating ratio (OR) of eighty-eight (88) and ninety-two (92) percent. Adjusted to a ninety (90) percent OR in base years.	Reset to a ninety (90) percent operating ratio.
5. Tipping Fees	Allowed a set amount per ton in the calculation of profit (the amount is established by County policy).	Allowed with profit at \$45.00 per ton. Amounts over \$45.00 per ton were considered a pass-through expense.
6. Trucking Charges	A pass-through lease cost (requires three comparable lease rates for trucking charges).	No comparable lease rates were available. Reviewed trucking charges in detail and made cost adjustments before allowing trucking leases in rate base.

**Table 4-1**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Components of Revenue Requirement Shortfall**  
**(Calendar Year 2010)**

Factor	Percent of Total Shortfall
Direct Labor Costs	46.51
Tipping Fees	19.78
Trucking Charges	14.86
Franchise Fees	17.56
Depreciation and Other Operating Costs	1.29
Total	100.00

### a. Direct Labor Costs

Direct labor cost increases include (1) wage and benefit increases tied to union labor agreements. Wage rates are projected to increase by approximately 4.0 percent each year between 2008 to 2010.<sup>1</sup> Additionally, the union agreement requires health and welfare benefit increases of 11 percent in 2009 and 10 percent in 2010.

### b. Tipping Fees

This cost category includes the costs of refuse and yardwaste consolidation, transportation, and disposal or composting. Combined transfer station and landfill “tipping fees” are projected to increase from \$65.00 per ton in 2008, to \$72.25 per ton in 2010.<sup>2</sup> In general, this increase in tipping fees is necessary to offset reductions in disposal volumes. Both the transfer station and landfill operations have large “fixed costs” of operation which are now spread over declining tonnages (due in part to the poor health of the economy), so the tipping fee rate must be increased to offset this declining

<sup>1</sup> In accordance with the Agreement between the Teamsters Local 315 and Garaventa Enterprises Inc. for the period of February 29, 2008 through February 28, 2014.

<sup>2</sup> The tipping fee charged to all customers at the Contra Costa Waste and Transfer Station as of March 1, 2009, was \$72.25 per ton. This tipping fee included a \$3.60 per ton facility enhancement component largely designed to cover additional costs of the Materials Recovery Facility (MRF) sort line.

tonnage. This proposed tipping fee rate represents the same rate charged to self-haul customers, and is competitive with rates of other similar transfer stations in the area.

### c. Trucking Charges

Trucking and equipment cost increases include (1) increasing wages and benefits for mechanics and shop laborers, (2) fuel and oil cost increases, and (3) property lease cost increases.

### d. Franchise Fees

The County charges a franchise fee to Garaventa for the refuse collection franchise. With other increases to the revenue requirement, the franchise fee is expected to increase proportionately. We project an increase in franchise fees paid to the County of \$137,492, or from \$384,262 in 2008 to \$521,754 in 2010.

### e. Depreciation and Other Operating Costs

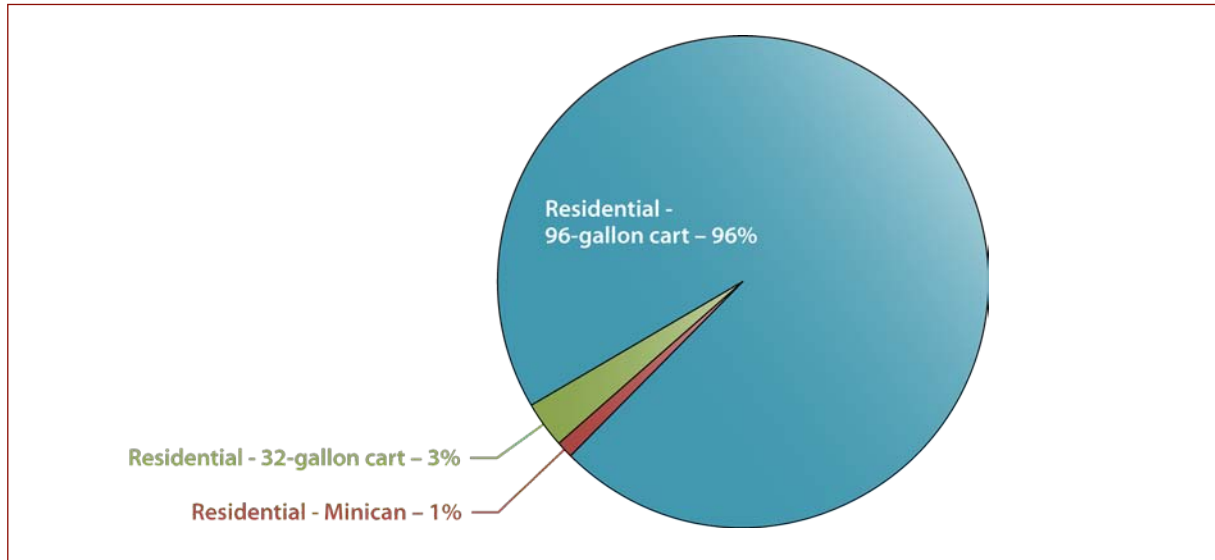
These costs include depreciation of furniture and office equipment used by Garaventa to support County business. For 2010, we project minor increases from 2008 levels in this minor cost category.

## 2. Revenues

We project changes in residential and commercial revenues to be mixed for 2010. We project residential revenues to increase by \$281,713 from 2008 levels (5 percent) and commercial revenues to decrease by \$523,368 from 2008 levels (14 percent). We project recycling revenues to decrease \$25,316, or 64 percent from 2008 levels. The net impact is an decrease in total revenues from 2008 levels of \$266,971 (2.8 percent).<sup>3</sup>

<sup>3</sup> We project this revenue decline even with the 6.5 percent rate increase approved by the County in mid-2008.

**Figure 4-1**  
Contra Costa County  
Garaventa-Served Areas  
Projected Percentage of Residential Revenues by Service Level  
(Calendar Year 2010)



On the residential revenue side, **Figure 4-1**, above, shows the projected 2010 distribution of residential revenues, by service level. Nearly 96 percent of residential revenues are derived from the 96-gallon customer. The remaining 4 percent of revenues come from the various other service levels.

### 3. Profits

Allowable profits are measured by the operating ratio (OR). The operating ratio is defined as allowable expenses divided by the sum of allowable expenses plus allowable profits.

Prior to any rate change, we projected that the operating ratio (OR) to Garaventa would be approximately 100 percent for 2010. In accordance with the Manual requirements, because Garaventa would operate outside of the 88 and 92 percent OR range, we reset the 2010 OR to 90 percent. We projected a 90 percent OR would provide 2010 operating profits, to Garaventa, of \$558,432.

Garaventa has reported a modest net income on its audited financial statements (as shown in **Appendix B**). For 2008, Garaventa audited financial statement shows a combined net profit (for the five companies), before interest and taxes, of \$145,390 on its audited financial statements. As audited financial statements do not reflect the impact of County rate setting adjustments, these results only provide us with estimates of Garaventa allowed profits.

### C. NewPoint Group Rate Application Adjustments

NewPoint Group made several adjustments to Garaventa's 2010 Application. Detailed adjustment calculations are contained in our supporting work papers. NewPoint Group made adjustments to the Application in the following areas (organized as they are presented in the Application)<sup>4</sup>:

<sup>4</sup> We characterize these adjustments as either minor (less than or equal to \$100,000), moderate (greater than \$100,000 and less than or equal to \$500,000), or major (greater than \$500,000).

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### **Allowable Costs**

1. *Direct Labor Costs*
2. *Tipping Fees*
3. *Corporate and Local General and Administrative Costs*
4. *Depreciation and Other Operating Costs*

### **Allowable Profits**

5. *Allowable Operating Profit*

### **Pass Through Costs**

6. *County Administrative Fee*
7. *Trucking and Equipment Costs*
8. *Franchise Fees*

### **Revenues**

9. *Residential Revenues*
10. *Recycled Materials Sales.*

Our adjustments are fully reflected in the \$1,270,247 shortfall described in the prior subsection. Without these adjustments, based on Garaventa's first application submission, the 2010 shortfall would have been approximately \$1.9 million.

## **1. Direct Labor Costs (Minor Adjustment)**

NewPoint Group confirmed that direct labor costs included the wages for all Garaventa drivers (full-time and part-time), cart delivery personnel, utility support personnel, floaters, and supervisors. We confirmed that direct labor costs reflected the current requirements for Garaventa to serve its collection routes within the County (including costs for refuse, recycling, and yardwaste routes).

NewPoint Group developed a direct labor cost model that included the 11 full-time, and 35 part-time (these part-time employees spend time on other business), Garaventa employees required to serve the County. This model included estimated 2010 costs, by employee, for (1) regular pay, (2) overtime pay, (3) vacation pay, (4) holiday pay, (5) sick pay, and

(6) benefits (including health and welfare, pension, payroll taxes, and workers compensation).

NewPoint Group based direct labor costs on annualized year-to-date 2009 direct labor costs, and adjusted for expected 2010 hourly rates and benefits contained within the *Agreement between Teamsters Local 315 and Garaventa Enterprises for the period of 2/29/08 to 2/28/14*.

## **2. Tipping Fees (Moderate Adjustment)**

For 2010, Garaventa included a tipping fee rate of \$75.00 per ton, of which Garaventa projected \$50.00, per ton, allowed with profit, and \$25.00, per ton, as a pass-through cost. NewPoint Group allowed tipping fees (with profit) of \$45.00 per ton, consistent with the Manual requirement, and allowed \$27.25, per ton, as a pass-through cost.

NewPoint Group recommends that the County continue to use a \$45.00, per ton, cap (on tipping fees allowed with profit) based on the fact that \$41.33 of the \$72.25, per ton, tipping fee is a pass-through cost to Potrero Hills Landfill (and this amount already contains a profit to the landfill company). The \$45.00, per ton, with profit cap easily covers the Contra Costa Waste and Transfer (CCWS) \$30.92, per ton, amount for consolidation and transportation services.

Garaventa projected that refuse and yardwaste tonnage, combined, would decrease from 39,472 in 2008 to 37,600 in 2010. Garaventa projected this two-year decline in disposal tonnage to come from the commercial sector primarily (a 25 percent reduction). Garaventa projected residential refuse tons to increase by 2.1 percent and residential greenwaste tons to increase by 2.8 percent. Garaventa projected commercial refuse tons to remain flat between 2008 and 2010.

**Table 4-2**

**General and Administrative Costs as a Percentage of Total Costs  
For Other Northern California Companies and Publicly Traded Companies**

Description	Weighted Average General and Administrative Costs as a Percentage of Total Costs	Years	Number of Data Points
Northern California Refuse Collection Companies	12.8 Percent	2004 to 2010	38
Publicly-Traded Companies (Refuse Collection)	11.4 Percent	1993 to 2009	132

NewPoint Group agrees with the total combined refuse and yardwaste tonnage projection of 37,600 tons for 2010. NewPoint Group believes refuse tonnage of 37,600 is consistent with annualized year to date 2009 data and represents a reasonable projection for 2010 based on the following factors:

- Residential sector growth levels are consistent with modest historical inflation levels
- Commercial refuse tons are relatively flat historically (not many significant shifts)
- For all refuse collection companies, the commercial sector has experienced a dramatic downward trend in refuse tonnage collected
- There does not appear to be any near-term improvement expected in the construction and the housing market, which could keep tonnage generated from these areas low.

### 3. Corporate and Local General and Administrative Costs (Moderate Adjustment)

Garaventa requested general and administrative (G&A) costs equal to \$1,638,557 for 2010. This request is equivalent to an approximately 16.6 percent of total expenses (i.e., expenses after our other recommended adjustments).

At the time the County developed the Manual in 1998, the County placed a cap on corporate and local general and administrative costs. This cap level was 13.2 percent of total costs (see page 1-16 of the Manual). At that time, the County

indicated that it “should continue to examine these [G&A] costs in base years. The County also left open that it should review the cap on G&A during base years to “assure that this cap reflects industry averages.”

NewPoint Group reviewed the cap on local general and administrative costs for this base year. In **Table 4-2**, above, we provide comparative G&A data similar to that originally identified in Table I-1 of the Manual. For seven (7) years between 2004 and 2010, for similar refuse collection companies operating in Northern California, we found general and administrative costs as a percent of total costs averaged 12.8 percent. We also show in Table 4-2 that general and administrative costs as a percent of total costs averaged 11.4 percent for publicly-traded companies over the 1993 to 2009 period.

NewPoint Group adjusted Garaventa local general and administrative costs based on using a 12.8 percent cap. We believe this is a reasonable cap on Garaventa local general and administrative costs at this time based on the current economic conditions. We also believe the cap is reasonable because the local general and administrative cost category does not reflect accounting for Garaventa general and administrative costs which also are included in the lease rates charged by SEG Trucking (including in the trucking and equipment line item of the Application). Actual Garaventa general and administrative costs are consequently higher than shown in the local general and administrative cost category of the Application.



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#### **4. Depreciation and Other Operating Costs (Minor Adjustment)**

To determine allowed depreciation and other operating costs for 2010, NewPoint Group reviewed Garaventa general ledger reports showing depreciation for both furniture and fixtures, as well as customer repairs. We found differences between amounts shown on the Application for 2009, and actual 2009 depreciation shown on the general ledger. We allowed Garaventa inflation on the 2009 general ledger depreciation amount.

#### **5. Allowable Operating Profit (Minor Adjustment)**

Based on the changes to allowable operating costs discussed above, we reduced allowable Garaventa operating profits, as calculated based on a 90 percent operating ratio, by \$56,704. With this reduction, NewPoint Group projects Garaventa operating profits of \$558,432 for 2010.

#### **6. County Administrative Fee (Minor Adjustment)**

The application included the County administrative fee of \$118,587 for 2010. NewPoint Group reviewed Garaventa provided County administrative fee bills. We found a difference of \$3,361 between the amount shown on the Application for 2010, and the actual amount shown on the County administrative fee bill. We allowed the actual amount.

#### **7. Trucking and Equipment Costs (Minor Adjustment)**

SEG Trucking, a related party to Garaventa, leases all trucks and equipment to Garaventa. SEG Trucking costs include:

- Direct labor (mechanics, bin and box repair personnel, and wash and paint personnel)
- Depreciation
- Fuel and oil

- Insurance
- Licenses
- Rent (from a related party, Candy Properties)
- Repair and maintenance
- Taxes
- Tires
- Interest (trucks and baler)
- Overhead (office salaries, accounting, security, legal, pension plan, others).

SEG Trucking allocates trucking charges to Garaventa by using a lease rate, which is developed for each vehicle type. SEG Trucking prepares a detailed model to “build up” its lease rates, by vehicle type. SEG Trucking allocates its total costs to all Garaventa related companies using these same lease rates. NewPoint Group made our adjustments to this detailed SEG Trucking cost allocation model.

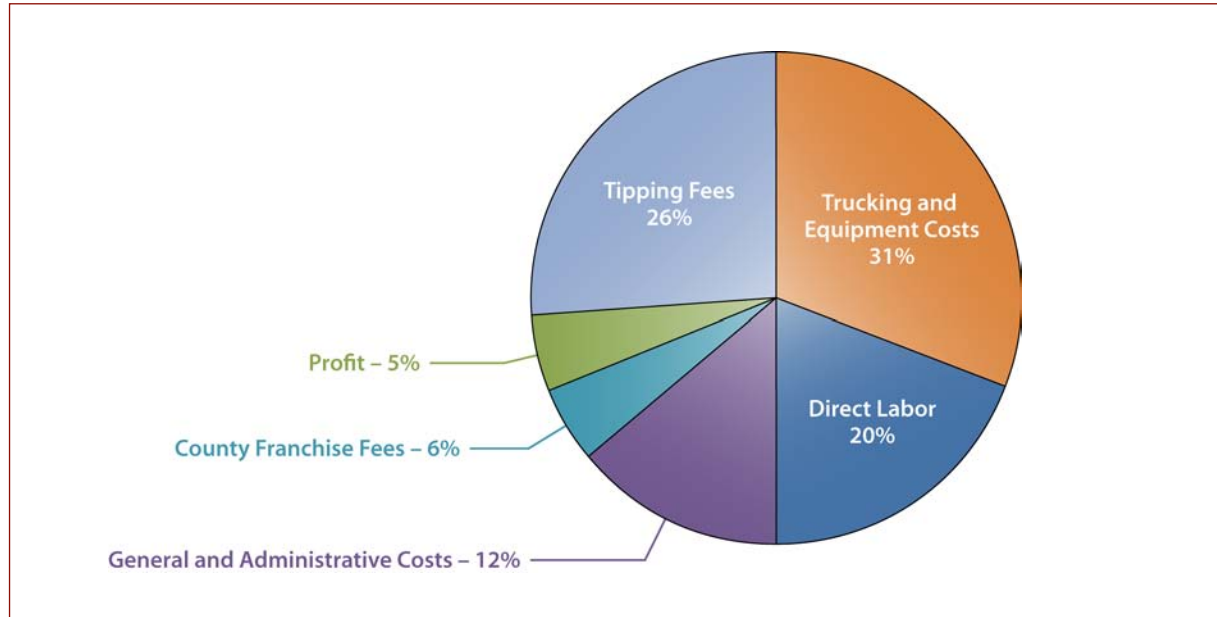
For the 2010 projection, NewPoint Group used SEG Trucking lease rates we approved as part of a rate review in another jurisdiction (i.e., City of Concord). For this rate review we conducted a detailed assessment of expenses, and prepared a comprehensive model of SEG expenses, which are included in the SEG Trucking lease rates. We are comfortable that the SEG Trucking lease rates (we approved for the City of Concord) can be applied to the County.

#### **8. Franchise Fees (Minor Adjustment)**

The application included franchise fees of \$551,266 for 2010. This represents five (5) percent of projected gross revenues. With our adjustments, NewPoint Group used franchise fees of \$521,754 (equal to five (5) percent of the projected revenue requirement of \$10,435,207).

**Figure 4-2**

Contra Costa County  
Garaventa-Served Areas  
Components of Proposed Residential 96-Gallon Rate  
Calendar Year (2010)



### 9. Residential Revenues (Minor Adjustment)

NewPoint Group increased residential revenues by \$46,840 to match the 2010 projection provided in Garaventa's income statement (estimated based on year-to-date information).

### 10. Recycled Materials Sales (Minor Adjustment)

To project 2010 recycled materials sales, NewPoint Group multiplied estimated 2010 recycled materials tonnage of 2,840, by the \$5.00, per ton, payment rate paid by Mt. Diablo Recycling to Garaventa for all County recycled materials. Based on these assumptions, we project recycled materials sales of \$14,200 for 2010.

### D. Components of Residential Rate

Several cost components are included in all rates for residential refuse collection service. Using the 96-gallon residential rate as an example, the pie charge in **Figure 4-2**, above, shows the major components of the 96-gallon residential rate, and the relative costs of each component. For example, tipping fee costs are twenty-six (26) percent of the 96-gallon residential rate. Categories of costs are consolidated into six (6) categories as described below:

- **Direct Labor** includes the salaries, wages, and benefits of all refuse, recycling, and yardwaste collection drivers and helpers.
- **Profit** is any revenue that exceeds total expenses (i.e., allowable costs plus pass-through costs).
- **Trucking and Equipment Costs** includes costs to lease and operate trucks. Lease costs include truck and equipment repair and maintenance, fuel, licenses, and depreciation.

- 
- **County Franchise Fees** are proposed to be set at \$521,754 for 2010. The County uses some of these funds to help develop solid waste programs and to comply with State waste reduction requirements.
  - **General and Administrative Costs** includes accounting, office space rental, utilities, office supplies, office equipment depreciation, legal services, insurance, and postage for Garaventa. These costs are identified as “Corporate and Local General and Administrative Costs,” “Depreciation and Other Operating Costs,” and “County Administrative Fees.”

- **Tipping Fees** include all charges for disposal of solid waste at a transfer station or landfill. Tipping fees are identified as either allowed with profit, or as a pass-through cost.

While amounts shown in Figure 4-2 are for the 96-gallon rate, other residential rates can be divided into the various cost components with the same relative costs shown for the 96-gallon rate.

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## **Section 5**

### **Recommended Rate Change for 2010**

## 5. Recommended Rate Change for 2010

In the previous section, we provide findings from the review of Garaventa's 2010 Application. In Exhibit D-1 in **Appendix D**, we show that the review findings decrease the 2010 revenue requirement by \$0.65 million. In this section we provide our recommendations for a rate change. We translate the revenue requirement into the impact on County rates. We also compare proposed new unincorporated County rates with those charged in other similar jurisdictions.

This section is organized as follows:

*A. Residential Rate Change for 2010*

*B. Comparison of Rates and Services to Other Neighboring Jurisdictions.*

### A. Residential Rate Change for 2010

As summarized in the adjusted base year model (Exhibit D-1), the total projected net shortfall for this 2010 base year is \$1,270,247 (line 24). We project 2010 revenues, prior to a rate change, of \$9,150,760 [(\$5,919,725 (residential) + \$3,231,035 (commercial)]. Garaventa rates would need to be increased by 13.88 percent ( $\$1,270,247 / \$9,150,760$ ) to provide Garaventa with the target 90 percent operating ratio for 2010. This assumes a uniform application of the rate increase across all sectors. Residential rates with a 13.88 percent increase, for the most common County rates charged, are summarized in **Table 5-1**, below.

**Table 5-1**  
Contra Costa County  
Garaventa-Served Areas  
Residential Solid Waste Collection Rates  
With A 13.88 Percent Rate Increase  
(Per Customer, Per Month)

Container Size	2009 Rate	Adjustment (of 13.88%)	2010 Rate
County Areas (Other Than Byron Areas)			
20-Gallon	\$23.34	\$3.24	\$26.58
32-Gallon	\$28.85	\$4.00	\$32.85
96-Gallon	\$31.85	\$4.00	\$35.85
Byron Areas			
20-Gallon	\$21.88	\$3.04	\$24.92
32-Gallon	\$26.00	\$3.61	\$29.61
96-Gallon	\$29.00	\$3.61	\$32.61

**Table 5-2**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Estimated 2010**  
**Revenues and Expenses, by Sector**  
**(As a Percent of Total Revenues and Expenses)<sup>1</sup>**

Description	Residential	Commercial	Total
Revenues	65%	35%	100%
Expenses	65%	35%	100%

As shown in **Table 5-2**, left, based on our analysis of revenues and expenses, by sector, we project that, for 2010, Garaventa residential revenues will represent 65 percent of total revenues and Garaventa residential expenses will represent 65 percent of total expenses. Alternatively, Garaventa commercial revenues will represent 35 percent of total revenues, and Garaventa commercial expenses will represent 35 percent of total expenses.

### B. Comparison of Rates and Services to Other Neighboring Jurisdictions

Current 2010 unincorporated County rates were compared with survey data from eleven (11) other jurisdictions. Results of the survey are summarized in **Appendix E. Tables E-1 through E-3** show how current 2010 County residential and commercial rates compare to the average of eleven (11) areas surveyed.

Rates for the 96-gallon residential service are approximately 43 percent below the average of these other areas. Other residential rates for smaller can sizes are between 21 and 29 percent greater than the average.

The fact that the 96-gallon rate is significantly above the average is due to the fact that most of the other jurisdictions surveyed have a variable can rate structure designed to encourage waste reduction practices and recycling through the use of the smaller cart service levels. For these jurisdictions, very few customers have the 96-gallon customers (e.g., less than 5 percent of customers). For the County, virtually all residential customers subscribe to 96-gallon service (96 percent).

While rate comparisons are commonly used in public forums to determine whether a jurisdiction's rates are reasonable, we caution the use of these comparisons to set rates. There are a number of other caveats to using these rate comparisons, which are identified at the bottom of page E-1 of this report.

County bin rates are between approximately 1 and 7 percent below the averages of the eleven comparable jurisdictions (Exhibit E-2). County rates for 20-yard debris box service are 15 percent below the average of the eleven comparable jurisdictions (Exhibit E-3).

<sup>1</sup> Based on a sector analysis of over eight (80) percent of Garaventa expenses and all of Garaventa revenues. These revenue and cost percentage figures reflect the pooling of all unincorporated County revenues and costs (i.e., are fully inclusive of the franchise areas of the City of Oakley areas which ultimately will be part of a new City of Oakley franchise in the near term). These figures presume that unincorporated County areas (both non-City of Oakley and City of Oakley) have a similar distribution of revenues and costs.





## **Section 6**

### **Recommended Residential Three-Cart System Rate Change for 2011**

## 6. Recommended Residential Three-Cart System Rate Change for 2011

This section summarizes results of our assessment of County rates under a new residential three-cart system for 2011. We provide the rationale for a recommended residential rate structure and assumed frequency distribution. We compare the residential rate structure, rates, and assumed frequency distribution with the current rate structure, rates, and frequency distribution for the County.

There are two important variables that we considered when projecting Garaventa revenues for the new three-cart system. The first was the rate structure, or the rate charged per customer. The second was the number of customers in each rate category, or the frequency distribution. These two factors are used to estimate residential revenues and were the focus of our analysis.

Our recommended rate structure, and assumed frequency distribution, are based on our best estimates of how customers will respond to the new three-cart system, and associated rate structure, between implementation in early 2011 and 2012. Our recommendations are meant to capture our best estimate for customer behavior during this period of potential instability and uncertainty.

We provide this analysis based on the entire Garaventa-served County area converting to a residential three-cart system. We understand that the City of Oakley areas already are committed to a residential three-cart system and that the City of Oakley will implement a new residential rate structure later this year. We did not assess differences in our recommended rates, provided in this section, with those rates which may have been agreed to between Garaventa and the City of Oakley.

The remainder of this section is organized as follows:

- A. Assumptions Used for Recommended 2011 Three-Cart System Rate Structure and Rates*
- B. Recommended 2011 Rate Structure and Rates Under New Residential Three-Cart System*
- C. Recommended Education and Outreach*
- D. Other Requested County Analyses*
- E. Franchise Agreement Factors.*

### **A. Assumptions Used for Recommended 2011 Three-Cart System Rate Structure and Rates**

While we reviewed and analyzed the new costs associated with the three-cart residential system, we found that the primary focus of our review became what rate structure to recommend, and frequency distribution to assume, for the new three-cart



system. Projecting the rate structure, and frequency distribution, is not an exact science, and we performed a range of sensitivity analyses with these variables. We considered several alternative rate structure/frequency distribution scenarios, and their impacts on Garaventa revenues, before finalizing our recommendations.

We carefully considered of a number of factors, including the:

- *Price elasticity of different rate structures* – This factor refers to how customers respond to different rate structure scenarios
- *Customer transition period* – There likely will be a period of up to one year during which customers continue to shift service levels.<sup>1</sup> For example, as some customers gain experience with the new system and realize they have greater overall capacity than they do now, they may downsize from a larger to smaller refuse cart
- *Determination of initial customer refuse cart size preferences* – Garaventa plans to survey residential customers, in a three-month period prior to placing its cart order (October through December 2010). It is unlikely that the survey response rate will exceed about 50 percent of customers.<sup>2</sup> With 96 percent of existing customers currently using 96-gallon refuse carts, it is challenging to accurately determine which cart size customers will initially select. We used existing customer frequency distribution experience in other County areas and other Garaventa Enterprises served areas following their implementation of three-cart systems.
- Bi-weekly yardwaste collection
- New capital outlays totaling over \$2.1 million, including the purchase of over 40,000 new carts for refuse, curbside recycling, and yardwaste services
- An interest rate of 5.0 percent on the purchase of new carts
- A depreciation period of ten (10) years for new cart purchases<sup>3</sup>
- Treatment of the new cart costs as an allowable cost (with profit)
- No significant change in disposal costs associated with the new system (refuse volumes are at a low point now, and much of the diverted material is offset by increases in yardwaste which has no net disposal cost savings)
- County preferences to retain a legacy mini-can rate (i.e., a Garaventa-provided 20-gallon can service)
- A reduction in cost from using bag service for recycling and yardwaste collection for customers on Marsh Creek and Deer Valley (\$68,122)
- A savings of \$7,215 for reduced on-call service
- New bag costs for hard-to-serve customers of \$8,124
- Personal property taxes on new toters of \$22,975
- Additional costs for labor rate increase in 2011 (a 6 percent increase) of \$122,814.

Based on our review, the new rate structure fully reflects the following:

- Weekly refuse collection
- Bi-weekly recycling collection

Based on our assessment of new costs associated with the residential three-cart system, we estimate new costs of approximately \$437,318 for the new service. This new required revenue must come from the residential sector which benefits from the service (not the commercial sector). Based on projected residential revenues of \$6,886,416 (with the 13.88 percent residential rate increase

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<sup>1</sup> Garaventa agrees to allow customers to shift service levels without restriction as opposed to requiring customers to commit to a service level over some set period of time.

<sup>2</sup> Garaventa Enterprises did a similar mail survey for the City of Rio Vista and received a 40 percent response rate.

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<sup>3</sup> This would require an extension of the current franchise agreement term by six (6) years. The current franchise agreement expires in mid-2015 (approximately four (4) years from the 2011 three-cart system implementation).

recommended in Section 5), residential rates will need to increase by an additional 8.80 percent in 2011 to cover the new three-cart system costs. The resulting total combined effective two-year residential rate increase is 22.68 percent.

## B. Recommended 2011 Rate Structure and Rates Under New Residential Three-Cart System

NewPoint Group's recommended rate structure is shown in **Table 6-1**, right. Our recommended rate structure incorporates rates for 20-, 32-, 64-, and 96-gallon services levels.

The recommended rate structure is consistent with a goal to encourage customers to generate less refuse, but does not have large differences between the lowest and highest rate that force customers to choose the lowest refuse service level. Though other neighboring jurisdictions employ more extreme variable can rate structures (e.g., where the 64-gallon rate is twice the 32-gallon rate), we did not use this type a rate structure. Such a new rate structure would result in too great a rate shock to many County customers. Also, when customers are forced, through the economics of the rate structure, toward the smallest possible refuse service level, there is the possibility of illegal dumping, already a County concern. Some customers also may place extra refuse into their recycling and yardwaste carts to avoid paying a higher rate.

Within the recommended rate structure, there are similar rate differences (i.e., a degree of linearity). For example, the 64-gallon rate is \$5.75 per month greater than the 32-gallon rate; and the 96-gallon rate is \$4.50 per month greater than the 64-gallon rate. The relatively similar differences between the rates can allow customers to choose the service level that corresponds to their need.

**Table 6-1**  
Contra Costa County  
Garaventa-Served Areas  
Recommended Residential Rate Structure with  
New Three-Cart System<sup>4</sup>  
(Year 2011)

Service	NPG Recommended (per customer, per month)
20-gallon mini-can	\$24.95
32-gallon cart	\$30.20
64-gallon cart	\$35.95
96-gallon cart	\$40.45

**Table 6-2**  
Contra Costa County  
Garaventa-Served Areas  
Residential Rates as a Percentage  
of the 32-Gallon Residential Rate  
Before and After Three-Cart System Change

Service Level	Before System Change <sup>5</sup>	After System Change <sup>6</sup>
32-gallon	100%	100%
64-gallon	N/A	119%
96-gallon	109%	134%

**Table 6-2**, above, shows the differences between rates, as a percentage of the 32-gallon rate, before and after the three-cart system change. After the system change, the spread between the 96-gallon and 32-gallon rate under the new system is much larger than the current spread. This larger difference was not based on a decision to penalize the 96-gallon customer more, under the new rate structure, but rather on the need to generate sufficient revenues from the rate structure to cover the revenue requirement.

<sup>4</sup> With ten (10) year cart amortization.

<sup>5</sup> With a 32-gallon rate of \$32.85 per customer, per month.

<sup>6</sup> With a 32-gallon rate of \$30.20 per customer, per month.

**Table 6-3**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Assumed Residential Customer**  
**Frequency Distribution**  
**(Year 2011)**

Service	Percent of Customers
20-gallon mini-can	1%
32-gallon cart	34%
64-gallon cart	40%
96-gallon cart	25%
Total	100%

Our assumed frequency distribution is shown in **Table 6-3**, above. This frequency distribution is based on the following factors:

- Over 96 percent of current customers have 96-gallon refuse service and we believe that about half of these customers will, at least initially, want to retain their refuse cart capacity
- Consideration of actual frequency distribution data for other jurisdictions, in the area, following implementation of a three-cart system (e.g., City of Rio Vista, and City of Concord).

We would recommend the County and Garaventa to carefully reevaluate both the rate structure, and frequency distribution assumptions after a one year period (i.e., at the end of 2011). At that time, with more stability in customer behavior, and actual data, the assumptions for the frequency distribution could be very different from the current recommendation.

It is important to note that the company has some risks associated with the transition to the three-cart system, including:

- Accepting that customers could, on average, select smaller refuse cart sizes than assumed in the frequency distribution

- Forgoing a “balancing account,” or another similar mechanism to true up projected revenues, and/or costs, with actual revenues and costs through 2011
- Absorbing revenue and cash flow instability. As customers decide on a service level and migrate to different cart sizes, revenues likely could fluctuate during the period from early- to mid-2011.

In **Table 6-4**, on the next page, we compare the recommended residential three-cart system rate structure with the proposed 2010 rate structure discussed in Section 5. For the 32-gallon service, recommended three-cart system rates are 8.07 percent below our recommended 2010 rates (identified in Section 5). The recommended 96-gallon service rate is 12.83 percent above our recommended 2010 rate.

As shown in **Table 6-5**, on the next page, an estimated 65 percent of current customers will see some rate increase in 2011. These customers will see an increase of \$4.60 per customer, per month. Alternatively, 35 percent will see a rate decrease, ranging from \$1.63 to \$5.65 per customer per month.

One of the benefits of the new system is the additional capacity customers will have with three new carts. We compared the rate per gallon of estimated capacity before, and after, the three-cart residential system is implemented. In **Table 6-6**, on the next page, we show that the current rate, per gallon of total capacity (refuse, curbside recycling, and yardwaste), is between \$0.23 and \$0.33. With the recommended rates, and capacity of the new three-cart system, the rate per gallon of total capacity falls significantly to between \$0.21 and \$0.24, as shown in **Table 6-7**, on page 6-7. All categories of County customers ultimately benefit from a lower rate per gallon of capacity.

**Table 6-4**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Recommended Changes to Residential Rate Structure**  
**(Year 2011)**

Service Level	2010 Recommended Rate (With 13.88 Percent Increase)	2011 Recommended Three-Cart System Rate	Absolute Difference	Percent Difference
20-gallon mini-can	\$26.58	\$24.95	-\$1.63	-6.13%
32-gallon cart	\$32.85	\$30.20	-\$2.65	-8.07%
64-gallon cart	N/A	\$35.95	N/A	N/A
96-gallon cart	\$35.85	\$40.45	+\$4.60	+12.83%

**Table 6-5**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Percentage of Customers with Rate Increase and Rate Decrease**  
**(Year 2011)**

Service Level	Current 2009 Frequency Distribution	NPG Assumed	2010 Recommended Rate (With 13.88 Percent Increase)	2011 Recommended Rate	Estimated Percent Current Customers with Rate Increase	Amount of Rate Increase	Estimated Percent Current Customers with Rate Decrease	Amount of Rate Decrease
20-gallon mini-can	1%	1%	\$26.58	\$24.95	0%	N/A	1%	-\$1.63
32-gallon cart	3%	34%	\$32.85	\$30.20	0%	N/A	34%	-\$2.65 to -\$5.65
64-gallon cart	0%	40%	N/A	\$35.95	40%	\$0.10	N/A	N/A
96-gallon cart	96%	25%	\$35.85	\$40.45	25%	\$4.60	N/A	N/A
Total	100%	100%			65%		35%	

**Table 6-6**  
**Contra Costa County**  
**Garaventa-Served Areas**  
**Weekly Rate per Gallon Of Refuse, Curbside Recycling,**  
**and Yardwaste Capacity With Current System**  
**(Year 2010)**

Service Level	Rate Per Customer, Per Month	Refuse Cart/Can Capacity (gallons)	Curbside Recycling Crates Capacity <sup>7</sup> (gallons)	Yardwaste Can Capacity <sup>8</sup> (gallons)	Total Estimated Capacity (gallons)	Rate Per Customer, Per Month, Per Gallon of Capacity
20-gallon mini-can	\$26.58	20	28	32-80	80	\$0.33
32-gallon can	\$32.85	40	28	32-80	100	\$0.33
96-gallon cart	\$35.85	96	28	32-80	156	\$0.23

<sup>7</sup> Equal to two 14-gallon crates.

<sup>8</sup> This is an assumed average level of service at two 32-gallon customer provided cans, provided every other week, or 32 gallons per week; or at five bags (each bag with a maximum of 32 gallons of materials), provided every other week, or 80 gallons per week.

### C. Recommended Education and Outreach

Three-cart automated collection service is a significant shift in how services are provided. Jurisdictions that have been successful with implementing new three-cart automated collection services have actively addressed customer/stakeholder concerns throughout the planning process and have worked hard to educate customers prior to implementation. Education is critical, both at the initial roll-out and on an ongoing basis. **Exhibit 6-1**, on page 6-7, lists various techniques used by these jurisdictions to obtain customer feedback and educate customers prior to implementation. We highly recommend that the County and Garaventa work together to use some of these outreach methods prior to implementation of three-cart service. We recommend that the County work with Garaventa to ensure outreach materials and approach used is consistent with the County's practice in other franchise hauler areas, and Garaventa prepare draft outreach materials and submit to the County for review, input, and approval.

### D. Other County Requested Analyses

The analyses for the three-cart system, provided in the above subsection, assume a ten (10) year amortization schedule for the new cart purchases. A ten (10) year amortization timeframe would exceed the remaining term of the franchise by approximately six (6) years. The current franchise between the County and Garaventa expires on May 8, 2015.

### E. Franchise Agreement Factors

At the time the County received the Application from Garaventa Enterprises, the company also requested that the County consider an extension of the franchise agreement. The current twenty-year agreement expires on May 8, 2015. There are many factors that the County will want to consider when evaluating a franchise extension. Many of these factors are described in **Appendix F**. The County is in the process of considering Garaventa's request for an extension.

As identified in **Exhibit F-1**, many jurisdictions negotiate new terms and conditions as part of an extension. From our perspective, we recommend that the County negotiate some new terms and conditions that have a measureable ratepayer benefit. A franchise extension has tremendous value to the company, and we would expect that the company would be motivated to provide some ratepayer benefits in conjunction with a franchise extension.

Now might be an appropriate time to enter into these franchise discussions as Garaventa has proposed new residential three-cart services for 2011, which come at a significant cost to County ratepayers. If the franchise did expire in 2015, we would not recommend that Garaventa invest in new carts for 2011 due to the limited four (4) year period available to amortize this major capital outlay.



**Table 6-7****Contra Costa County****Garaventa-Served Areas****Recommended Weekly Rate per Gallon Of Refuse, Curbside Recycling,  
and Yardwaste Capacity With New Three-Cart System  
(Year 2011)**

Service Level	Recommended Rate Per Customer, Per Month	Refuse Cart Capacity (gallons)	Curbside Recycling Cart Capacity (gallons)	Yardwaste Cart Capacity (gallons) <sup>9</sup>	Total Capacity (gallons)	Rate Per Customer, Per Month, Per Gallon of Capacity
20-gallon mini-can	\$24.95	20	48	48	116	\$0.22
32-gallon cart	\$30.20	32	48	48	128	\$0.24
64-gallon cart	\$35.95	64	48	48	160	\$0.22
96-gallon cart	\$40.45	96	48	48	192	\$0.21

**Exhibit 6-1****Recommendations for New Three-Cart Collection System Outreach and Education**

Recommendations
1. Provide adequate communications channels to address ongoing questions regarding transition to the three-cart system
2. Develop customer handouts, brochures, or fliers
3. Provide newspaper advertisements
4. Prepare direct mailer to survey customers on refuse cart size preferences
5. Develop new website information (e.g., answers to frequently asked questions)
6. Consider radio and TV public service announcements
7. Consider developing a separate hotline that is staffed 12 hours per day for the first several weeks of the program to assist with customer questions and concerns
8. Provide status in a newsletter
9. Display sample cart set out in various public settings (e.g., malls)

<sup>9</sup> This is an assumed average level of service at one 96-gallon cart provided every other week, or 48 gallons per week.

Garaventa has offered quality service to County customers (as evidenced by the customer satisfaction survey results). Garaventa rates are mixed in terms of how they compare with neighboring jurisdictions, however, taken on an overall basis (for all sectors and service levels), rates do not appear unreasonable. These two factors suggest that a franchise extension is definitely worth considering with Garaventa.

The average franchise extension we observe in the waste management industry is approximately eight (8) years.

Were the County to decide not to extend the franchise, the County would need to begin a Request for Proposal (RFP) process for a new franchisee at least two years in advance of the expiration, or in 2013. This timeframe is required to effectively develop the RFP, receive bids, select a franchisee, and allow the franchisee transition time. An RFP process does carry significant costs to procure assistance with an RFP, and for County staff time to assist with the process.



## **Section 7**

### **Implementation Schedule**

## 7. Implementation Schedule

This section describes the timing for implementation of the new three-cart automated/semi-automated system, and the timing of upcoming rate setting. There are some logistics to work out with an entirely new three-cart system in terms of order and delivery of the three carts for each residential customer, rerouting, and adjusting the truck fleet as needed to serve the County areas. This section is organized as follows:

- A. *Three-Cart System Implementation Timeline*
- B. *Rate Setting Timeline for 2012 Through 2015.*

### A. Three-Cart System Implementation Timeline

Implementation of the new automated system will occur over an approximately six month, phase-in period. This time period will allow time to order and distribute new refuse and recycling carts.<sup>1</sup> **Table 7-1**, below, shows the expected steps and approximate timing for automation implementation.

**Table 7-1**  
Contra Costa County  
Garaventa-Served Areas  
Residential Three-Cart Implementation Timing

Milestone	Expected Timing
1. Board of Supervisors meeting to review report and consider/approve rate	By January 2011
2. Garaventa Enterprises implements new interim rate	March 2011
3. Garaventa Enterprises conducts ongoing outreach and education, under the County's supervision and direction, to inform customers of planned service changes	March 2011 to July 2011
4. Garaventa Enterprises places order for new carts and/or trucks	March 2011
5. Garaventa Enterprises receives new carts and/or trucks	August 2011
6. Garaventa Enterprises delivers carts to residential customers and begins to charge customers the new rate <sup>2</sup>	August 2011 to December 2011 (target completion date by October 2011, completed no later than December 31, 2011)

<sup>1</sup> Garaventa will use half of the existing 96-gallon refuse totes for yardwaste.

<sup>2</sup> Garaventa Enterprises will begin to charge County customers the new rate beginning with the date that the customer receives new carts.

The timeline presented in Table 7-1 is relatively aggressive in light of the numerous factors involved in implementing the new system. Delays in cart orders could delay the entire schedule. Garaventa also could have logistics issues in terms of procuring, storing, inventorying, and delivering carts in a timely manner by the target date of October 2011. Garaventa could end up with a longer phase-in period as it implements only portions of the County at a time.

There is the possibility that Garaventa could implement the three-cart service for a portion of the County only, but not the entire County, effectively delaying the implementation period well beyond that shown in Table 7-1. While unlikely, Garaventa also could run into too many problems and fail to implement the new three-cart system at all.

### **B. Rate Setting Timeline for 2012 through 2015**

There is significant uncertainty associated with the proposed year 2011 rate structure frequency distribution assumptions. It is possible that Garaventa could require an interim year rate

increase for 2012 (and this increase also could be for extraordinary circumstances as defined by the Manual on page IV-1). Such a rate increase may be necessary due to the uncertainty as to how much revenue the new rate structure will generate. The County, and ratepayers, should be informed that, in conjunction along with a 2011 rate change, a 2012 rate change also is a possibility.

As with any interim year, Garaventa has the option of applying for an interim year rate increase for calendar year 2012. The interim year rate change application is normally due to the County three months in advance of the eventual implementation date. For a January 1, 2012, implementation, Garaventa would normally submit its interim year application by September 30, 2011. Garaventa also will have the option of submitting an interim year rate application for January 1, 2013, and January 1, 2014, implementation.

Given that 2011 is effectively a base year (with the new tiered residential rate structure likely implemented in mid 2011), the next base year will be 2015. The Rate Setting Manual requires Garaventa to submit its 2015 base year application by June 30, 2014, for a January 1, 2015, rate implementation.



## **Appendix A**

### **Rate Application**

# Appendix A

## Rate Application

This appendix includes the 2010 Base Year Rate Application (Application). In its Application, Garaventa Enterprises requested a 21.10 percent increase. The Application included the following contents:

- Cover letter
- Six (6) page application, with:
  - Financial information
  - Cost summary for year 2009 (2 pages)
  - Single family residential summary
  - Operating information
  - Summary with requested rate change
- Income statements (unaudited) for years ended December 31, 2006, 2007, and 2008
- Garaventa's annualized Statement of Operations for the year ended December 31, 2009
- Garaventa's projected Statement of Operations for the year ended December 31, 2010.

The Application, as submitted, was consistent with the requirements of the County's Rate Manual. We verified that the calculations contained in the Application were accurate and that the Application was complete.

In the course of performing our review, and to assess data provided in the Application, we submitted various data requests to Garaventa. During our review, we obtained and reviewed the following information and documents:

- Amortization schedules (cart and truck purchases)
- County debris box usage records (free services to County)
- Customer counts
- Depreciation schedules
- Disposal rate adjustment records
- Employee payroll records
- Fixed asset schedules
- General ledger transactions reports
- Health and welfare and workers compensation records
- Household hazardous waste reports
- Lease agreements
- Route maps
- Tonnage reports (refuse, recycling, and yardwaste)
- Truck and equipment lease schedules
- Union labor agreements (Teamsters Local 315).





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## Garaventa Enterprises

4080 MALLARD DRIVE • P.O. BOX 5397  
CONCORD, CALIFORNIA 94520  
(925) 689-8390

December 8, 2009

Ms. Deidra Dingman  
Contra Costa County  
Community Development Department  
651 Pine Street  
4<sup>th</sup> Floor – North Wing  
Martinez, CA 94553

RE: Rate Application

Dear Ms. Dingman:

Enclosed is the Base Year Rate Application for Garaventa Enterprises franchised areas for unincorporated Contra Costa County and Ironhouse Sanitary District. The Base Year Rate Application is supported by Audited Financial Statements of those operations for the calendar year 2008, current estimated results of calendar year 2009 based on nine months of operations, and projected 2010 results.

Our resulting calculation shows a change in the current Residential and Commercial rates of 21.10%.

A meeting with you, your staff, consultants, Board committee and Ironhouse Sanitary District representatives should be scheduled at your earliest convenience. If you have any questions, please call us at (925) 689-8390.

Sincerely,

Clark Colvis  
CFO

Cc: Eric Nylund (w/enclosures) ✓

## Base Year Rate Change Application

## Financial Information

Actual Historical Years			Estimated Current Year	Projected Base Year
Year 1 2006	Year 2 2007	Year 3 2008	Year 4 2009	Year 5 2010

## Section I--Allowable Costs

1. Direct Labor	\$ 1,596,533	\$ 1,701,833	\$ 1,682,741	\$ 1,787,944	\$ 1,991,991
2. Tipping Fees (Profit Allowed)	2,228,146	2,035,511	1,973,594	1,865,055	1,880,000
3. Corporate and Local General and Administrative Costs	1,352,328	1,333,121	1,443,757	1,534,035	1,638,557
4. Depreciation and Other Operating Costs	37,295	20,185	10,968	37,197	38,499
5. Services Provided to County					
6. Total Allowable Costs (Lines 1+2+3+4+5)	\$ 5,214,303	\$ 5,090,649	\$ 5,111,060	\$ 5,224,231	\$ 5,549,047

## Section II--Allowable Operating Profit

7. Operating Ratio	94%	87%	97%	125%	90%
8. Allowable Operating Profit [(Line 6 + 0.9) - Line 6]	\$ 336,433	\$ 771,365	\$ 158,651	\$ (1,059,204)	\$ 616,561

## Section III--Pass Through Costs without Franchise Fees

9. County Administrative Fee	102,414	\$ 87,717	\$ 116,929	\$ 118,587	\$ 118,587
10. Trucking and Equipment	2,664,793	2,649,810	3,072,931	3,708,692	3,249,864
11. Tipping Fees (Pass Through)	291,926	404,447	588,097	831,962	940,000
12. Total Pass Through Costs (without Franchise Fees) (Lines 9+10+11)	\$ 3,059,133	\$ 3,141,974	\$ 3,777,957	\$ 4,659,241	\$ 4,308,451

## Section IV--Revenue Requirement without Franchise Fees

13. Total Allowable Costs (Line 6) plus Allowable Operating Profit (Line 8) plus Total Pass Through Costs (without Franchise Fees) (Line 12)	\$ 8,609,868	\$ 9,003,988	\$ 9,047,668	\$ 8,824,268	\$ 10,474,058
---	--------------	--------------	--------------	--------------	---------------

## Section V--Revenue without Rate Change in Base Year

14. Residential Revenue					\$ 5,932,680
15. Less Allowance for uncollectible Residential Accounts					\$ 69,327
16. Total Residential Revenue (without Rate Change in Base Year)	\$ 4,924,167	\$ 5,404,120	\$ 5,638,011	\$ 5,979,520	\$ 5,873,353
17. Commercial and Light Industrial Revenue					\$ 3,231,036
18. Less Allowance for uncollectible Commercial and Light Industrial Accounts					
19. Total Commercial/Light Industrial Revenue (without Rate change in base year)	\$ 3,959,588	\$ 3,957,982	\$ 3,754,402	\$ 3,245,176	\$ 3,231,036
20. Recycled Material Sales	\$ 61,391	\$ 29,421	\$ 39,517	\$ 5,928	\$ -
21. Total Revenue (Lines 16+19+20)	\$ 8,945,147	\$ 9,391,523	\$ 9,431,930	\$ 9,230,623	\$ 9,104,389

## Section VI--Net Shortfall (Surplus)

22. Net Shortfall (Surplus) without Franchise Fees (Line 13-Line 21)					\$ 1,369,669
23. Residential/Commercial/Light Industrial Franchise Fees (see calculation below)	\$ 335,279	\$ 387,535	\$ 384,262	\$ 406,356	\$ 551,266
24. Net Shortfall (Surplus) with Franchise Fees (Lines 22+23)					\$ 1,920,935

## Section VII--Percent Change in Rates

25. Total Commercial/Light Industrial Revenue Prior to Rate Change (Lines 16+19)					\$ 9,104,389
26. Percent Change in Existing Residential/Commercial/Light Industrial Rates (Line 24 + Line 25)					21.10%

## Franchise Fee Calculation

Franchise fees are set by the County at 5 percent of the revenue requirement  
Solve for two equations with one unknown, and identify franchise fees as X =>  
Equation 1) Revenue Requirement x 0.05 = X  
Equation 2) Revenue Requirement = Line 13 + X, or \$ 10,474,058 + X  
Substitute equation 2) into equation 1) and solve for X =>  
( \$ 10,474,058 + X ) x .05 = X, or X = \$ 551,266

## Summary Revenue Requirement

27. Total Allowable Costs (Line 6)	\$ 5,549,047
28. Allowable Operating Profits (Line 8)	616,561
29. Total Pass Through Costs (with Franchise Fees) (Lines 12 + 23)	4,859,717
30. 2010 Revenue Requirement (Lines 27 + 28 + 29)	\$ 11,025,325

## Base Year Rate Change Application

Cost Summary for Year 2009 768

## Section VIII - Base Year Cost Allocation

	Total County	(Baypoint) Unincorporated County	Audited Garaventa Financial	Allocation Base(s)
Labor - Regular	\$ 1,115,769	\$ 166,663.84	\$ 949,105	Direct
Labor - Overtime	-	-	-	Direct
Benefits	478,062	83,232	392,829.7	Direct
Payroll Taxes	90,910	13,650	77,260.6	Direct
31. Total Direct Labor	\$ 1,882,741	\$ 263,546	\$ 1,419,195	Direct
32. Total Tipping Fees (Profit Allowed)	\$ 1,973,594	\$ 136,658	\$ 1,836,936	Volume
Administrative Salaries	\$ 823,372	\$ 35,587.00	\$ 787,785	Volume
Taxes - Payroll	42,197	2,028	40,169	Volume
Pension	11,197	599	10,599	Volume
Accounting	94,771	3,374	91,397	Volume
Alarm	528	18	510	Volume
Bank charges	28,458	388	28,073	Volume
Collection Fees	15	-	15	Volume
Public education	10,300	506	9,794	Volume
IBM Rental, Software & Repair	14,713	697	14,016	Volume
Dues & Subscriptions	2,386	764	1,632	Volume
Fuel & Oil	-	-	-	Volume
Insurance	1,643	857	786	Volume
Janitorial	2,700	-	2,700	Volume
Landscape and maintenance	-	-	-	Volume
Laundry and uniforms	401	199	202	Volume
Legal	142,228	98	142,130	Volume
Licenses	208	8	200	Volume
Medical Expense	1,116	57	1,059	Volume
Miscellaneous	6	6	-	Volume
Office Supplies & Expense	9,181	937	8,244	Volume
Outside Services	-	-	-	Volume
Postage	53,034	2,905	50,129	Volume
Printing	46,317	2,386	43,931	Volume
Lease - Outside Equipment	1,597	36	1,561	Volume
Rent - Office	151,092	3,883	147,209	Volume
Repairs - General	901	111	790	Volume
Taxes - Other	2,079	18	2,061	Volume
Utilities	1,471	331	1,140	Volume
Telephone	1,834	113	1,720	Volume
33. Total Corporated and Local General and Administrative Costs	\$ 1,443,757	\$ 55,904	\$ 1,387,852	
Depreciation - Buildings & Furniture	\$ 809	\$ 193	\$ 616	Volume
Customer repairs	10,159	844	9,315	Volume
	-	-	-	Volume
34. Total Depreciation and Other Operating Costs	\$ 10,968	\$ 1,037	\$ 9,931	
35. Household Hazardous Waste	\$ -	-	-	N/A
36. Total Allowable Costs (Lines 31 + 32 + 33 + 34 + 35)	\$ 5,111,080	\$ 457,145	\$ 4,653,915	
37. Total County Administration Fee	\$ 116,929	\$ 3,657	\$ 113,272	Direct
Equipment rental	\$ 3,072,931	\$ 319,413	\$ 2,753,518	Direct
Gas and oil				N/A
Insurance				N/A
Parts				N/A
Repairs and Maintenance				N/A
Tires				N/A
Other				N/A
38. Total Trucking and Equipment	\$ 3,072,931	\$ 319,413	\$ 2,753,518	N/A
39. Total Tipping Fees (Pass Through)	\$ 588,097	\$ 38,263	\$ 549,834	N/A
40. Total Residential/Commercial/Light Industrial Franchise Fees	\$ 1,143,178	\$ 814,821	\$ 328,356	N/A
41. Total Pass Through Costs (Lines 37 + 38 + 39 + 40)	\$ 4,921,134	\$ 1,176,154	\$ 3,744,980	N/A
42. Total Costs (Lines 36 + 41)	\$ 10,032,194	\$ 1,633,299	\$ 8,398,895	N/A

## Base Year Rate Change Application

## Cost Summary for Year 2009

## Section IX - Revenue

	Actual Historical Years			Estimated Current Year	Projected Base Year
	Year 1 2006	Year 2 2007	Year 3 2008	Year 4 2009	Year 5 2010
<b>Single Family Residential Service</b>					
43. Single Family Residential Revenue (Base Year from Page 4 of 6)	\$ 4,924,167	\$ 5,404,120	\$ 5,638,011	\$ 5,979,520	\$ 5,932,680
<b>Multiunit Residential Service</b>					
44. Number of Accounts					
45. Multiunit Residential Revenue					
46. Residential Revenue (w/o Allowance for Uncollectible Accounts) (Lines 43 + 45)	\$ 4,924,167	\$ 5,404,120	\$ 5,638,011	\$ 5,979,520	\$ 5,932,680
47. Allowance for Uncollectible Residential Accounts					\$ 59,327
48. Total Residential Revenue (Line 46 - Line 47)	\$ 4,924,167	\$ 5,404,120	\$ 5,638,011	\$ 5,979,520	\$ 5,873,353
<b>Commercial and Light Industrial Can Service</b>					
49. Number of Accounts	116	110	115	99	110
50. Commercial and Light Industrial Can Revenues	\$ 131,235	\$ 157,955	\$ 229,788	\$ 217,437	\$ 241,596
<b>Commercial and Light Industrial Bin Service</b>					
51. Number of Accounts	279	273	263	278	273
52. Commercial and Light Industrial Bin Revenues	\$ 1,731,866	\$ 1,838,626	\$ 1,803,427	\$ 1,889,229	\$ 1,856,949
<b>Commercial and Light Industrial Drop Box Service</b>					
53. Number of Accounts	304	326	356	331	329
54. Commercial and Light Industrial Drop Box Revenues	\$ 2,096,487	\$ 1,961,401	\$ 1,721,208	\$ 1,138,510	\$ 1,132,490
55. Commercial and Light Industrial Revenue (w/o Allowance for Uncollectible Accounts) (Lines 50 + 52 + 54)	\$ 3,959,588	\$ 3,957,982	\$ 3,754,402	\$ 3,245,176	\$ 3,231,036
56. Allowance for Uncollectible Commercial and Light Industrial Accounts					
57. Total Commercial and Light Industrial Revenues (Line 55 - Line 56)	\$ 3,959,588	\$ 3,957,982	\$ 3,754,402	\$ 3,245,176	\$ 3,231,036
58. Recycled Material Sales	\$ 61,391.48	\$ 29,420.73	\$ 39,516.94	\$ 5,927.54	-
59. Total Revenue (Lines 48 + 57 + 58)	\$ 8,945,147	\$ 9,391,523	\$ 9,431,930	\$ 9,230,623	\$ 9,104,389

## Base Year Rate Change Application

## Single Family Residential Summary

Section X--Single Family Residential Revenue

Projected
Base Year
2010

## Single Family Residential revenue (without Rate Change In Base Year)

		Current Rate/Month	Projected Accounts	Total
Oakley Can/Toter (Ironhouse)	T9	\$ 28.11	9138	\$ 3,082,430
Oakley extra can with toter (Ironhouse)	TA	\$ 6.88	0	\$ -
Oakley mini can (Ironhouse)	T2	\$ 23.11	100	\$ 27,732
Oakley 40 gallon can (Ironhouse)	T4	\$ 28.11	267	\$ 90,064
Oakley Can/Toter (County)	T9	\$ 28.85	102	\$ 35,312
Oakley extra can with toter (County)	TA	\$ 7.12	0	\$ -
Oakley mini can (County)	T2	\$ 23.34	0	\$ -
Oakley 40 gallon can (County)	T4	\$ 28.85	4	\$ 1,385
Brentwood (out of City) Can/Toter	T9	\$ 28.85	853	\$ 295,309
Brentwood (out of City) extra can with toter	TA	\$ 7.12	1	\$ 85
Brentwood (out of City) mini can	T2	\$ 23.34	6	\$ 1,680
Brentwood (out of City) 32 gallon can	T3	\$ 28.85	32	\$ 11,078
Byron toter	T9	\$ 26.00	129	\$ 40,248
Byron extra can with toter	TA	\$ 6.48	0	\$ -
Byron mini can	T2	\$ 21.88	2	\$ 525
Byron 32 gallon can	T3	\$ 26.00	8	\$ 2,496
Discovery Bay Can/Toter	T9	\$ 28.85	4359	\$ 1,509,086
Discovery Bay Mini Can	T2	\$ 23.34	46	\$ 12,884
Discovery Bay extra can with toter	TA	\$ 7.12	4	\$ 342
Discovery Bay 32 gallon can	T3	\$ 28.85	39	\$ 13,502
Baypoint (PDS) Can/Toter	T9	\$ 28.85	2073	\$ 717,673
Baypoint (PDS) Mini Can	T2	\$ 23.34	58	\$ 16,245
Baypoint (PDS) extra can with toter	TA	\$ 7.12	2	\$ 171
Baypoint (PDS) 32 gallon can	T3	\$ 28.85	215	\$ 74,433

60. Total Base Year Single Family Residential

17,438.00

\$ 5,932,680.00

## Base Year Rate Change Application

## Operating Information

Historical Information	Percent Change	Historical Information	Percent Change	Historical Information	Percent Change	Current Year Estimated Information	Percent Change	Base Year Projected Information
Year 1	Yr. 1 to 2	Year 2	Yr. 2 to 3	Year 3	Yr. 3 to 4	Year 4	Yr. 4 to 5	Year 5
2006		2007		2008		2009		2010

## Section XI--Operating Data

## Accounts

61. Residential	16,729	-4.59%	17,497	-2.34%	17,088	2.05%	17,438	0.00%	17,438
62. Commercial	318	-5.35%	301	28.58%	378	-0.26%	377	0.00%	377
63. Light Industrial	-		-		-		-		
64. Total Accounts	17,047	-4.41%	17,798	-1.87%	17,466	2.00%	17,815	0.00%	17,815

## Waste Tonnage

65. Residential	25,494	-2.31%	24,903	-3.60%	24,008	1.23%	24,302	0.81%	24,500
66. Res. Greenwaste	2,074	-11.99%	1,826	-9.40%	1,654	0.72%	1,666	2.04%	1,700
67. Commercial	4,450	-6.38%	4,166	-3.78%	4,009	-1.32%	3,956	1.11%	4,000
68. Light Industrial	12,545	-21.76%	9,815	-0.14%	9,802	-24.74%	7,377	0.31%	7,400
69. Total Tons	44,563	-8.65%	40,710	-3.04%	39,472	-5.50%	37,301.10	0.80%	37,600

## Recyclable Tonnage

70. Residential	2,984	-5.92%	2,807	-10.67%	2,508	-2.53%	2,445	2.27%	2,500.00
71. Commercial	283	-18.22%	231	38.47%	320	8.54%	338	0.62%	340
72. Light Industrial	-		-		-		-		-
73. Total Tons	3,267	-6.99%	3,038.72	-6.93%	2,828.08	-1.61%	2,782.47	2.07%	2,840.00

## County Services

74. County Bins	2.00	0.00%	2.00	0.00%	2.00	0.00%	2.00	0.00%	2.00
75. County Drop Boxes # PU	4.00	225.00%	13.00	207.69%	40.00	15.00%	46.00	0.00%	46.00

## Section XII--Change in Commercial Rates

76. 3 Yard Bin--Once per Week	294.45	6.44%	313.41	6.57%	334.00	0.00%	334.00	0.00%	334.00
77. 2 Yard Bin--Once per Week	210.70	6.46%	224.32	6.54%	239.00	0.00%	239.00		239.00
78. 20 yd Debris Box--per pick up	380.00	15.79%	440.00	0.00%	440.00	0.00%	440.00	0.00%	440.00



## Base Year Rate Change Application

**Unincorporated Area: All Areas**

78. Rate Change Requested

21.10%

Abbreviated Rate Schedule	Current Rate	Increased Rate	Adjustments <sup>(a)</sup>	New Rate
Oakley Can/Toter (Ironhouse)	\$ 28.11	\$ 34.04	\$ 0.01	\$ 34.05
Oakley extra can with toter (Ironhouse)	6.88	8.33	0.02	8.35
Oakley mini can (Ironhouse)	23.11	27.99	0.01	28.00
Oakley 40 gallon can (Ironhouse)	28.11	34.04	0.01	34.05
Oakley Can/Toter (County)	28.85	34.94	0.01	34.95
Oakley extra can with toter (County)	7.12	8.62	(0.02)	8.60
Oakley mini can (County)	23.34	28.26	(0.01)	28.25
Oakley 40 gallon can (County)	28.85	34.94	0.01	34.95
Brentwood (out of City) Can/Toter	28.85	34.94	0.01	34.95
Brentwood (out of City) extra can with toter	7.12	8.62	(0.02)	8.60
Brentwood (out of City) mini can	23.34	28.26	(0.01)	28.25
Brentwood (out of City) 32 gallon can	28.85	34.94	0.01	34.95
Byron toter	26.00	31.49	0.01	31.50
Byron extra can with toter	6.48	7.85		7.85
Byron mini can	21.88	26.50		26.50
Byron 32 gallon can	28.00	31.49	0.01	31.50
Discovery Bay Can/Toter	28.85	34.94	0.01	34.95
Discovery Bay Mini Can	23.34	28.26	(0.01)	28.25
Discovery Bay extra can with toter	7.12	8.62	(0.02)	8.60
Discovery Bay 32 gallon can	28.85	34.94	0.01	34.95
Baypoint (PDS) Can/Toter	28.85	34.94	0.01	34.95
Baypoint (PDS) Mini Can	23.34	28.26	(0.01)	28.25
Baypoint (PDS) extra can with toter	7.12	8.62	(0.02)	8.60
Baypoint (PDS) 32 gallon can	28.85	34.94	0.01	34.95

(a) Calculated rates are rounded up to the nearest \$0.05

79. Multiunit residential

Rate increase of 21.10% will be applied  
to all rates in each structure with each rate rounded up  
or down to the nearest \$0.05

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by Contra Costa County.

Name: Clark Colvis

Title: CFO

Signature:

Date:

**Garaventa Enterprises**  
**Rate Application**  
**Income Statement**  
**For year ended 12-31-2006**

	Oakley Disposal Service	Brentwood Service Disposal	Discovery Bay Disposal	Delta Debris Box Service	Totals - Companies 4, 16, 17, 18	Pittsburg Disposal Service (Baypoint)	Total All Companies	Adjustment for Application	To Application
<b>Revenues</b>									
Services-Residential In Ci	2,517,317	14,799	1,324,479		3,856,595	-	3,856,595	1,087,572	4,924,167
Services-Residential Out O	31,324	301,999			333,324	734,248	1,067,572	(1,067,572)	-
Services-Commercial In,Cit	900,849	53,276	212,254		1,166,380	-	1,166,380	868,539	2,034,919
Services-Commercial Out Of	62,450	281,257			343,708	524,831	868,539	(868,539)	-
Services-Debris Boxes				2,096,487	2,096,487		2,096,487		2,096,487
Services-Dump Fees-Garbage					-		-		-
Customer Refunds					-		-		-
Services - Residential Rec.					-		-		-
Sales-Recycling	33,792	37	27,124		60,953	439	61,391	-	61,391
SERVICES - RESIDENTIAL REC					-		-		-
Total Revenues									
Services-Dump Fees-Garbage	-	-	-	-	-	-	-	-	-
Customer Refunds	-	-	-	-	-	-	-	-	-
Sales-Recycling	-	-	-	-	-	-	-	-	-
Total Revenues	3,545,733	651,368	1,563,858	2,096,487	7,857,446	1,259,518	9,116,964		9,116,964
<b>Cost of operations</b>									
<b>Direct Labor</b>									
Labor-Wages	437,404	130,320	159,121	156,664	883,509	155,364	1,038,873		1,038,873
Payroll Taxes	36,263	10,903	13,461	12,578	73,204	12,785	85,990		85,990
Labor-Health & Welfare	85,454	25,713	32,220	25,699	169,085	25,334	194,420		194,420
Labor-Workmens Comp	70,882	21,157	24,425	26,589	143,053	23,458	166,511		166,511
Labor-Pension	48,395	12,446	19,393	17,141	97,374	13,365	110,740		110,740
Total direct labor	678,397	200,539	248,620	238,670	1,366,227	230,307	1,596,533		1,596,533
Dumping Costs	1,062,100	178,257	384,495	701,792	2,326,645	183,427	2,520,072		2,520,072
Franchise Fees	172,079	32,738	77,734		282,550	52,729	335,279	-	335,279
County Admin Fees (HHW fees)	56,216	8,637	28,597		93,450	8,964	102,414		102,414
<b>Depreciation and Other Operating Costs</b>									
Repairs-Customer	19,233	2,220	11,506	588	33,546	2,231	35,777		35,777
Depreciation-Furniture & F	1,346				1,346	173	1,519		1,519
	20,579	2,220	11,506	588	34,892	2,403	37,295		37,295
<b>Trucking costs:</b>									
Equipment, Maintenance, & Repair	1,128,599	386,818	370,006	503,728	2,389,151	275,642	2,664,793		2,664,793
<b>General and Administrative Costs</b>									
Administrative salaries	398,861	59,136	115,131	290,858	863,986	51,508	915,494		915,494
Payroll Taxes	17,927	2,425	6,308	12,554	39,212	2,371	41,583		41,583
Pension Plan Expense	3,831	732	2,105	2,409	9,077	657	9,734		9,734
Accounting	28,706	23,330	17,787	1,965	71,788	3,462	75,250		75,250
Advertising	3,344		2,095	5,514	10,953	278	11,231	(11,231)	-
Alarm	456				456	20	476		476
Amortization-Organization					-		-		-
Bank Charges/ cr card proc fees	420			26,512	26,932	2	26,934		26,934
Collections Fees	(30)		48		18	3	21		21
Contributions				1,099	1,099	719	1,818	(1,818)	-
Public education								11,231	11,231
Dues & Subscriptions	375	183			557	1,400	1,957		1,957
Flowers					-		-		-
Freight-Delivery					-		-		-
Ibm-Rental	2,580	8,844	1,296	1,296	14,016	797	14,813		14,813
Interest-Deposits				397	397		397	(397)	-
Janitorial	2,797				2,797		2,797		2,797
Lease Outside Equipment	3,840		2,040	16,200	22,080	915	22,995		22,995
Legal	4,278				4,278	406	4,683		4,683
Licenses - Permits	220				220	10	230		230
Loan Fees					-		-		-
Medical Expenses	581	163	114	287	1,144	129	1,273		1,273
Miscellaneous	6				6	43	49		49
Offices Supplies & Expense	9,935	1,908	2,751	142	14,736	1,624	16,360		16,360
Printing & Postage	17,485	2,876	11,288	76	31,726	3,224	34,950		34,950
Promotional					-		-		-
Rent-Office	48,667	15,855	11,330	81,432	157,284	4,004	161,288		161,288
Repairs & Maintenance Gene	108				108	1,535	1,643		1,643
Sales Promotion					-		-		-
Sponsorships	2,500				2,500	500	3,000	(3,000)	-
Taxes-Other	82	50	25	25	182	11	192		192
Taxes-Personal Property		38			38		38		38
Telephone	4,582	561	394		5,537	370	5,907		5,907
Travel & Entertainment-Mea	1,052	690			1,742	225	1,967	(1,967)	-
Utilities	1,140			940	2,080	350	2,430		2,430
Total general & administrative	553,742	116,791	172,710	441,707	1,284,950	74,561	1,359,511		1,352,328
Net income (loss) from operations	(125,979)	(274,631)	270,189	210,002	79,581	421,486	501,068		508,250

**Garaventa Enterprises**  
**Rate Application**  
**Income Statement**  
**For year ended 12-31-2007**

	Oakley Disposal Service	Brentwood Disposal Service	Discovery Bay Disposal Service	Delta Debris Box Service	Totals - Companies 4, 16, 17, 19	Pittsburg Disposal Service (Bayspoint)	Total All Companies	Adjustment for Application	To Application
<b>Revenues</b>									
Services-Residential In Ct	2,834,144	31,270	1,418,824		4,284,039	-	4,284,039	1,120,082	5,404,120
Services-Residential Out O	44,799	307,604			352,402	767,679	1,120,082	(1,120,082)	-
Services-Commercial In Ct	960,398	65,447	217,808		1,273,652	-	1,273,652	516,499	1,790,151
Services-Commercial Out Of	57,658	296,345			354,003	162,496	516,499	(516,499)	-
Services-Dumping Fees-Publ					-	-	-	-	-
Customer Refunds					-	-	-	-	-
Services-Debris Boxes				1,961,401	1,961,401		1,961,401		1,961,401
Sales-Recycling	17,502	11	11,502		29,014	408	29,421		29,421
<b>Total Revenues</b>	<b>3,944,499</b>	<b>700,676</b>	<b>1,647,935</b>	<b>1,961,401</b>	<b>8,254,511</b>	<b>930,582</b>	<b>9,185,092</b>		<b>9,185,092</b>
<b>Cost of operations</b>									
<b>Direct Labor</b>									
Labor-Wages	469,652	140,085	181,882	186,375	977,975	159,921	1,137,896		1,137,896
Payroll Taxes	39,249	11,731	15,049	15,261	81,290	13,134	94,424		94,424
Labor-Health & Welfare	98,600	30,801	37,695	28,398	195,494	29,928	225,422		225,422
Labor-Workmens Comp	53,368	16,080	19,748	22,854	112,050	13,965	126,015		126,015
Labor-Pension	52,913	14,271	19,348	18,179	104,711	13,365	118,077		118,077
<b>Total direct labor</b>	<b>713,783</b>	<b>212,968</b>	<b>273,702</b>	<b>271,068</b>	<b>1,471,519</b>	<b>230,313</b>	<b>1,701,833</b>		<b>1,701,833</b>
<b>Dumping Costs</b>	<b>1,079,336</b>	<b>184,550</b>	<b>392,148</b>	<b>590,060</b>	<b>2,246,094</b>	<b>193,863</b>	<b>2,439,957</b>		<b>2,439,957</b>
<b>Franchise Fees</b>	<b>196,027</b>	<b>44,536</b>	<b>88,985</b>		<b>329,548</b>	<b>57,987</b>	<b>387,535</b>		<b>387,535</b>
<b>County Admin Fees (HHW fees)</b>	<b>56,216</b>	<b>1,910</b>	<b>27,580</b>		<b>85,706</b>	<b>2,011</b>	<b>87,717</b>		<b>87,717</b>
<b>Depreciation and Other Operating Costs</b>									
Repairs-Customer	11,252	1,452	4,739		17,442	2,017	19,459		19,459
Depreciation-Furniture & F	468				468	258	726		726
	<b>11,720</b>	<b>1,452</b>	<b>4,739</b>	<b>-</b>	<b>17,910</b>	<b>2,275</b>	<b>20,185</b>		<b>20,185</b>
<b>Trucking costs:</b>									
Rent-Equipment	1,177,439	281,369	379,796	532,890	2,381,493	268,317	2,649,810		2,649,810
<b>General and administrative costs:</b>									
Administrative salaries	305,100	58,496	112,598	295,408	771,602	38,944	810,546		810,546
Payroll Taxes	17,013	2,446	6,235	13,026	38,720	2,262	40,982		40,982
Pension Plan Expense	3,792	758	2,032	2,813	9,395	671	10,066		10,066
Accounting	28,361	22,720	24,237	8,725	84,043	3,323	87,366		87,366
Advertising	4,226	234	2,361	4,440	11,262	800	12,062	(12,062)	-
Alarm	707				707	87	794		794
Amortization					-		-		-
Bank Charges	421			41,185	41,606	2	41,608		41,608
Collections Fees					-		-		-
Contributions		250			250	439	689	(689)	-
Public Education								12,062	12,062
Dues & Subscriptions	189	455			644	188	832		832
Flowers					-		-		-
Freight-Delivery					-		-		-
Item-Rental	2,580	8,844	1,296	1,296	14,016	782	14,798		14,798
Insurance	4,897				4,897	763	5,660		5,660
Interst-Deposits				103	103		103	(103)	-
Janitorial	2,700				2,700		2,700		2,700
Laundry & uniforms	402			200	602		602		602
Lease Outside Equipment	5,680	4,480	5,560	20,520	36,240	924	37,164		37,164
Legal	389	30			419	32	452		452
Legal Settlement					-		-		-
Licenses - Permits	220				220	9	229		229
Medical Expenses	586	318		418	1,322	56	1,378		1,378
Miscellaneous	18				18	206	224		224
Offices Supplies & Expense	5,557	312	422		6,291	766	7,058		7,058
Postage	32,638	3,290	17,331	370	53,629	3,443	57,072		57,072
Printing	18,221	1,730	8,145	138	28,234	2,036	30,270		30,270
Promotional					-		-		-
Rent-Office	49,385	15,855	11,330	81,432	158,002	4,038	162,039		162,039
Repairs & Maintenance Gene	1,064				1,064	106	1,170		1,170
Sponsorships	2,500	3,500			8,000	688	8,688	(8,688)	-
Taxes-Other					-	17	17		17
Taxes-Personal Property	97	40			138		138		138
Telephone	4,044	552	527		5,123	327	5,450		5,450
Travel & Entertainment	941	100			1,041	36	1,077	(1,077)	-
Travel & Entertainment-Mea					-	149	149	(149)	-
Utilities	1,140			982	2,122	323	2,445		2,445
<b>Total general &amp; administrative</b>	<b>492,868</b>	<b>124,410</b>	<b>192,074</b>	<b>471,056</b>	<b>1,280,409</b>	<b>61,418</b>	<b>1,341,828</b>		<b>1,333,121</b>
<b>Net income (loss) from operations</b>	<b>273,326.22</b>	<b>(158,608.41)</b>	<b>316,490.68</b>	<b>96,328.71</b>	<b>441,831.61</b>	<b>114,397.33</b>	<b>556,228.94</b>		<b>564,934.48</b>

See NPG replicated IS for correct #s.

**Garaventa Enterprises  
Rate Application  
Income Statement/Audit tie-out  
For the Year Ended 12-31-2008**

*Audit*

	<i>✓</i> Oakley Disposal Service	<i>✓</i> Brantwood Disposal Service	<i>✓</i> Discovery Bay Disposal Service	<i>✓</i> Delta Debris Box Service	Audited Financial Statements	Pittsburg Disposal Service (Baypoint)	Total All Companies	Adjustment for Application	To Application
<b>Revenues</b>									
Services - Residential	2,977,588	50,435	1,488,498		4,526,530	-	4,526,530	1,111,480	5,638,011
Services - Residential Out	38,293	295,465	-		331,757	779,723	1,111,480	(1,111,480)	-
Services - Commercial	1,071,038	64,428	207,830		1,343,296	-	1,343,296	689,898	2,033,194
Services - Commercial Out	64,755	309,635	-		374,390	315,508	689,898	(689,898)	-
Services-Debris Boxes				1,721,208	1,721,208	-	1,721,208	-	1,721,208
Services - Residential Recycling						-	-	-	-
Sales - Paper Stock	14,372		22,421		36,794	2,723	39,517	-	39,517
Total Revenues	<u>4,164,056</u>	<u>719,963</u>	<u>1,728,749</u>	<u>1,721,208</u>	<u>8,333,976</u>	<u>1,097,954</u>	<u>9,431,930</u>		<u>9,431,930</u>
<b>Cost of operations</b>									
Operating expenses									
Labor - Wages	450,063	136,636	185,242	177,164	949,105	166,664	1,115,769	-	1,115,769
Labor - Payroll Taxes	37,124	10,976	14,868	14,282	77,261	13,650	90,910	-	90,910
Labor - Health & Welfare	99,321	34,470	45,689	30,595	210,074	44,683	254,758	-	254,758
Labor - Workers Compensation Ins.	35,900	11,150	14,290	14,705	76,045	11,939	87,984	-	87,984
Labor - Pension	51,809	13,789	22,961	18,352	106,710	26,610	133,321	-	133,321
Total Labor Costs	<u>674,018</u>	<u>207,020</u>	<u>283,050</u>	<u>255,107</u>	<u>1,419,195</u>	<u>283,546</u>	<u>1,682,741</u>		<u>1,682,741</u>
Dumping Cost	1,153,959	180,510	400,704	651,597	2,388,770	174,921	2,561,691	-	2,561,691
<b>Depreciation and Other Operating Costs</b>									
Repairs - Customers	3,302	508	5,505		9,315	844	10,159	-	10,159
Depreciation	616				618	193	809	-	809
	<u>3,918</u>	<u>508</u>	<u>5,505</u>	<u>-</u>	<u>9,933</u>	<u>1,037</u>	<u>10,968</u>		<u>10,968</u>
Franchise Fees	206,980	34,849	86,527		328,356	55,906	384,262	-	384,262
County Admin Fees (HHW fees)	69,028	13,410	30,833		113,272	3,657	116,929	-	116,929
Rent - Equipment	1,321,076	339,083	507,556	585,802	2,753,518	319,413	3,072,931	-	3,072,931
<b>General and Administrative Costs</b>									
Administrative salaries	323,968	56,589	110,777	296,451	787,785	35,587	823,372	-	823,372
Taxes - Payroll	18,808	2,399	5,981	13,181	40,169	2,028	42,197	-	42,197
Pension	4,393	818	1,997	3,391	10,599	599	11,197	-	11,197
Accounting	36,485	25,085	20,072	9,755	91,397	3,374.05	94,771	-	94,771
Advertising	4,341	1,633	1,182	2,628	9,794	506	10,300	(10,300)	-
Alarm	510				510	18	528	-	528
Bank charges & or card fees	1,720	182	394	25,777	28,073	386	28,458	-	28,458
Collection Fees	15				15	-	15	-	15
Contributions					-	208	208	(208)	-
Public education					-	-	-	10,300	10,300
IBM Rental, Software & Repair	2,580	8,844	1,286	1,286	14,016	697	14,713	-	14,713
Dues & Subscriptions	177	1,455			1,632	764	2,396	-	2,396
Employee functions					-	-	-	-	-
Fuel & Oil					-	-	-	-	-
Interest Expense					-	-	-	-	-
Insurance	786				786	857	1,643	-	1,643
Janitorial	2,700				2,700		2,700	-	2,700
Landscape and maintenance					-	-	-	-	-
Laundry & Uniforms				202	202	199	401	-	401
Legal	142,130				142,130	98	142,228	-	142,228
Licenses	200				200	8	208	-	208
Medical Expense	390	61	323	285	1,059	57	1,116	-	1,116
Miscellaneous					-	6	6	-	6
Office Supplies & Expense	7,146		762	328	8,236	937	9,172	-	9,172
Outside Services					-	-	-	-	-
Postage	31,082	3,445	15,156	436	50,129	2,905	53,034	-	53,034
Printing	28,492	3,119	12,144	176	43,931	2,386	46,317	-	46,317
Lease - Outside Equipment	1,561				1,561	36	1,597	-	1,597
Rent - Office	52,218	15,970	13,434	65,588	147,209	3,883	151,092	-	151,092
Repairs - General	790				790	111	901	-	901
Sales Promotion					-	-	-	-	-
Sponsorships	8,000				8,000	1,434	9,434	(9,434)	-
Supplies	9				9		9	-	9
Taxes - Other	25	50	25	25	125	2	127	-	127
Taxes-personal property	1,901	35			1,936	17	1,952	-	1,952
Telephone	1,615	130	76		1,720	113	1,834	-	1,834
Travel & Entertainment	1,336	150			1,486	303	1,789	(1,789)	-
Utilities	1,140				1,140	331	1,471	-	1,471
Payroll Deposit Charges					-	-	-	-	-
Total General & Administrative	<u>674,228</u>	<u>119,963</u>	<u>183,628</u>	<u>419,520</u>	<u>1,397,339</u>	<u>57,849</u>	<u>1,455,187</u>		<u>1,443,757</u>
<b>Income (Loss) From Operations</b>	<u>129,876</u>	<u>(161,970)</u>	<u>261,779</u>	<u>(190,818)</u>	<u>(74,406)</u>	<u>221,626</u>	<u>147,220</u>		<u>158,651</u>

*vs. 1,092,796 (copy + copy)*

*See NPO replicated IS for correct #s*

**Garaventa Enterprise  
Rate Application  
Annualized Statement of Operations  
For the Year Ended 12-31-2009**

	Through 6-30-09				Total Companies	Quarter ended 9-30-09				Total Companies	Projected or Annualized	Adjustment for Application	To Application
	Quarter ended 6-30-09					Quarter ended 9-30-09							
	Oakley Disposal Service	Brentwood Disposal Service	Discovery Bay Disposal Service	Pittsburg Disposal Service (Byproduct)		Oakley Disposal Service	Brentwood Disposal Service	Discovery Bay Disposal Service	Delta Debris Box Service				
Revenues													
Services - Residential In	1,620,526	22,131	747,257	-	2,389,913	835,095	10,727	385,561	-	1,231,353	4,828,395	1,151,125	5,979,520
Services - Residential Out	18,914	152,138	-	401,983	573,045	10,148	77,466	-	-	280,299	1,151,125	(1,151,125)	
Services - Commercial In	571,288	37,705	116,522	-	725,514	285,824	16,425	55,838	-	357,885	1,444,532	682,137	2,108,669
Services - Commercial Out	25,092	148,883	-	155,864	327,819	15,957	79,040	-	-	188,785	682,137	(682,137)	
Services-Debris Boxes	-	-	-	-	600,139	-	-	-	289,185	-	1,138,510	-	1,138,510
Services - Residential Recycling	-	-	-	-	-	-	-	-	-	-	-	-	-
Salaries - Paper Stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	2,235,819	358,838	863,779	557,857	4,816,430	1,147,025	183,657	441,197	289,185	2,317,536	9,224,899		9,224,899
Cost of operations													
Direct Labor													
Labor - Wages	225,296	73,272	99,437	84,976	548,848	129,572	39,816	62,839	33,872	308,189	1,185,227	1,185,227	1,185,227
Labor - Payroll Taxes	18,558	6,187	8,252	6,951	45,588	9,748	2,982	4,708	2,538	23,451	82,468	82,468	82,468
Labor - Health & Welfare	51,718	16,332	24,488	24,780	133,640	28,581	8,166	12,249	6,166	12,360	68,542	272,724	272,724
Labor - Workers Compensation Ins.	21,288	8,547	9,511	6,080	49,632	12,078	3,670	5,444	3,163	3,040	105,024	105,024	105,024
Labor - Pension	39,916	7,512	12,814	14,449	76,177	18,125	3,869	6,181	4,962	7,224	162,501	162,501	162,501
Total Direct Labor	347,757	109,850	154,512	137,218	653,883	186,104	58,205	97,601	52,521	68,609	1,787,944	1,787,944	1,787,944
Dumping Cost	632,316	92,303	212,144	101,006	1,309,848	328,809	45,220	115,066	134,869	71,760	693,585	2,697,017	2,697,017
Depreciation and Other Operating Costs													
Repairs - Customers	3,413	2,242	70	58	5,782	8,828	717	3,728	-	818	33,958	33,958	33,958
Depreciation	253	-	-	87	340	974	-	-	-	475	1,449	3,238	3,238
	3,666	2,242	70	145	6,122	9,800	717	3,728	-	1,293	37,197	37,197	37,197
Trucking Costs													
Equipment, Maintenance, & Repair	731,761	237,575	383,678	201,288	1,854,346	385,891	118,787	181,839	180,022	100,634	927,173	3,708,892	3,708,892
Franchise Fees	108,409	18,632	45,464	27,377	189,882	58,511	9,135	22,027	-	13,564	103,237	408,356	408,356
County Admin Fees (HHW fees)	31,524	1,474	15,824	2,992	51,814	18,972	1,910	8,338	-	4,167	33,387	118,587	118,587
General and Administrative Costs													
Administrative salaries	197,773	35,924	91,480	19,334	488,785	99,062	18,010	45,502	62,137	14,935	238,646	948,077	948,077
Taxes - Payroll	13,886	2,029	8,248	1,357	28,488	5,475	687	2,345	1,854	765	10,928	51,337	51,337
Pension Plan Expense	3,581	676	1,888	353	8,078	1,508	241	786	344	236	3,115	14,307	14,307
Accounting	17,813	9,005	5,996	1,582	34,398	7,219	10,330	9,888	5,000	2,382	34,599	103,595	103,595
Advertising	11,098	5,342	7,527	1,349	30,180	7,864	650	650	1,063	370	10,616	51,385	(51,385)
Alarm	284	-	-	11	295	132	-	-	-	9	141	556	556
Bank charges	3,597	666	1,840	600	11,823	1,586	266	933	1,865	478	4,927	21,477	21,477
Collection Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions-Charitable	-	-	-	-	-	-	-	-	-	167	167	334	(334)
Public education	-	-	-	-	-	-	-	-	-	-	-	-	-
IBM Rental, Software & Repair	1,290	4,422	648	415	7,423	845	2,211	324	324	318	3,822	15,087	15,087
Dues & Subscriptions	420	400	-	73	893	-	85	-	-	-	85	1,083	(1,083)
Non deductible dues	-	-	-	-	-	-	-	-	-	-	-	-	-
Education/training	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee functions	-	-	-	-	-	-	-	-	-	-	-	-	-
Fuel and oil	148	49	49	14	280	-	-	-	305	-	305	671	671
Insurance	6,008	-	-	635	6,644	11,692	1,428	5,965	6,948	2,161	62,468	62,468	62,468
Janitorial	1,825	-	-	195	2,120	675	-	-	-	165	3,779	3,779	3,779
Laundry & Uniforms	-	-	-	28	230	-	-	-	413	-	413	1,057	1,057
Lease - Outside Equipment	450	-	-	(42)	408	353	-	-	-	353	1,114	1,114	1,114
Legal	26,382	-	-	-	26,382	472	-	-	-	472	27,326	(25,283)	2,043
Licenses	120	-	-	8	254	-	-	-	-	-	254	254	254
Medical Expense	472	-	124	45	803	90	35	55	54	82	1,265	1,265	1,265
Office Supplies & Expense	903	8	312	225	1,449	831	-	-	25	323	3,966	3,966	3,966
Outside Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	20,621	2,307	8,011	3,880	35,044	4,785	742	1,885	59	9,292	53,628	53,628	53,628
Printing and reproduction	14,078	4,201	7,821	4,930	31,324	3,973	708	4,417	30	10,755	52,833	52,833	52,833
Rent - Office	28,488	8,100	6,820	2,411	87,357	14,244	4,050	4,410	6,475	33,030	133,418	133,418	133,418
Repairs - General	589	-	-	101	690	46	-	-	-	34	850	850	850
Sponsorship	2,020	-	-	135	2,155	2,500	85	25	25	2,845	8,045	(8,045)	1,432
Taxes - Other	-	-	-	-	-	551	-	-	-	716	1,432	1,432	1,432
Telephone	1,805	-	-	180	1,984	2,788	-	-	-	379	3,168	8,331	8,331
Travel & Entertainment	80	-	-	-	80	-	-	-	-	118	313	(313)	-
Travel & Entertainment - Meals	601	-	-	97	1,127	259	255	-	-	86	2,328	(2,328)	-
Utilities	367	-	-	179	546	-	-	-	-	179	804	804	804
Total General & Administrative	354,729	73,418	140,824	38,117	769,567	186,750	39,769	76,995	88,221	400,717	1,571,420		1,534,038
Total Expenses	2,210,182	535,493	932,516	508,124	5,045,862	1,142,838	273,743	499,826	435,432	2,840,875	10,327,213		10,289,827
Income (Loss) From Operations	25,637	(176,657)	(68,738)	(49,734)	(429,432.10)	(4,188.97)	(80,088.07)	(58,428.56)	(186,247.23)	(323,138.84)	(1,102,513)		(1,065,126)

**Garaventa Enterprises**  
**Rate Application**  
**Projected Statement of Operations**  
**For the Year Ended 12-31-2010**

	Oakley Service	Brentwood Disposal Service	Discovery Bay Disposal Service	Delta Debris Box Service	Pittsburg Disposal Service (Beypoint)	Total All Companies	Projected or Annualized	Adjustment for Application	To Application
<b>Revenues</b>									
Services - Residential In	3,274,162	43,810	1,510,423	-	-	4,828,395	4,828,395	1,151,125	5,979,520
Services - Residential Out	36,749	306,138	-	-	806,238	1,151,125	1,151,125	(1,151,125)	-
Services - Commercial In	1,142,816	72,172	229,544	-	-	1,444,532	1,444,532	662,137	2,106,669
Services - Commercial Out	54,732	301,203	-	-	306,202	662,137	662,137	(662,137)	-
Services - Residential Recycling	-	-	-	1,159,099	-	1,159,099	1,159,099	-	1,159,099
Sales - Paper Stock	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>4,510,458</b>	<b>723,324</b>	<b>1,739,967</b>	<b>1,159,099</b>	<b>1,112,440</b>	<b>9,245,289</b>	<b>9,245,289</b>		<b>9,245,289</b>
<b>Cost of operations</b>									
<b>Direct Labor</b>									
Labor - Wages	539,018	165,641	260,580	140,075	176,754	1,282,068	1,282,068		1,282,068
Labor - Payroll Taxes	45,817	14,079	22,149	11,906	15,024	121,796	121,796		121,796
Labor - Health & Welfare	126,900	36,257	54,386	36,257	54,968	308,767	308,767		308,767
Labor - Workers Compensation Ins	54,593	16,138	26,418	14,297	13,741	125,185	125,185		125,185
Labor - Pension	65,148	14,824	24,889	20,129	29,187	154,175	154,175		154,175
<b>Total Direct Labor</b>	<b>831,473</b>	<b>246,940</b>	<b>388,419</b>	<b>222,664</b>	<b>289,674</b>	<b>1,991,991</b>	<b>1,991,991</b>		<b>1,991,991</b>
<b>Dumping Cost</b>	<b>1,307,238</b>	<b>180,880</b>	<b>460,384</b>	<b>538,676</b>	<b>287,182</b>	<b>2,774,339</b>	<b>2,820,000</b>		<b>2,820,000</b>
<b>Depreciation and Other Operating Costs</b>									
Repairs - Customers	21,801	3,804	7,790	-	1,752	35,147	35,147		35,147
Depreciation	2,278	-	-	-	1,074	3,352	3,352		3,352
	<b>24,079</b>	<b>3,804</b>	<b>7,790</b>	<b>-</b>	<b>2,826</b>	<b>38,499</b>	<b>38,499</b>		<b>38,499</b>
<b>Trucking Costs</b>									
Equipment, Maintenance, & Repair	1,267,092	381,824	645,096	638,964	318,788	3,249,864	3,249,864		3,249,864
<b>Franchise Fees</b>	<b>225,430</b>	<b>36,902</b>	<b>89,518</b>	<b>-</b>	<b>54,506</b>	<b>406,356</b>	<b>406,356</b>		<b>406,356</b>
<b>County Admin Fees (HHW fees)</b>	<b>69,468</b>	<b>5,293</b>	<b>32,500</b>	<b>-</b>	<b>11,326</b>	<b>118,587</b>	<b>118,587</b>		<b>118,587</b>
<b>General and Administrative Costs</b>									
Administrative salaries	409,753	74,462	188,871	257,247	50,926	981,259	981,259		981,259
Taxes - Payroll	25,653	3,481	11,321	9,850	3,030	53,134	53,134		53,134
Pension Plan Expense	8,827	1,199	3,561	2,366	854	14,808	14,808		14,808
Accounting	33,380	30,703	26,260	10,350	6,528	107,221	107,221		107,221
Advertising	27,807	6,875	9,137	7,213	2,162	53,194	53,194	(53,194)	-
Alarm	548	-	-	-	29	575	575		575
Bank charges	7,005	1,239	3,835	8,539	1,610	22,228	22,228		22,228
Collection Fees	-	-	-	-	-	-	-		-
Contributions-Charitable	-	-	-	-	346	346	346	(346)	-
Public education	-	-	-	-	-	-	-	53,194	53,194
IBM Rental, Software & Repair	2,670	9,154	1,341	1,341	1,088	15,594	15,594	(1,121)	15,594
Dues & Subscriptions	435	611	-	-	75	1,121	1,121		-
Non deductible dues	-	-	-	-	-	-	-		-
Education/training	-	-	-	-	-	-	-		-
Employee functions	153	51	51	632	15	902	902		902
Fuel and oil	-	-	-	-	-	-	-		-
Insurance	48,405	5,904	24,697	27,521	9,031	115,557	115,557		115,557
Janitorial	3,390	-	-	-	522	3,911	3,911		3,911
Laundry & Uniforms	-	-	-	1,064	29	1,094	1,094		1,094
Lease - Outside Equipment	1,197	-	-	-	(44)	1,153	1,153		1,153
Legal	27,326	-	-	-	-	27,326	27,326	(25,283)	2,043
Licenses	124	-	-	129	10	263	263		263
Medical Expense	674	-	128	279	217	1,298	1,298		1,298
Office Supplies & Expense	2,654	81	437	52	901	4,126	4,126		4,126
Outside Services	-	-	-	-	-	-	-		-
Parking	-	-	-	-	-	-	-		-
Postage	31,207	3,923	12,214	346	7,815	55,505	55,505		55,505
Printing and reproduction	22,795	5,811	17,239	367	8,472	54,683	54,683		54,683
Rent - Office	58,970	16,767	18,257	37,765	6,328	138,088	138,088		138,088
Repairs - General	705	-	-	-	175	880	880		880
Sponsorship	7,266	-	-	-	1,061	8,327	8,327	(8,327)	-
Taxes - Other	1,141	176	52	52	63	1,483	1,483		1,483
Telephone	7,641	-	-	-	982	8,622	8,622		8,622
Travel & Entertainment	83	-	-	-	241	324	324	(324)	-
Travel & Entertainment - Meals	1,158	826	82	84	279	2,409	2,409	(2,409)	-
Utilities	380	-	-	-	555	935	935		935
<b>Total General &amp; Administrative</b>	<b>729,344</b>	<b>161,262</b>	<b>317,483</b>	<b>364,977</b>	<b>103,300</b>	<b>1,676,366</b>	<b>1,676,366</b>		<b>1,638,557</b>
<b>Total Expenses</b>	<b>4,454,125</b>	<b>1,017,009</b>	<b>1,941,189</b>	<b>1,765,281</b>	<b>1,065,581</b>	<b>(10,256,001)</b>	<b>(10,301,662)</b>		<b>(10,263,853)</b>
<b>Income (Loss) From Operations</b>	<b>56,334</b>	<b>(293,681)</b>	<b>(201,221)</b>	<b>(606,182)</b>	<b>46,859</b>	<b>(1,010,712)</b>	<b>(1,056,373)</b>		<b>(1,018,565)</b>



## **Appendix B**

### **Audited Financial Statements**



# Appendix B

## Audited Financial Statements

This appendix includes calendar year ended December 31, 2008, audited financial statements prepared for the following five (5) companies:

- Brentwood Disposal Service, Inc.
- Delta Debris Box Service, Inc.
- Discovery Bay Disposal, Inc.
- Oakley Disposal Service, Inc.
- Pittsburg Disposal & Debris Box Service, Inc.

These financial statements were prepared by Blanding, Boyer, and Rockwell, LLP, a certified public accounting firm located in Walnut Creek, California.

NewPoint Group reconciled the calendar year 2008 audit with the 2008 revenues and expenses provided in Garaventa's 2010 Application. In **Table B-1**, below, we show the net income/loss (before income taxes), as identified in the audited financial statements of each company serving the County.

**Table B-1**  
**Net Income Before Taxes**  
**For Garaventa Companies Serving Contra Costa County**  
**(Calendar Year 2008)**

Company	Revenues	Net income/loss (before income taxes)	Audit page reference
Brentwood Disposal Service, Inc.	\$719,963	-\$176,774	3
Delta Debris Box Service, Inc.	1,721,209	-\$190,722	3
Discovery Bay Disposal, Inc.	1,728,750	\$230,413	3
Oakley Disposal Service, Inc.	4,164,058	\$60,847	3
Pittsburg Disposal & Debris Box Service, Inc. (BayPoint area only)	1,097,954	\$221,626	Unaudited <sup>1</sup>
Total	\$9,431,934	<b>\$145,390</b>	

<sup>1</sup> See income statement/audit tie-out for the year ended December 31, 2008 (provided as part of the Application in Appendix A). The Pittsburg Disposal & Debris Box Service portion is shown as a column in this schedule. Audited financial statements for the entire Pittsburg Disposal & Debris Box Service business are provided in this Appendix B.

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**BRENTWOOD DISPOSAL SERVICE, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Brentwood Disposal Service, Inc.  
Concord, California

We have audited the accompanying balance sheet of Brentwood Disposal Service, Inc. (a California S corporation), as of December 31, 2008, and the related statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brentwood Disposal Service, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BBR LLP**

BBR LLP  
Walnut Creek, California  
August 24, 2009

# BRENTWOOD DISPOSAL SERVICE, INC.

## BALANCE SHEET

DECEMBER 31, 2008

(See notes to financial statements)

### ASSETS

#### **CURRENT ASSETS**

Cash	\$	131,067
Accounts receivable		44,970
Prepaid expenses		900

Total current liabilities 176,937

**DUE FROM RELATED PARTY** 3,512

Total current assets \$ 180,449

### LIABILITIES AND STOCKHOLDER DEFICIT

#### **CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$	90,670
Deferred revenues		2,258

Total current liabilities 92,928

**DUE TO RELATED PARTY** 1,519,353

Total liabilities 1,612,281

#### **STOCKHOLDER DEFICIT**

Common stock	1,000
Accumulated deficit	(1,432,832)

Total stockholder deficit (1,431,832)

Total liabilities and stockholder deficit \$ 180,449

**BRENTWOOD DISPOSAL SERVICE, INC.**  
**STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(See notes to financial statements)

**REVENUES**

Commercial refuse collection services	\$ 374,063
Residential refuse collection services	<u>345,900</u>
Total revenues	<u>719,963</u> *

**OPERATING EXPENSES**

Equipment rental	339,083
Labor and related	207,021
Waste disposal	193,920
Franchise fees	34,849
Repairs and maintenance	<u>513</u>
Total operating expenses	<u>775,386</u>

**GROSS LOSS**

(55,423)

**GENERAL AND ADMINISTRATIVE**

Administrative salaries and related	61,092
Office and administration	35,174
Professional fees	<u>25,085</u>
Total general and administrative	<u>121,351</u>

**LOSS FROM OPERATIONS**

(176,774) \*

**INTEREST EXPENSE**

(27,480)

**LOSS BEFORE INCOME TAXES**

(204,254)

**PROVISION FOR INCOME TAXES**

2,400

**NET LOSS**

(206,654)

**ACCUMULATED DEFICIT**

Beginning of year (1,226,178)

End of year \$ (1,432,832)

# BRENTWOOD DISPOSAL SERVICE, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(See notes to financial statements)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (206,654)
Adjustments to reconcile net loss to net cash provided by operating activities	
(Increase) decrease in	
Accounts receivable	(1,836)
Due from related party	(312)
Increase (decrease) in	
Accounts payable and accrued liabilities	55,320
Deferred revenues	(328)
Due to related party	285,761
Net cash provided by operating activities	131,951

### CASH FLOWS FROM FINANCING ACTIVITIES

Bank overdraft	(1,137)
----------------	---------

NET CHANGE IN CASH 130,814

### CASH

Beginning of year	253
End of year	\$ 131,067

### SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid	\$ 27,485
Income taxes paid	\$ 1,600



# **BRENTWOOD DISPOSAL SERVICE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **SUMMARY OF OPERATIONS**

Brentwood Disposal Service, Inc. (Company) is primarily engaged in the solid waste collection and recycling business. The Company provides services under exclusive agreements to unincorporated areas of Eastern Contra Costa County including the towns of Byron and Knightsen, all located in California.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues are recognized when they become both measurable and available, and expenses are recognized when an obligation is incurred.

**Use of estimates** – Presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Consequently, actual results could differ from these estimates.

**Cash** – For the purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company occasionally will have amounts on deposit at financial institutions that exceed federally insured limits. The Company believes there is no significant risk with respect to these deposits.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company closely monitors outstanding receivables and charges off any balances that are determined to be uncollectible. The Company considers its accounts fully collectible at December 31, 2008.

**Revenues** – Revenues consist primarily of billings for the collection, recycling and disposal of solid waste from a diversified base of customers including residential, commercial and industrial. Residential customers make payments in advance for collection services. Revenues from those receipts are deferred and recognized as the services are performed.

**Advertising and promotion** – Advertising and promotion costs are expensed as incurred.

### **INCOME TAXES**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for federal income taxes. Under this election, the Company's taxable income or loss will be reportable on the stockholder's personal income tax return. State franchise taxes are assessed at a rate of 1.5% of taxable income. Accordingly, a provision for state franchise taxes is included in the accompanying financial statements.

**BRENTWOOD DISPOSAL SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**RETIREMENT PLANS**

The Company makes contributions to a collectively bargained, multiemployer defined benefit pension plan. Contributions are determined in accordance with the provisions of the negotiated labor contract or terms of the plan. The plan's administrators do not provide sufficient information to enable the Company to determine its share, if any, of plan assets or unfunded vested benefits. Retirement plan expense for the year ended December 31, 2008 for the defined benefit pension plan is \$13,789.

The Company also has a 401(k) profit sharing plan for the benefit of its eligible employees. Non-union employees who have reached age twenty and one-half years and have completed one year of service may begin elective deferrals. The Company's contribution to the plan, as determined by the Board of Directors, is discretionary but cannot exceed certain maximum defined limitations. In order to be eligible to receive an allocation of the Company's contribution, the employee must have completed at least 500 hours of service during the plan year and be an employee on the last day of the plan year. Retirement plan expense for the year ended December 31, 2008 is \$818.

**RETIREE HEALTHCARE BENEFITS**

In addition to providing pension benefits, the Company also provides certain health care benefits for retired employees covered by the union agreement. The current agreement requires the Company to pay \$258 per month for medical insurance premiums for non-Medicare eligible retirees and their non-Medicare eligible spouses and \$25 per month for Medicare eligible retirees and their Medicare eligible spouses for the duration of the contract. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. This and similar benefits are provided for active employees. The Company funds the benefit cost on a pay-as-you-go basis, accordingly, there are no plan assets. The effect of the health care cost trend is not applicable because the benefit amount is a fixed sum independent of health care cost changes.

The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums. For 2008, there are no eligible retirees; therefore, the cost of providing those benefits for the year ended December 31, 2008 is \$0.

**FRANCHISE AGREEMENTS**

The Company entered into a franchise agreement with the Byron Sanitary District to provide garbage services in the district. The franchise fee is based on 5% of gross collections for services in the district. The agreement expires in August 2010. Total fees for the year ended December 31, 2008 are \$5,730.

**BRENTWOOD DISPOSAL SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**FRANCHISE AGREEMENTS** (continued)

The Company also entered into a franchise agreement with Contra Costa County in May 1995 to provide refuse collection services to the unincorporated areas of Contra Costa County adjacent to the Byron Sanitary District. The agreement provides for payments to the county of 5% of gross collections for services. The agreement expires in May 2015. Total fees for the year ended December 31, 2008 are \$29,119.

**RELATED PARTY TRANSACTIONS**

The Company has engaged related parties to provide equipment, services and facilities for its collection services. Additionally, interest is accrued on balances advanced from a related party. The related party activity is as follows for the year ended December 31, 2008.

Equipment rental	\$ 339,083
Refuse preparation and transfer service	180,510
Interest expense	27,480
Facilities and office space rental	15,970
Accounting services	13,860
Computer rental	<u>8,844</u>
	<u>\$ 585,747</u>

The Company leases equipment, computers and office space from related parties under various operating leases. The lease agreements expire at various dates through March 2011 and require monthly payments of \$23,676. The amount of expense recognized under these lease agreements for the year ended December 31, 2008 is \$363,897.

Minimum future lease payments under these lease agreements as of December 31, 2008 are as follows.

2009	\$ 278,714
2010	267,914
2011	<u>64,767</u>
	<u>\$ 611,395</u>

**MALLARD FINANCIAL GROUP**

The Company maintains a depository relationship with Mallard Financial Group (Mallard), a related entity. The Company's shareholder is the sole owner of Mallard and has personally guaranteed all related party assets and liabilities of the entity. The balance due to Mallard, presented as due to related party, as of December 31, 2008 is \$1,519,353.

**BRENTWOOD DISPOSAL SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**COMMITMENTS AND CONTINGENCIES**

**Guarantees –**

***Line of credit*** – The Company guarantees a line of credit on behalf of entities related through common ownership. The Company's assets are cross-collateralized with the assets of these related entities to secure the balances owed to the bank. The total amount outstanding on the line of credit is \$5,000,000 at December 31, 2008.

***Letters of credit*** – The Company, as well as related affiliates, guarantees letters of credit with Bank of America. The letters of credit are secured by the assets of the Company, as well as related affiliates. The amount available under the letters of credit is \$36,505,283 at December 31, 2008. No amounts have been drawn against the letters of credit as of December 31, 2008.

**Contingent liabilities** – In the ordinary course of conducting its business, the Company may be involved in lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties or judgments being assessed against the Company that, from time to time, may have an impact on earnings. It is the opinion of management that the aforementioned proceedings, individually or in the aggregate, will not have a materially adverse effect on the Company's financial position.

**Collective bargaining agreement** – A significant portion of the Company's employees are subject to a collective bargaining agreement with Teamsters Local 315, which will expire February 28, 2014.

**Environmental risk** – The refuse and recycling industries in which the Company operates are subject to a certain level of environmental risk. Such environmental liabilities could have a material effect on the financial position of the Company and its affiliates. However, it is not possible to reasonably estimate the amount of any obligation for environmental remediation that would be material to the Company and its affiliates at December 31, 2008. Accordingly, the Company has not accrued any liability for environmental contingencies.

**CONCENTRATION OF RISK**

The Company's revenues are derived primarily from customers in the San Francisco Bay Area. As such, the Company's revenue and operations can be negatively impacted by the San Francisco Bay Area economy.

**DISCOVERY BAY DISPOSAL, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER  
WITH INDEPENDENT AUDITOR'S R**

## FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**WITH INDEPENDENT AUDITOR'S REPORT**

**DELTA DEBRIS BOX SERVICE, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Delta Debris Box Service, Inc.  
Concord, California

We have audited the accompanying balance sheet of Delta Debris Box Service, Inc. (a California S corporation), as of December 31, 2008, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Debris Box Service, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BBR LLP**

BBR LLP  
Walnut Creek, California  
August 24, 2009



# **DELTA DEBRIS BOX SERVICE, INC.**

## **BALANCE SHEET**

**DECEMBER 31, 2008**

(See notes to financial statements)

### **ASSETS**

#### **CURRENT ASSETS**

Cash	\$ 419,983
Accounts receivable	159,213
Prepaid expenses	<u>17,817</u>

Total current assets 597,013

**DUE FROM RELATED PARTY** 2,703,506

Total assets \$ 3,300,519

### **LIABILITIES AND STOCKHOLDER EQUITY**

#### **CURRENT LIABILITIES**

Accounts payable and accrued liabilities \$ 84,090

**DUE TO RELATED PARTY** 46,028

Total liabilities 130,118

#### **STOCKHOLDER EQUITY**

Common stock 1,000

Retained earnings 3,169,401

Total stockholder equity 3,170,401

Total liabilities and stockholder equity \$ 3,300,519

**DELTA DEBRIS BOX SERVICE, INC.**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(See notes to financial statements)

**REVENUES**

Refuse collection services	\$ 1,721,209
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**OPERATING EXPENSES**

Waste disposal	651,597
Equipment rental	585,802
Labor and related	<u>255,108</u>

Total operating expenses	<u>1,492,507</u>
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**GROSS PROFIT**

228,702

**GENERAL AND ADMINISTRATIVE**

Administration salaries and related	313,024
Office and administration	72,985
Advertising and promotion	23,660
Professional fees	<u>9,755</u>

Total general and administrative	<u>419,424</u>
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**LOSS FROM OPERATIONS**

(190,722)

**OTHER INCOME**

Interest income	<u>54,874</u>
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**LOSS BEFORE INCOME TAXES**

(135,848)

**PROVISION FOR INCOME TAXES**

773

**NET LOSS**

(136,621)

**RETAINED EARNINGS**

Beginning of year	<u>3,306,022</u>
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End of year	<u><u>\$ 3,169,401</u></u>
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# DELTA DEBRIS BOX SERVICE, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(See notes to financial statements)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (136,621)
Adjustments to reconcile net loss to net cash provided by operating activities	
(Increase) decrease in	
Accounts receivable	(23,784)
Prepaid expenses	(15,017)
Due from related party	513,766
Increase (decrease) in	
Accounts payable and accrued liabilities	74,997
Due to related party	6,574

### NET CHANGE IN CASH

419,915

### CASH

Beginning of year	68
End of year	<u>\$ 419,983</u>

**DELTA DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF OPERATIONS**

Delta Debris Box Service, Inc. (Company) is primarily engaged in the hauling and disposal of refuse collected in debris boxes in Contra Costa County, California.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues are recognized when they become both measurable and available, and expenses are recognized when an obligation is incurred.

**Use of estimates** – Presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Consequently, actual results could differ from these estimates.

**Cash** – For the purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company usually will have amounts on deposit at financial institutions that exceed federally insured limits. The Company believes there is no significant risk with respect to these deposits.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company closely monitors outstanding receivables and charges off any balances that are determined to be uncollectible. The Company considers its accounts fully collectible at December 31, 2008.

**Revenues** – Revenues consist primarily of billings for the hauling and disposal of refuse collected in debris boxes.

**Advertising and promotion** – Advertising and promotion costs are expensed as incurred.

**INCOME TAXES**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for federal income taxes. Under this election, the Company's taxable income or loss will be reportable on the shareholder's personal income tax return. State franchise taxes are assessed at a rate of 1½% of taxable income. Accordingly, a provision for state franchise taxes is included in the accompanying financial statements.

# DISCOVERY BAY DISPOSAL, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Discovery Bay Disposal, Inc.  
Concord, California

We have audited the accompanying balance sheet of Discovery Bay Disposal, Inc. (a California S corporation), as of December 31, 2008, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovery Bay Disposal, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BBR LLP**

BBR LLP  
Walnut Creek, California  
August 24, 2009

# DISCOVERY BAY DISPOSAL, INC.

## BALANCE SHEET

DECEMBER 31, 2008

(See notes to financial statements)

### ASSETS

#### CURRENT ASSETS

Cash	\$ 454,227
Accounts receivable	80,806
Prepaid expenses	567

Total current assets 535,600

#### DUE FROM RELATED PARTY

1,130,319

Total assets

\$ 1,665,919

### LIABILITIES AND STOCKHOLDER EQUITY

#### CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 176,573
Deferred revenues	30,666

Total current liabilities 207,239

#### DUE TO RELATED PARTY

21,305

Total liabilities

228,544

#### STOCKHOLDER EQUITY

Common stock	1,000
Retained earnings	1,436,375

Total stockholder equity 1,437,375

Total liabilities and stockholder equity

\$ 1,665,919

**DISCOVERY BAY DISPOSAL, INC.**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(See notes to financial statements)

**REVENUES**

Residential refuse collection services	\$ 1,520,920
Commercial refuse collection services	<u>207,830</u>
Total revenues	<u>1,728,750</u>

**OPERATING EXPENSES**

Equipment rental	507,556
Waste disposal	431,537
Labor and related	285,047
Franchise fees -	86,527
Repairs and maintenance	<u>5,505</u>
Total operating expenses	<u>1,316,172</u>

**GROSS PROFIT**

412,578

**GENERAL AND ADMINISTRATIVE**

Administration salaries and related	116,758
Office and administration	44,143
Professional fees	20,072
Advertising and promotion	<u>1,192</u>
Total general and administrative	<u>182,165</u>

**INCOME FROM OPERATIONS**

230,413

**OTHER INCOME (EXPENSE)**

Interest income	21,295
Other expense	<u>(203)</u>
Total other income (expense)	<u>21,092</u>

**INCOME BEFORE INCOME TAXES**

251,505

**PROVISION FOR INCOME TAXES**

800

**NET INCOME**

250,705

**RETAINED EARNINGS**

Beginning of year	<u>1,185,670</u>
End of year	<u>\$ 1,436,375</u>



# DISCOVERY BAY DISPOSAL, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(See notes to financial statements)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 250,705
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase) decrease in	
Accounts receivable	(7,891)
Prepaid expenses	(567)
Due from related party	75,898
Increase (decrease) in	
Bank overdraft	(1,342)
Accounts payable and accrued liabilities	129,007
Deferred revenues	16,260
Due to related party	(7,843)

### NET CHANGE IN CASH

454,227

### CASH

Beginning of year

-

End of year

\$ 454,227

### SUPPLEMENTARY CASH FLOW INFORMATION

Cash paid for interest	\$ 203
Cash paid for income taxes	\$ 4,736

# **DISCOVERY BAY DISPOSAL, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **SUMMARY OF OPERATIONS**

Discovery Bay Disposal, Inc. (Company) is primarily engaged in the solid waste collection and recycling business. The Company provides services under an exclusive agreement to the area of Discovery Bay in Eastern Contra Costa County, California.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues are recognized when they become both measurable and available, and expenses are recognized when an obligation is incurred.

**Use of estimates** – Presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Consequently, actual results could differ from these estimates.

**Cash** – For the purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company usually will have amounts on deposit at financial institutions that exceed federally insured limits. The Company believes there is no significant risk with respect to these deposits.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company closely monitors outstanding receivables and charges off any balances that are determined to be uncollectible. The Company considers its accounts fully collectible at December 31, 2008.

**Revenues** – Revenues consist primarily of billings for the collection, recycling and disposal of solid waste from a diversified base of customers including residential, commercial and industrial. Residential customers make payments in advance for collection services. Revenues from those receipts are deferred and recognized as the services are performed.

**Advertising and promotion** – Advertising and promotion costs are expensed as incurred.

### **INCOME TAXES**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for federal income taxes. Under this election, the Company's taxable income or loss will be reportable on the stockholder's personal income tax return. State franchise taxes are assessed at a rate of 1½% of taxable income. Accordingly, a provision for state franchise taxes is included in the accompanying financial statements.

## **DISCOVERY BAY DISPOSAL, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **RETIREMENT PLANS**

The Company makes contributions to a collectively bargained, multiemployer defined benefit pension plan. Contributions are determined in accordance with the provisions of the negotiated labor contract or terms of the plan. The plan's administrators do not provide sufficient information to enable the Company to determine its share, if any, of plan assets or unfunded vested benefits. Retirement plan expense for the year ended December 31, 2008 for the defined benefit pension plan is \$22,961.

The Company also has a 401(k) profit sharing plan for the benefit of its eligible employees. Non-union employees who have reached age twenty and one-half years and have completed one year of service may begin elective deferrals. The Company's contribution to the plan, as determined by the Board of Directors, is discretionary but cannot exceed certain maximum defined limitations. In order to be eligible to receive an allocation of the Company's contribution, the employee must have completed at least 500 hours of service during the plan year and be an employee on the last day of the plan year. Retirement plan expense for the year ended December 31, 2008 is \$1,997.

#### **RETIREE HEALTHCARE BENEFITS**

In addition to providing pension benefits, the Company also provides certain health care benefits for retired employees covered by the union agreement. The current agreement requires the Company to pay \$258 per month for medical insurance premiums for non-Medicare eligible retirees and their non-Medicare eligible spouses and \$25 per month for Medicare eligible retirees and their Medicare eligible spouses for the duration of the contract. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. This and similar benefits are provided for active employees. The Company funds the benefit cost on a pay-as-you-go basis, accordingly, there are no plan assets. The effect of the health care cost trend is not applicable because the benefit amount is a fixed sum independent of health care cost changes.

The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums. For 2008, there are no eligible retirees; therefore, the cost of providing those benefits for the year ended December 31, 2008 is \$0.

#### **FRANCHISE AGREEMENTS**

The Company entered into a franchise agreement with Contra Costa County in May 1995 to provide refuse collection services to the unincorporated areas of Contra Costa County. The agreement provides for payments to the county of 5% of gross collections for services. The agreement expires in May 2015. Total fees for the year ended December 31, 2008 are \$86,527.

## DISCOVERY BAY DISPOSAL, INC.

### NOTES TO FINANCIAL STATEMENTS

#### RELATED PARTY TRANSACTIONS

The Company has engaged related parties to provide equipment, services and facilities for its collection services. Additionally, interest is accrued on balances advanced to a related party. The related party activity is as follows for the year ended December 31, 2008.

#### Expenses

Equipment rental	\$ 507,556
Refuse preparation and transfer service	400,704
Facilities and office space rental	13,434
Accounting services	8,652
Computer rental	<u>1,296</u>
	<u>\$ 931,642</u>

#### Revenues

Interest income	<u>\$ 21,295</u>
-----------------	------------------

The Company leases equipment, computers and office space from related parties under various operating leases. The lease agreements expire at various dates through March 2011 and require monthly payments of \$33,291. The amount of expense recognized under these lease agreements for the year ended December 31, 2008 is \$522,286.

Minimum future lease payments under these lease agreements as of December 31, 2008 are as follows.

2009	\$ 393,611
2010	381,851
2011	<u>95,139</u>
	<u>\$ 870,601</u>

#### MALLARD FINANCIAL GROUP

The Company maintains a depository relationship with Mallard Financial Group (Mallard), a related entity. The Company's shareholder is the sole owner of Mallard and has personally guaranteed all related party assets and liabilities of the entity. The balance due from Mallard, presented as due from related party, as of December 31, 2008 is \$1,130,319.

**DISCOVERY BAY DISPOSAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**COMMITMENTS AND CONTINGENCIES**

**Guarantees –**

***Line of credit*** – The Company guarantees a line of credit on behalf of entities related through common ownership. The Company's assets are cross-collateralized with the assets of these related entities to secure the balances owed to the bank. The total amount outstanding on the line of credit is \$5,000,000 at December 31, 2008.

***Letters of credit*** – The Company, as well as related affiliates, guarantees letters of credit with Bank of America. The letters of credit are secured by the assets of the Company, as well as related affiliates. The amount available under the letters of credit is \$36,505,283 at December 31, 2008. No amounts have been drawn against the letters of credit as of December 31, 2008.

***Contingent liabilities*** – In the ordinary course of conducting its business, the Company may be involved in lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties or judgments being assessed against the Company that, from time to time, may have an impact on earnings. It is the opinion of management that the aforementioned proceedings, individually or in the aggregate, will not have a materially adverse effect on the Company's financial position.

***Collective bargaining agreement*** – A significant portion of the Company's employees are subject to a collective bargaining agreement with Teamsters Local 315, which will expire February 28, 2014.

***Environmental risk*** – The refuse and recycling industries in which the Company operates are subject to a certain level of environmental risk. Such environmental liabilities could have a material effect on the financial position of the Company and its affiliates. However, it is not possible to reasonably estimate the amount of any obligation for environmental remediation that would be material to the Company and its affiliates at December 31, 2008. Accordingly, the Company has not accrued any liability for environmental contingencies.

**CONCENTRATION OF RISK**

The Company's revenues are derived primarily from customers in the San Francisco Bay Area. As such, the Company's revenue and operations can be negatively impacted by the San Francisco Bay Area economy.

RECOVERY BOX SERVICE, INC.  
ATTN: FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America.

**DELTA DEBRIS BOX SERVICE, INC.**

The Company's financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America.

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH INDEPENDENT AUDITOR'S REPORT**

FINANCIAL STATEMENTS

The Company's financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America. The Company's financial statements are prepared on a basis consistent with the accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT

**OAKLEY DISPOSAL SERVICE, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Oakley Disposal Service, Inc.  
Concord, California

We have audited the accompanying balance sheet of Oakley Disposal Service, Inc. (a California S corporation), as of December 31, 2008, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oakley Disposal Service, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BBR LLP**

BBR LLP  
Walnut Creek, California  
August 24, 2009

# OAKLEY DISPOSAL SERVICE, INC.

## BALANCE SHEET

DECEMBER 31, 2008

(See notes to financial statements)

### ASSETS

#### **CURRENT ASSETS**

Cash	\$ 547,990
Accounts receivable	315,102
Total current assets	863,092

**DUE FROM RELATED PARTY** 222,368

**PROPERTY AND EQUIPMENT, net** 2,301

**Total assets** \$ 1,087,761

### LIABILITIES AND STOCKHOLDER EQUITY

#### **CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 227,145
Deferred revenues	275,254
Total current liabilities	502,399

**DUE TO RELATED PARTY** 10,705

**Total liabilities** 513,104

#### **STOCKHOLDER EQUITY**

Common stock	1,000
Retained earnings	573,657
Total stockholder equity	574,657

**Total liabilities and stockholder equity** \$ 1,087,761

**OAKLEY DISPOSAL SERVICE, INC.**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

(See notes to financial statements)

**REVENUES**

Residential refuse collection services	\$ 3,028,265
Commercial refuse collection services	1,135,793
Total revenues	<u>4,164,058</u> ✕

**OPERATING EXPENSES**

Equipment rental	1,321,076
Waste disposal	1,222,987
Labor and related	674,017
Franchise fees	206,980
• Repairs and maintenance	4,092
• Facility	1,140
Depreciation	616
• Fuel	200
Total operating expenses	<u>3,431,108</u> ✕

**GROSS PROFIT**

732,950

**GENERAL AND ADMINISTRATIVE**

Administration salaries and related	348,969
Professional fees	178,615
Office and administration	132,056
Sponsorships	8,000
Advertising and promotion	4,341
Travel and entertainment	1,336
Insurance	786

Total general and administrative 672,103 ✕

**INCOME FROM OPERATIONS**

60,847 ✕

**INTEREST INCOME**

6,949

**INCOME BEFORE INCOME TAXES**

67,796

**PROVISION FOR INCOME TAXES**

800

**NET INCOME**

66,996

**RETAINED EARNINGS**

Beginning of year 506,661

End of year \$ 573,657

# OAKLEY DISPOSAL SERVICE, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(See notes to financial statements)

### CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 66,996
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	616
(Increase) decrease in	
Accounts receivable	(25,320)
Due from related party	454,922
Increase (decrease) in	
Accounts payable and accrued liabilities	119,855
Deferred revenues	6,020
Due to related party	(72,895)
Net cash provided by operating activities	550,194

### CASH FLOWS FROM FINANCING ACTIVITIES

Net decrease in bank cash overdraft	(2,424)
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### NET CHANGE IN CASH

547,770

### CASH

Beginning of year	220
End of year	\$ 547,990

### SUPPLEMENTARY CASH FLOW INFORMATION

Cash paid for income taxes	\$ 800
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# **OAKLEY DISPOSAL SERVICE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **SUMMARY OF OPERATIONS**

Oakley Disposal Service, Inc. (Company) is primarily engaged in the solid waste collection and recycling business. The Company provides services under exclusive agreements to the Iron House Sanitary District that includes the City of Oakley and certain areas of Contra Costa County, all located in California.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues are recognized when they become both measurable and available, and expenses are recognized when an obligation is incurred.

**Use of estimates** – Presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Consequently, actual results could differ from these estimates.

**Cash** – For the purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company usually will have amounts on deposit at financial institutions that exceed federally insured limits. The Company believes there is no significant risk with respect to these deposits.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company closely monitors outstanding receivables and charges off any balances that are determined to be uncollectible. The Company considers its accounts fully collectible at December 31, 2008.

**Property and equipment** – Property and equipment are carried at cost. Depreciation is computed using the straight-line and declining balance methods, over the estimated useful lives of the assets (generally 3 to 39 years).

**Revenues** – Revenues consist primarily of billings for the collection, recycling and disposal of solid waste from a diversified base of customers including residential, commercial and industrial. Residential customers make payments in advance for collection services. Revenues from those receipts are deferred and recognized as the services are performed.

**Advertising and promotion** – Advertising and promotion costs are expensed as incurred.

### **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2008.

Furniture and fixtures	\$ 13,010
Accumulated depreciation	<u>(10,709)</u>
	<u>\$ 2,301</u>

**OAKLEY DISPOSAL SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**INCOME TAXES**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for federal income taxes. Under this election, the Company's taxable income or loss will be reportable on the stockholder's personal income tax return. State franchise taxes are assessed at a rate of 1½% of taxable income. Accordingly, a provision for state franchise taxes is included in the accompanying financial statements.

**OPERATING LEASE**

The Company leases a building under an operating lease. The lease agreement runs through September 2010 and requires monthly payments of \$2,883. Minimum future lease payments under this lease agreement as of December 31, 2008 are as follows.

2009	\$ 34,597
2010	<u>25,947</u>
	<u>\$ 60,544</u>

The amount of expense recognized under this lease agreement for the year ended December 31, 2008 is \$34,035.

**RETIREMENT PLANS**

The Company makes contributions to a collectively bargained, multiemployer defined benefit pension plan. Contributions are determined in accordance with the provisions of the negotiated labor contract or terms of the plan. The plan's administrators do not provide sufficient information to enable the Company to determine its share, if any, of plan assets or unfunded vested benefits. Retirement plan expense for the year ended December 31, 2008 for the defined benefit pension plan is \$51,609.

The Company also has a 401(k) profit sharing plan for the benefit of its eligible employees. Non-union employees who have reached age twenty and one-half years and have completed one year of service may begin elective deferrals. The Company's contribution to the plan, as determined by the Board of Directors, is discretionary but cannot exceed certain maximum defined limitations. In order to be eligible to receive an allocation of the Company's contribution, the employee must have completed at least 500 hours of service during the plan year and be an employee on the last day of the plan year. Retirement plan expense for the year ended December 31, 2008 is \$4,393.

# **OAKLEY DISPOSAL SERVICE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **RETIREE HEALTHCARE BENEFITS**

In addition to providing pension benefits, the Company also provides certain health care benefits for retired employees covered by the union agreement. The current agreement requires the Company to pay \$258 per month for medical insurance premiums for non-Medicare eligible retirees and their non-Medicare eligible spouses and \$25 per month for Medicare eligible retirees and their Medicare eligible spouses for the duration of the contract. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. This and similar benefits are provided for active employees. The Company funds the benefit cost on a pay-as-you-go basis, accordingly, there are no plan assets. The effect of the health care cost trend is not applicable because the benefit amount is a fixed sum independent of health care cost changes.

The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums. For 2008, there are no eligible retirees; therefore, the cost of providing those benefits for the year ended December 31, 2008 is \$0.

### **FRANCHISE AGREEMENTS**

The Company entered into a franchise agreement with Ironhouse Sanitary District (District) in June 1993 to provide refuse collection services in the District. The agreement provides for payments to the District of 5% of gross collections for services. The Company's right to exclusive contract runs through May 2014. Total fees for the year ended December 31, 2008 are \$201,928.

The Company also entered into a franchise agreement with Contra Costa County in May 1995 to provide refuse collection services to a portion of the unincorporated areas of Contra Costa County adjacent to the District. The agreement provides for payments to the county of 5% of gross collections for services. The agreement expires in May 2015. Total fees for the year ended December 31, 2008 are \$5,052.

### **RELATED PARTY TRANSACTIONS**

The Company has engaged related parties to provide equipment, services and facilities for its collection services. Additionally, interest is accrued on balances advanced to a related party. The related party activity is as follows for the year ended December 31, 2008.

#### **Expenses**

Equipment rental	\$ 1,321,076
Refuse preparation and transfer service	1,153,959
Accounting services	19,476
Facilities and office space rental	18,183
Computer rental	2,580
	<u>\$ 2,515,274</u>

#### **Revenues**

Interest income	\$ 6,949
Recycling revenues	5,362
	<u>\$ 12,311</u>

# **OAKLEY DISPOSAL SERVICE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **RELATED PARTY TRANSACTIONS** (continued)

The Company leases equipment, computers and office space from related parties under various operating leases. The lease agreements expire at various dates through March 2011 and require monthly payments of \$101,639. The amount of expense recognized under these lease agreements for the year ended December 31, 2008 is \$1,341,839.

Minimum future lease payments under these lease agreements as of December 31, 2008 are as follows.

2009	\$ 1,212,208
2010	1,197,288
2011	<u>298,677</u>
	<u>\$ 2,708,173</u>

### **MALLARD FINANCIAL GROUP**

The Company maintains a depository relationship with Mallard Financial Group (Mallard), a related entity. The Company's shareholder is the sole owner of Mallard and has personally guaranteed all related party assets and liabilities of the entity. The balance due from Mallard, presented as due from related party, as of December 31, 2008 is \$222,368.

### **COMMITMENTS AND CONTINGENCIES**

#### **Guarantees -**

**Line of credit** - The Company guarantees a line of credit on behalf of entities related through common ownership. The Company's assets are cross-collateralized with the assets of these related entities to secure the balances owed to the bank. The total amount outstanding on the line of credit is \$5,000,000 at December 31, 2008.

**Letters of credit** - The Company, as well as related affiliates, guarantees letters of credit with Bank of America. The letters of credit are secured by the assets of the Company, as well as related affiliates. The amount available under the letters of credit is \$36,505,283 at December 31, 2008. No amounts have been drawn against the letters of credit as of December 31, 2008.

**Contingent liabilities** - In the ordinary course of conducting its business, the Company may be involved in lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties or judgments being assessed against the Company that, from time to time, may have an impact on earnings. It is the opinion of management that the aforementioned proceedings, individually or in the aggregate, will not have a materially adverse effect on the Company's financial position.



**OAKLEY DISPOSAL SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**COMMITMENTS AND CONTINGENCIES**    *(continued)*

**Collective bargaining agreement** – A significant portion of the Company's employees are subject to a collective bargaining agreement with Teamsters Local 315, which will expire February 28, 2014.

**Environmental risk** – The refuse and recycling industries in which the Company operates are subject to a certain level of environmental risk. Such environmental liabilities could have a material effect on the financial position of the Company and its affiliates. However, it is not possible to reasonably estimate the amount of any obligation for environmental remediation that would be material to the Company and its affiliates at December 31, 2008. Accordingly, the Company has not accrued any liability for environmental contingencies.

**CONCENTRATION OF RISK**

The Company's revenues are derived primarily from customers in the San Francisco Bay Area. As such, the Company's revenue and operations can be negatively impacted by the San Francisco Bay Area economy.

## BRENTWOOD DISPOSAL SER



**PITTSBURG DISPOSAL  
& DEBRIS BOX SERVICE, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008 ✓  
WITH INDEPENDENT AUDITOR'S REPORT**

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pittsburg Disposal & Debris Box Service, Inc.  
Concord, California

We have audited the accompanying balance sheet of Pittsburg Disposal & Debris Box Service, Inc. (a California S corporation), as of December 31, 2008, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pittsburg Disposal & Debris Box Service, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**BBR LLP**

BBR LLP  
Walnut Creek, California  
August 24, 2009

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2008**

(See notes to financial statements)

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,209,681
Accounts receivable	<u>801,183</u>
Total current assets	2,010,864

**DUE FROM RELATED PARTY** 5,255,763

**PROPERTY AND EQUIPMENT, net** 8,281

**Total assets** \$ 7,274,908

**LIABILITIES AND STOCKHOLDER EQUITY**

**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ 733,532
Deferred revenues	<u>239,964</u>
Total current liabilities	<u>973,496</u>

**STOCKHOLDER EQUITY**

Common stock	10,000
Retained earnings	<u>6,291,412</u>

**Total stockholder equity** 6,301,412

**Total liabilities and stockholder equity** \$ 7,274,908

# **PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**

## **STATEMENT OF OPERATIONS AND RETAINED EARNINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

(See notes to financial statements)

### **REVENUES**

Residential refuse collection services	\$ 4,397,335
Commercial refuse collection services	5,281,304

Total revenues	<u>9,678,639</u> *
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### **OPERATING EXPENSES**

Waste disposal	2,946,984
Equipment rental	2,792,292
Labor and related	1,334,342
Franchise fees	551,164
Repairs and maintenance	15,648
Facility	5,433
Depreciation	3,163

Total operating expenses	<u>7,649,026</u> *
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### **GROSS PROFIT**

2,029,613

### **GENERAL AND ADMINISTRATIVE**

Administration salaries and related	626,332
Office and administration	216,824
Professional fees	56,902
Advertising and promotion	31,799
Travel and entertainment	4,960

Total general and administrative	<u>936,817</u> *
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### **INCOME FROM OPERATIONS**

1,092,796 \*

### **OTHER INCOME (EXPENSE)**

Interest income	98,911
Contributions	(3,410)

Total other income (expense)	<u>95,501</u>
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### **INCOME BEFORE INCOME TAXES**

1,188,297

### **PROVISION FOR INCOME TAXES**

17,866

### **NET INCOME**

1,170,431

### **RETAINED EARNINGS**

Beginning of year	5,620,981
Shareholder distributions	<u>(500,000)</u>

End of year	<u>\$ 6,291,412</u>
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**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

(See notes to financial statements)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 1,170,431
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	3,163
(Increase) decrease in	
Accounts receivable	(55,064)
Due from related party	312,947
Increase (decrease) in	
Accounts payable and accrued expenses	524,591
Deferred revenues	(16,421)
Due to related party	(229,004)
Net cash provided by operating activities	1,710,643

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(2,489)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Shareholder distributions	(500,000)
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**NET CHANGE IN CASH**

1,208,154

**CASH**

Beginning of year	1,527
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End of year	\$ 1,209,681
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**SUPPLEMENTARY CASH FLOW INFORMATION**

Cash paid for income taxes	\$ 35,300
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**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF OPERATIONS**

Pittsburg Disposal & Debris Box Service, Inc. (Company) is primarily engaged in the solid waste collection and recycling business in and around the City of Pittsburg operating under agreements with the City of Pittsburg and Contra Costa County, California.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation** – The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Generally, revenues are recognized when they become both measurable and available, and expenses are recognized when an obligation is incurred.

**Use of estimates** – Presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Consequently, actual results could differ from these estimates.

**Cash** – For the purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit at financial institutions. The Company usually will have amounts on deposit at financial institutions that exceed federally insured limits. The Company believes there is no significant risk with respect to these deposits.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company closely monitors outstanding receivables and charges off any balances that are determined to be uncollectible. The Company considers its accounts fully collectible at December 31, 2008.

**Property and equipment** – Property and equipment are carried at cost. Depreciation is computed utilizing the straight line and declining balance methods over the estimated useful life of the assets (generally 3 to 39 years).

**Revenues** – Revenues consist primarily of billings for the collection, recycling and disposal of solid waste from a diversified base of customers including residential, commercial and industrial. Residential customers make payments in advance for collection services. Revenues from those receipts are deferred and recognized as the services are performed.

**Advertising and promotion** – Advertising and promotion costs are expensed as incurred.

**PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2008.

Furniture and fixtures	\$ 40,977
Accumulated depreciation	<u>(32,696)</u>
	<u>\$ 8,281</u>

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**INCOME TAXES**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, the financial statements do not include a provision for federal income taxes. Under this election, the Company's taxable income or loss will be reportable on the stockholder's personal income tax return. State franchise taxes are assessed at a rate of 1½% of taxable income. Accordingly, a provision for state franchise taxes is included in the accompanying financial statements.

**OPERATING LEASE**

The Company leases a building under an operating lease. The lease agreement runs through January 2012 and requires monthly payments of \$2,999 increasing 3.5% annually effective February 1 of each year. Minimum future lease payments under this lease agreement as of December 31, 2008 are as follows.

2009	\$ 37,143
2010	38,447
2011	39,788
2012	<u>3,325</u>
	<u>\$ 118,703</u>

The amount of expense recognized under this lease agreement for the year ended December 31, 2008 is \$36,965.

**RETIREMENT PLANS**

The Company makes contributions to a collectively bargained, multiemployer defined benefit pension plan. Contributions are determined in accordance with the provisions of the negotiated labor contract or terms of the plan. The plan's administrators do not provide sufficient information to enable the Company to determine its share, if any, of plan assets or unfunded vested benefits. Retirement plan expense for the year ended December 31, 2008 for the defined benefit pension plan is \$102,612.

The Company also has a 401(k) profit sharing plan for the benefit of its eligible employees. Non-union employees who have reached age twenty and one-half years and have completed one year of service may begin elective deferrals. The Company's contribution to the plan, as determined by the Board of Directors, is discretionary but cannot exceed certain maximum defined limitations. In order to be eligible to receive an allocation of the Company's contribution, the employee must have completed at least 500 hours of service during the plan year and be an employee on the last day of the plan year. Retirement plan expense for the year ended December 31, 2008 is \$9,813.

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**RETIREE HEALTHCARE BENEFITS**

In addition to providing pension benefits, the Company also provides certain health care benefits for retired employees covered by the union agreement. The current agreement requires the Company to pay \$258 per month for medical insurance premiums for non-Medicare eligible retirees and their non-Medicare eligible spouses and \$25 per month for Medicare eligible retirees and their Medicare eligible spouses for the duration of the contract. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. This and similar benefits are provided for active employees. The Company funds the benefit cost on a pay-as-you-go basis, accordingly, there are no plan assets. The effect of the health care cost trend is not applicable because the benefit amount is a fixed sum independent of health care cost changes.

The Company recognizes the cost of providing these benefits by expensing the annual insurance premiums. For 2008, there are no eligible retirees; therefore, the cost of providing those benefits for the year ended December 31, 2008 is \$0.

**FRANCHISE AGREEMENTS**

The Company has entered into a franchise agreement with the City of Pittsburgh for the collection of refuse within the city limits which expires June 30, 2017 with an option to extend for seven additional years. The agreement requires the Company to pay the City of Pittsburgh 7% of gross residential collections and 5% of gross commercial collections for services within the city limits. Total fees for the year ended December 31, 2008 are \$495,258.

The Company also entered into a franchise agreement with Contra Costa County in May 1995 to provide refuse collection services to the unincorporated areas of Contra Costa County. The agreement provides for payments to the county of 5% of gross collections for services. The agreement expires in May 2015. Total fees for the year ended December 31, 2008 are \$55,906.

**RELATED PARTY TRANSACTIONS**

The Company has engaged related parties to provide equipment, services and facilities for its collection services. Additionally, interest is accrued on balances advanced to a related party. The related party activity is as follows for the year ended December 31, 2008.

**Expenses**

Refuse preparation and transfer service	\$ 2,943,197
Equipment rental	2,792,292
Accounting services	34,800
Facilities and office space rental	26,675
Computer rental	11,424
	<u>\$ 5,808,388</u>

**Revenues**

Interest income	\$ 98,911
Recycling revenues	13,138
	<u>\$ 112,049</u>

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**RELATED PARTY TRANSACTIONS** (continued)

The Company leases equipment, computers and office space from related parties under various operating leases. The lease agreements expire at various dates through March 2011 and require monthly payments of \$196,479. The amount of expense recognized under these lease agreements for the year ended December 31, 2008 is \$2,830,391.

Minimum future lease payments under these lease agreements as of December 31, 2008 are as follows.

2009	\$ 2,347,993
2010	2,328,473
2011	<u>579,262</u>
	<u>\$ 5,255,728</u>

**MALLARD FINANCIAL GROUP**

The Company maintains a depository relationship with Mallard Financial Group (Mallard), a related entity. The Company's shareholder is the sole owner of Mallard and has personally guaranteed all related party assets and liabilities of the entity. The balance due from Mallard, included in due from related party, as of December 31, 2008 is \$5,251,607.

**COMMITMENTS AND CONTINGENCIES**

**Guarantees –**

**Line of credit** – The Company guarantees a line of credit on behalf of entities related through common ownership. The Company's assets are cross-collateralized with the assets of these related entities to secure the balances owed to the bank. The total amount outstanding on the line of credit is \$5,000,000 at December 31, 2008.

**Letters of credit** – The Company, as well as related affiliates, guarantees letters of credit with Bank of America. The letters of credit are secured by the assets of the Company, as well as related affiliates. The amount available under the letters of credit is \$36,505,283 at December 31, 2008. No amounts have been drawn against the letters of credit as of December 31, 2008.

**Contingent liabilities** – In the ordinary course of conducting its business, the Company may be involved in lawsuits and administrative proceedings. Some of these proceedings may result in fines, penalties or judgments being assessed against the Company that, from time to time, may have an impact on earnings. It is the opinion of management that the aforementioned proceedings, individually or in the aggregate, will not have a materially adverse effect on the Company's financial position.

**PITTSBURG DISPOSAL & DEBRIS BOX SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**COMMITMENTS AND CONTINGENCIES**    *(continued)*

**Collective bargaining agreement** – A significant portion of the Company's employees are subject to a collective bargaining agreement with Teamsters Local 315, which will expire February 28, 2014.

**Environmental risk** – The refuse and recycling industries in which the Company operates are subject to a certain level of environmental risk. Such environmental liabilities could have a material effect on the financial position of the Company and its affiliates. However, it is not possible to reasonably estimate the amount of any obligation for environmental remediation that would be material to the Company and its affiliates at December 31, 2008. Accordingly, the Company has not accrued any liability for environmental contingencies.

**CONCENTRATION OF RISK**

The Company's revenues are derived primarily from customers in the San Francisco Bay Area. As such, the Company's revenue and operations can be negatively impacted by the San Francisco Bay Area economy.



## **Appendix C**

### **Customer Satisfaction Survey Results**

# Appendix C

## Customer Satisfaction Survey Results

Garaventa Enterprises (Garaventa) conducted a 2009 County customer satisfaction survey of its residential customers. Contra Costa County approved the survey questions. Garaventa mailed the survey on February 6, 2009. The survey covered the following areas:

- Garbage service
- Recycling service
- Yard waste service
- Service options
- Customer service
- Billing procedures
- New services
- Communications.

As shown in **Table C-1**, on the next page, the survey covered the following four (4) unincorporated County service areas:

Unincorporated Area	Company
1. Brentwood, Byron, and Knightsen	Brentwood Disposal Services
2. Discovery Bay	Discovery Bay Disposal
3. Pittsburg and Bay Point	Pittsburg Disposal and Debris Box
4. Unincorporated Oakley	Oakley Disposal Service.

Garaventa sent the survey to 2,531 residential customers, representing 33 percent of County residential customers. Garaventa received 284 responses. The survey had an overall response rate of 11.22 percent.

**Exhibit C-1**, beginning on page C-3, summarizes the survey results by questionnaire area, by rating, and by company. Responses did not vary that much by company. Based on the survey results, Garaventa's overall customer satisfaction rating was 89.95 percent for all surveyed service areas, including garbage service, recycling service, yard waste service, and other areas (see Exhibit C-1, page C-5).<sup>1</sup> Customer satisfaction was highest for garbage collection service and lowest for yardwaste collection service. Customers expressed high satisfaction with both Garaventa customer service, and billing procedures (each above 91 percent).

Residential customers were generally informed about services and options (75.81 percent). A little more than half of the residential customers surveyed expressed a desire for new services. These new services generally included battery collection, used oil collection, e-waste collection, and household hazardous waste collection.

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<sup>1</sup> Customer satisfaction was defined as a rating of excellent, good, or average divided by the total number of ratings. We did not count respondents who had no opinion or those who did not answer the question.



**Table C-1**

Garaventa Enterprises

2009 Contra Costa County

Customer Satisfaction Survey Response Rate

No.	Service Area	Residential Customers				
		Total	Sent to	Survey Rate	Received	Response Rate
1	Brentwood, Byron, and Knightsen	846	280	33%	34	12.14%
2	Discovery Bay	4,441	1,465	33%	183	12.49%
3	Pittsburg and Bay Point	2,317	746	32%	61	8.18%
4	Oakley	103	40	39%	6	15.00%
	Total	7,707	2,531	33%	<b>284</b>	<b>11.22%</b>



**Exhibit C-1****Garaventa 2009 County Customer Satisfaction Survey Results  
Residential Services**

Page 1 of 3

<b>Brentwood Disposal Services</b>								
<b>Basic Services</b>								
<b>Rating</b>	<b>Satisfactory, or Better</b>			<b>Poor, or No Answer</b>			<b>Total</b>	<b>Satisfaction Rate</b>
	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>No Opinion</b>	<b>No Answer</b>		
Garbage Service	21	11	1	–	–	1	34	100.00%
Recycling Service	6	11	4	6	3	4	34	77.78%
Yard Waste Service	4	7	5	1	14	3	34	94.12%
Subtotal	31	29	10	7	17	8	102	90.91%
<b>Other Areas<sup>2</sup></b>								
<b>Rating</b>	<b>Yes</b>		<b>No</b>		<b>No Answer/ No Opinion</b>		<b>Total</b>	<b>Satisfaction Rate</b>
Service Options	24		7		4		34	78.86%
Customer Service	17		1		1		19	94.44%
Billing Procedures	33		1		–		34	97.06%
New Services	16		8		10		34	66.67%
Subtotal	90		17		15		121	84.54%
Total	160		24		40		223	87.21%

<b>Discovery Bay Disposal</b>								
<b>Basic Services</b>								
<b>Rating</b>	<b>Satisfactory, or Better</b>			<b>Poor, or No Answer</b>			<b>Total</b>	<b>Satisfaction Rate</b>
	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>No Opinion</b>	<b>No Answer</b>		
Garbage Service	89	70	17	1	1	5	183	99.44%
Recycling Service	39	76	29	25	7	7	183	85.21%
Yard Waste Service	29	51	23	25	41	14	183	80.47%
Subtotal	157	197	69	51	49	26	549	89.24%
<b>Other Areas</b>								
<b>Rating</b>	<b>Yes</b>		<b>No</b>		<b>No Answer/ No Opinion</b>		<b>Total</b>	<b>Satisfaction Rate</b>
Service Options	128		43		12		183	74.85%
Customer Service	80		5		–		85	94.12%
Billing Procedures	165		6		12		183	96.49%
New Services	76		71		36		183	51.70%
Subtotal	449		125		60		634	78.22%
Total	872		176		135		1,183	83.21%

<sup>2</sup> Based on the following general questions:

- Service options – Do you feel adequately informed about services and options available to you?
- Customer service – If you have tried customer service, were you satisfied with your ability to reach us with a question or problem?
- Billing services – Are you satisfied with the accuracy/clarity/convenience of your bill?
- New services – Are there new waste and recycling collection services you would like to have made available?

**Exhibit C-1****Garaventa 2009 County Customer Satisfaction Survey Results****Residential Services** (continued)

Page 2 of 3

<b>Pittsburg Disposal and Debris Box</b>								
<b>Basic Services</b>								
<b>Rating</b>	<b>Satisfactory, or Better</b>			<b>Poor, or No Answer</b>			<b>Total</b>	<b>Satisfaction Rate</b>
	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>No Opinion</b>	<b>No Answer</b>		
Garbage Service	24	27	8	1	1	–	61	98.33%
Recycling Service	14	23	12	6	3	3	61	89.09%
Yard Waste Service	13	22	10	9	5	2	61	83.33%
Subtotal	51	72	30	16	9	5	183	90.53%
<b>Other Areas</b>								
<b>Rating</b>	<b>Yes</b>		<b>No</b>		<b>No Answer/ No Opinion</b>		<b>Total</b>	<b>Satisfaction Rate</b>
Service Options	42		13		6		61	76.47%
Customer Service	24		6		–		30	80.00%
Billing Procedures	57		4		–		61	93.44%
New Services	27		24		10		61	52.94%
Subtotal	150		47		16		213	76.17%
Total	303		63		30		396	82.80%

<b>Oakley Disposal Services</b>								
<b>Basic Services</b>								
<b>Rating</b>	<b>Satisfactory, or Better</b>			<b>Poor, or No Answer</b>			<b>Total</b>	<b>Satisfaction Rate</b>
	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>No Opinion</b>	<b>No Answer</b>		
Garbage Service	4	2	–	–	–	–	6	100.00%
Recycling Service	3	1	1	–	1	–	6	100.00%
Yard Waste Service	2	3	–	–	–	1	6	100.00%
Subtotal	9	6	1	–	1	1	18	100.00%
<b>Other Areas</b>								
<b>Rating</b>	<b>Yes</b>		<b>No</b>		<b>No Answer/ No Opinion</b>		<b>Total</b>	<b>Satisfaction Rate</b>
Service Options	5		1		1		6	81.82%
Customer Service	5		–		1		6	100.00%
Billing Procedures	6		–		–		6	100.00%
New Services	1		3		2		6	25.00%
Subtotal	17		4		4		24	80.49%
Total	33		4		6		42	89.04%

**Exhibit C-1****Garaventa 2009 County Customer Satisfaction Survey Results****Residential Services** *(continued)*

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<b>All 4 Companies</b>								
<b>Basic Services</b>								
<b>Rating</b>	<b>Satisfactory, or Better</b>			<b>Poor, or No Answer</b>			<b>Total</b>	<b>Satisfaction Rate</b>
	<b>Excellent</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>	<b>No Opinion</b>	<b>No Answer</b>		
Garbage Service	138	110	26	2	2	6	284	99.28%
Recycling Service	62	111	46	37	14	14	284	85.55%
Yard Waste Service	48	83	38	35	60	20	284	82.84%
<b>Total</b>	<b>248</b>	<b>304</b>	<b>110</b>	<b>74</b>	<b>76</b>	<b>40</b>	<b>852</b>	<b>89.95%</b>
<b>Other Areas</b>								
<b>Rating</b>	<b>Yes</b>		<b>No</b>		<b>No Answer/ No Opinion</b>		<b>Total</b>	<b>Satisfaction Rate</b>
Service Options	199		64		22		284	75.81%
Customer Service	126		12		2		140	<b>91.30%</b>
Billing Procedures	261		11		12		284	<b>95.96%</b>
New Services	120		106		58		284	53.10%
<b>Total</b>	<b>706</b>		<b>193</b>		<b>94</b>		<b>992</b>	<b>78.58%</b>
<b>Overall</b>	<b>1,368</b>		<b>267</b>		<b>210</b>		<b>1,844</b>	<b>83.70%</b>

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## **Appendix D**

### **Adjusted Base Year Model**

# Appendix D

## Adjusted Base Year Rate Model

**Exhibit D-1** of this appendix provides the adjusted base year rate model based on NewPoint Group adjustments discussed in Section 4. The model reflected the following general adjustments:<sup>1</sup>

### Revenues

- Minor residential revenue increase
- Minor recycled material sales revenue increase

### Allowable Costs/Profits

- Minor increase to direct labor
- Moderate net decrease to tipping fees (profit allowed and pass through)
- Moderate decrease to corporate and local general and administrative costs
- Minor decrease to depreciation and other operating costs
- Minor decrease to trucking and equipment costs
- Minor decrease to allowable operating profit to set operating ratio to 90 percent

### Pass Through Costs

- Minor decrease in franchise fees.

We developed a comprehensive Microsoft Excel spreadsheet model which we have in our workpapers, for this rate review, documenting the details for each of these adjustments.

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<sup>1</sup> Where a minor adjustment is less than or equal to \$30,000; a moderate adjustment is above \$30,000 and less and or equal to \$100,000; and a major adjustment is greater than \$100,000.



**Exhibit D-1**
**Base Year 2008 Rate Model**
**With NewPoint Group Adjustments**

		Application	Corrected Application	NPG Adjustments	NPG Adjusted 2010
<b>Section I – Allowable Costs</b>					
1.	Direct Labor	\$1,991,991	\$1,979,171	\$67,729	\$2,046,900
2.	Tipping Fees (Profit Allowed)	1,880,000	1,880,000	(188,000)	1,692,000
3.	Corporate and Local General and Administrative Costs	1,638,557	1,638,558	(374,300)	1,264,258
4.	Depreciation and Other Operating Costs	38,499	38,499	(15,766)	22,733
5.	Services Provided to County	0	0	0	0
6.	<b>Total Allowable Costs (Lines 1+2+3+4+5)</b>	<b>\$5,549,047</b>	<b>\$5,536,228</b>	<b>(\$510,337)</b>	<b>\$5,025,891</b>
<b>Section II – Allowable Operating Profit</b>					
7.	Operating Ratio	90.0%	90.0%		90.0%
8.	<b>Allowable Operating Profit [(Line 6 / 0.90) - Line 6]</b>	<b>\$616,561</b>	<b>\$615,136</b>	<b>(\$56,704)</b>	<b>\$558,432</b>
<b>Section III – Pass Through Costs without Franchise Fees</b>					
9.	County Administrative Fee	\$118,587	\$118,587	(\$3,361)	\$115,226
10.	Trucking and Equipment	3,249,864	3,249,864	(60,561)	3,189,303
11.	Tipping Fees (Pass Through)	940,000	940,000	84,600	1,024,600
12.	<b>Total Pass Through Costs (without Franchise Fees) (Lines 9+10+11)</b>	<b>\$4,308,451</b>	<b>\$4,308,451</b>	<b>\$20,678</b>	<b>\$4,329,129</b>
<b>Section IV – Revenue Requirement without Franchise Fee</b>					
13.	Total Allowable Costs (Line 6) plus Allowable Operating Profits (Line 8) plus				
	Total Pass Through Costs (without Franchise Fees) (Line 12)	<b>\$10,474,059</b>	<b>\$10,459,815</b>	<b>(\$546,363)</b>	<b>\$9,913,453</b>
<b>Section V – Revenue without Rate Change in Base Year</b>					
14.	Residential Revenues	\$5,932,680	\$5,932,680	\$46,840	\$5,979,520
15.	Less Allowance for uncollectible Residential Accounts	(59,327)	(59,327)	(468)	(59,795)
	Plus Toter Rental	0	0	0	0
16.	<b>Total Residential Revenues (without Rate Change in Base Year)</b>	<b>\$5,873,353</b>	<b>\$5,873,353</b>	<b>\$46,372</b>	<b>\$5,919,725</b>
17.	Commercial Revenues	\$3,231,036	\$3,231,035	\$0	\$3,231,035
18.	Less Allowance for uncollectible Commercial Accounts	0	0	0	0
19.	<b>Total Commercial Revenues (without rate change in Base Year)</b>	<b>\$3,231,036</b>	<b>\$3,231,035</b>	<b>\$0</b>	<b>\$3,231,035</b>
20.	Recycled Materials Sales	\$0	\$0	\$14,200	\$14,200
21.	<b>Total Revenues (Lines 16+19+20)</b>	<b>\$9,104,389</b>	<b>\$9,104,388</b>	<b>(\$468)</b>	<b>\$9,164,960</b>
<b>Section VI – Net Shortfall (Surplus)</b>					
22.	Net Shortfall (Surplus) without Franchise Fees (Lines 13-Line 21)	\$1,369,670	\$1,355,427	(\$606,934)	\$748,493
23.	Residential and Commercial Franchise Fees (see calc below)	\$551,266	\$550,517	(\$28,763)	\$521,754
24.	<b>Net Shortfall (Surplus) with Franchise Fees (Lines 22 + 23)</b>	<b>\$1,920,936</b>	<b>\$1,905,944</b>	<b>(\$635,697)</b>	<b>\$1,270,247</b>
<b>Section VI -- Percent Change in Rates</b>					
25.	Total Residential and Commercial Revenue Prior to Rate Change (Lines 16+19)	\$9,104,389	\$9,104,388	\$46,372	\$9,150,760
26.	Percent Change in Existing Residential and Commercial Rates (Line 24 / Line 25)	21.10%	20.93%		<b>13.88%</b>



## **Appendix E**

### **Comparative Refuse Collection Rates**



# Appendix E

## Comparative Refuse Collection Rates

We compared Garaventa County area refuse collection rates to those of the following eleven (11) jurisdictions:

1. *City of Antioch*
2. *City of Clayton*
3. *City of Concord*
4. *City of Lafayette*
5. *City of Martinez*
6. *City of Moraga*
7. *City of Orinda*
8. *City of Pleasant Hill*
9. *City of Walnut Creek*
10. *Contra Costa County (Central Contra Costa Waste Authority (CCCWA) areas)*
11. *Town of Danville.*

In **Exhibit E-1**, on the next page, we compare current Garaventa County area residential rates with the eleven (11) jurisdictions. Garaventa County area residential rates are well above average for the smaller can sizes at twenty-one (21) percent above the 20 gallon comparative rate and twenty-nine (29) percent above the 32-gallon comparative rate. The 96 gallon residential rate is 42 percent below the comparative average.

In **Exhibit E-2**, following Exhibit E-1, we compare current Garaventa County area commercial bin rates with the eleven (11) comparative jurisdictions. For all bin sizes shown, Garaventa County area commercial rates are below the comparative average, ranging from one (1) to seven (7) percent below the average.

In **Exhibit E-3**, following Exhibit E-2, we compare current Garaventa County area 20-yard drop box rates with the eleven (11) comparative jurisdictions. Current Garaventa County area drop box rates are 15 percent below the comparative average.

In **Exhibit E-4**, following Exhibit E-3, we compare current Garaventa County area residential rates with those of other Contra Costa County service providers. For the smaller-sized container service, Garaventa County area rates are well above the average of these other County service providers (19 to 21 percent). For the larger-sized 96-gallon container service, Garaventa County area rates are well below the average of these other County service providers (39 percent).



In general, we caution the County's use of comparative rates as a basis for setting rates. This is because it is difficult to make "apples to apples" comparisons with other jurisdictions. Other jurisdictions may have unique:

- Cross-subsidies between sectors
- Franchise fees and other services (contained within the rate)
- Legacy rate setting practices
- Levels of residential, commercial, and industrial business
- Profitability levels and targets
- Rate structure objectives (e.g., that penalize larger waste generators)
- Rate setting processes
- Service levels (e.g., bi-weekly versus weekly yardwaste or recycling collection)
- Transfer station and landfill tipping fees (based on the proximity to these facilities).

**Exhibit E-1**

**Contra Costa County  
Garaventa-Served Areas  
Comparative Residential Rate Survey  
(As of May 2010)**

No.	Jurisdiction	20 gallon	32 gallon	64 gallon	96 gallon
1	Antioch <sup>1</sup>	\$23.99	\$25.11	\$31.49	\$36.75
2	Clayton	20.36	21.58	31.64	34.54
3	Concord	–	23.00	31.00	38.00
4	Danville	15.48	17.85	35.71	53.56
5	Lafayette	20.44	23.57	47.12	70.69
6	Martinez	19.15	27.45	30.60	64.30
7	Moraga	18.75	21.65	43.30	64.95
8	Orinda	24.28	28.01	56.02	84.03
9	Pleasant Hill	19.58	22.66	30.91	46.36
10	Unincorporated County (CCCSWA)	16.35	18.87	37.73	56.60
11	Walnut Creek	14.19	17.00	33.99	50.99
	Average	\$19.26	\$22.43	\$37.23	\$54.62
	Contra Costa County – Garaventa	\$23.34	\$28.85	N/A	\$31.85
	Percent Difference	21%	29%	N/A	-42%

<sup>1</sup> Effective July 1, 2010, the rates will be \$20.99, \$24.65, \$39.80 and \$46.75, respectively, for 20-, 32-, 64-, and 96-gallon service.

**Exhibit E-2**

**Contra Costa County  
Garaventa-Served Areas  
Comparative Bin Service Rate Survey  
(As of May 2010)**

No.	Jurisdiction	2-yd/1 pickup per week	3-yd/1 pickup per week
1	Antioch	\$219.57	\$330.36
2	Clayton	196.16	264.91
3	Concord	269.00	364.00
4	Danville	246.18	369.27
5	Lafayette	301.90	452.84
6	Martinez	222.11	380.97
7	Moraga	269.35	404.03
8	Orinda	333.16	499.74
9	Pleasant Hill	189.84	284.40
10	Unincorporated County (CCCSWA)	240.59	360.88
11	Walnut Creek	173.17	259.75
	Average	\$ 241.91	\$361.01
	Contra Costa County – Garaventa	\$ 239.00	\$334.00
	Percent Difference	-1%	-7%

**Exhibit E-3**
**Contra Costa County  
Garaventa-Served Areas  
Comparative Debris Box Rate Survey  
(As of May 2010)**

No.	Jurisdiction	20 cu. yd.
1	Antioch <sup>2</sup>	\$479.67
2	Clayton	393.98
3	Concord	420.00
4	Danville	582.83
5	Lafayette	609.74
6	Martinez	407.00
7	Moraga	582.84
8	Orinda	645.34
9	Pleasant Hill <sup>3</sup>	349.83
10	Unincorporated County (CCCSWA)	575.57
11	Walnut Creek	644.43
	Average	\$517.38
	Contra Costa County – Garaventa	\$440.00
	Percent Difference	-15%

<sup>2</sup> Recycling services are mandated with the industrial services.

<sup>3</sup> Recycling services are mandated with the industrial services.

**Exhibit E-4**
**Comparison of Garaventa County Area Residential Rates  
With Other County Service Providers  
(As of July 2010)**

Service Provider	20 gallon	32 gallon	64 gallon	96 gallon
Allied Waste Services – East/Central County	\$12.15	\$15.90	\$23.70	\$30.75
Richmond Sanitary Service – West County Areas	24.41	29.36	56.31	83.85
Richmond Sanitary Service – Crockett Area	22.44	26.61	46.66	56.69
CCCSWA – County	16.35	18.87	37.73	56.60
Garaventa – Ironhouse Sanitary District	23.11	28.11	N/A	31.11
Average	\$19.69	\$23.77	\$41.10	\$51.80
Garaventa County Areas (Non Ironhouse Sanitary District Areas)	\$23.34	\$28.85	N/A	\$31.85
Percent Difference	19%	21%		-39%



## **Appendix F**

### **Comparative Jurisdiction Franchise Extension Terms and Conditions**

# Appendix F

## Comparative Jurisdiction Franchise Extension Terms and Conditions

This appendix provides franchise agreement terms and conditions agreed to as part of franchise agreement extensions for comparative cities and counties in California. In **Exhibit F-1**, we provide summaries of 31 city and county jurisdiction franchise extensions occurring between 1991 and 2010. For each city or county, we identify the year of the extension, the length of extension, and the general terms and conditions agreed to as part of the extension.

Below we summarize the types of franchise extension conditions used by other jurisdictions:

### ***Jurisdictional benefit – At ratepayer expense***

1. Increase franchise fees
2. Add new programs to increase diversion (so that 50 percent AB 939 goal is met and sustained, e.g., convert more apartments to recycling, single stream recycling, more commercial recycling, food waste recycling)
3. Increase free services to the jurisdiction (e.g., number of drop boxes collected for neighborhood collection program)
4. Provide local litter control
5. Develop recyclable materials transfer facility
6. Provide free disposal at transfer station for city/county vehicles

### ***Jurisdictional benefit – At hauler expense***

7. Require franchise extension payments
8. Establish diversion penalty payments
9. Provide performance penalties
10. Add franchise re-assignment fees
11. Consolidate existing franchise agreements (and or amendments) into a single, unified franchise agreement



***Ratepayer benefit – At hauler expense***

**Rates Stability and Relief**

12. Provide rate freezes over specific intervals
13. Provide rate reductions
14. Reduce the current profitability level
15. Provide caps on interim year rate changes  
(a discounted percent of CPI and an overall CPI cap)
16. Provide long-term caps on tipping fees
17. Conduct rate reviews at the extension point, where if rates not “at market” then deny extension

***Ratepayer benefit – At hauler expense, if not rate reimbursed***

**Service Changes**

18. Increase on-call clean ups (customer identified)
19. Provide new commercial recycling services
20. Shift to weekly yard waste collection (from bi-weekly)
21. Expand single stream-additional material types
22. Use alternative fuel vehicles, and compressed natural gas vehicles

**Other Changes**

23. Develop website or enhance content
24. Develop newsletter
25. Provide credit card and bank bill pay

We describe general franchise extension pros and cons for the County in **Exhibit F-2**, on page F-7.

**Exhibit F-1****Other Jurisdiction Franchise Extension Provisions  
As of July 2010**

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No.	Jurisdiction	Year Extension Granted	Year Originally Franchise Ended	Term of Extension (Years)	Year Now Franchise Ends (Ended)	Terms of Extension/ New Award	Hauler
1	City of Albany	2003	2004	10	2014	Provided free collection from city parks (\$36,000/year), and contractor provided green waste bins, and increased franchise fees.	Waste Management of Alameda County
2	City of Antioch <sup>‡</sup>	2010	2015	10	2025	Provided community impact payment of \$1 million in exchange for the extension; expanded existing services; and increase the on-call pick-up for bulky items from one to two times per calendar year.	Allied Waste Services
3	City of Barstow	1996	2007	5	2012	Waived a \$2.51 rate increase that was necessary to fund recycling, and froze rates for two years.	Desert Disposal Service
4	City of Belmont	2005	2006	4	2010	Entered a 15-year agreement with the South Bayside Waste Management Authority (SBWMA) for disposal at Ox Mountain landfill at "most favored client" rates, which would reduce Belmont's total costs about 7 percent. Made \$11.6 million cash payments to SBWMA over a period of three years beginning January 1, 2005.	BFI Waste Systems of North America, Inc.
5	City of Concord	2006	2011 (with five year option to 2016)	10	2021 (with five year option to 2026)	Required relocation of maintenance facility. Established fixed city franchise fees through 2020. Established free City parks disposal and increased neighborhood cleanup debris boxes. Provided 70 percent of the CPI for interim year adjustments. Established a five (5) percent interim year rate cap.	Concord Disposal Service
6	City of El Cerrito	2009	2009	8	2017	No specific new provisions.	East Bay Sanitary Company
7	City of Hayward	2006	2007	7	2014	Provided service enhancements including: co-mingled recyclables collection; annual residential clean-up service; free disposal of two cubic yards of self-hauled waste; batteries collection; Christmas tree collection; public litter cans collection; free compost; food waste collection; dirt and debris collection; and biosolids disposal for residential services, and commercial recycling services; and alternative fuel vehicles.	Waste Management of Alameda County



**Exhibit F-1****Other Jurisdiction Franchise Extension Provisions**

As of July 2010 (continued)

Page 2 of 4

No.	Jurisdiction	Year Extension Granted	Year Originally Franchise Ended	Term of Extension (Years)	Year Now Franchise Ends (Ended)	Terms of Extension/ New Award	Hauler
8	City of Healdsburg	2010	2010	10	2015 or 2020	At minimal annual rate increases, provided new services including neighborhood clean-up events, more recycling education programs, Christmas tree disposal, commercial food waste composting, and free tire recycling. Provided one-time contract extension fee of \$150,000.	Redwood Empire Disposal
9	City of Livermore*	2009	2010	10	2020	To develop an indoor recyclable materials transfer facility in the City to transfer recyclable and compostable material collected from within the City into large trailers for transport to offsite recycling facilities. Minimize rate increases for residential services. Added new compressed natural gas vehicles and new containers.	Livermore Sanitation, Inc.
10	City of Manhattan Beach	1998	1999	3	2002	Froze rate adjustments for 1998 and 1999, with a rate adjustment resuming in 2000. Put a specialized collection vehicle, one that is smaller and quieter, in the downtown area.	Waste Management
11	City of Manhattan Beach	2002	2002	9	2011	To divert at least 50 percent of the waste stream collected and controlled by Waste Management from landfills.	Waste Management
12	City of Martinez	2004	2011	2	2013	Reduced cost of new single stream recycling program by extending the term (equipment depreciated over longer term).	Allied Waste Industries, dba PHBD
13	City of Milpitas	2004	2007	10	2017	Waived the cost of the street sweeping program for up to 3 years (an approximately \$225,000 annual cost to the General Fund).	Allied Waste Industries, dba BFI
14	City of Oceanside <sup>2</sup>	2010	2012	3	2015	Offered to pay the City at least \$1 million a year for five years in exchange for a three-year franchise extension.	Waste Management of North County, Inc.
15	City of Piedmont*	2008	2008	10	2018	Provided three new wheeled carts for garbage, recycling, and green waste to each household; and for the first time, provided an option for curbside pick-up services.	Richmond Sanitary Services, Inc.

**Exhibit F-1****Other Jurisdiction Franchise Extension Provisions**As of July 2010 *(continued)*

Page 3 of 4

No.	Jurisdiction	Year Extension Granted	Year Originally Franchise Ended	Term of Extension (Years)	Year Now Franchise Ends (Ended)	Terms of Extension/ New Award	Hauler
16	City of Pleasant Hill	2003	2006	9	2015	Restructured franchise agreement entirely, set up a rate setting process, and fixed residential rates for one year.	Allied Waste Industries, dba Pleasant Hill Bayshore Disposal
17	City of Richmond	2003	2003	22	2025	Increased franchise fee from 2.5 to 5.0 percent of gross revenues. City residents get free use of landfill.	Republic Waste Services
18	City of San Mateo	2005	2006	4	2010	Provided a total settlement payment of \$2.7 million to the City. The settlement payment represented reimbursement of a portion of the landfill disposal fees previously charged to the City. These funds were credited to the City over a four-year period and were used to moderate rate increases.	Republic Services (formerly Allied Waste)
19	City of San Rafael	2001	2021	1	2022	No specific new provisions.	Marin Sanitary Service
20	City of Santa Rosa	2010	2012	5 (+5 year Option)	2017	Increased franchise fee from 10 to 11 percent; established an additional franchise extension fee of 4.5%, which cannot be passed onto the ratepayer; and provide service enhancements to benefit ratepayers.	North Bay Corporation
21	City of Seaside	2003	2010	5	2015	Provided City option to increase citywide clean ups from existing two (2) per year to four (4) per year (at \$0.50 per customer, per month, additional cost).	Carmel Marina Waste Management
22	City of Stockton	2003	2003	15 (+5 year option)	2018	Created a 10 percent senior rate discount (at age 65); free stickers for extra waste pickup; seasonal leaf collection; enhanced neighborhood cleanup with free bins and boxes for target areas; added televisions, computer monitors, and appliances to curbside collection; provided a best effort requirement to meet 50 percent diversion; established a cap on rate increases; limited interim year adjustments to 50 percent of the CPI and subject to City approval.	Stockton Scavenger/ Sunrise Sanitation
23	City of Sunnyvale*	1991	1991	10	2001	Reduced rates by 16 percent.	Bay Counties Waste Services

**Exhibit F-1****Other Jurisdiction Franchise Extension Provisions**

As of July 2010 (continued)

Page 4 of 4

No.	Jurisdiction	Year Extension Granted	Year Originally Franchise Ended	Term of Extension (Years)	Year Now Franchise Ends (Ended)	Terms of Extension/ New Award	Hauler
24	City of Sunnyvale	1992	2001	3	2004	Changed to OR-based rate setting; purchased new trucks.	Bay Counties Waste Services
25	City of Sunnyvale	1996	2004	7	2011	Changed operating ratio (OR) level.	Bay Counties Waste Services
26	City of Sunnyvale	2003	2011	7	2018	Changed depreciation schedule to 10 years for rolling stock and containers (from 7 years and 5 years, respectively). Savings with conversion were split 50%/50% to the City/hauler.	Bay Counties Waste Services
27	Central Contra Costa Solid Waste Authority	2004	2005	10	2015	Implemented single stream recycling by 9/1/2004, created minimum diversion tonnage goals, incorporated food waste pickup with yardwaste, required website, pre-set compensation levels in years 1 and 2.	Valley Waste Management
28	Central Contra Costa Solid Waste Authority	2004	2005	10	2015	Pre-set tipping fees over the life of the contract. Pre-set compensation in years 1 and 2 of the contract.	Allied Waste Industries
29	Pebble Beach Community Services District	2003	2010	5	2015	Allowed increase of 3.5 percent versus 5.1 percent and implemented single stream recycling.	Carmel Marina Waste Management
30	Monterey County	2010	2012	8	2020	Consolidated the two existing franchise agreements (Northeastern and Western Franchise Agreements) into a single, unified franchise agreement that provided economies of scale. Standardized the service package featuring wheeled refuse and recycling carts.	USA Waste of California, Inc., dba Carmel Marina Corporation
31	Santa Clara County	2007	2007	7	2014	No specific new provisions.	Los Altos Garbage

\* Franchise re-bid. All of the other examples in this table were negotiations with franchise holders and were not re-bid.

# Currently under negotiations.

**Exhibit F-2**  
**Franchise Extension**  
**Pros and Cons**

Pros	Cons
<ul style="list-style-type: none"> <li>■ Maintains continuity of collection services</li> <li>■ Takes advantage of hauler's local knowledge of County streets/operations (e.g., route optimization, customer requirements, and service delivery methods)</li> <li>■ If applicable, retains a high quality hauler (in terms of minimal complaints, consistent on-time delivery, other measurable parameters)</li> <li>■ Retains rates which may be competitive with other jurisdictions with similar service offerings and objectives</li> <li>■ Rewards a current hauler, who may have demonstrated a willingness to implement program changes at affordable costs, with the ability to gage the impact of those changes</li> <li>■ Realizes that refuse collection contracts are best served by long-term business partnerships between the County and hauler (due to their capital intensive nature of the business, the high costs of new vehicles/equipment, and the time required to depreciate new purchases)</li> <li>■ Recognizes that a formal procurement can be expensive and administratively time-consuming for the County, without a guarantee that all service parameters will be met</li> </ul>	<ul style="list-style-type: none"> <li>■ Potentially reduces the quality of service if let out to bid (particularly by simply selecting a low bidder), though this may be for a limited timeframe</li> <li>■ Restricts potential leverage gained from competition. A formal competitive procurement has the potential to provide benefits to the County, which may include: <ul style="list-style-type: none"> <li>□ A one-time reduction in rates</li> <li>□ New programs or changes to existing programs</li> <li>□ Guaranteed periods of rate stabilization</li> <li>□ Changes to the rate structure (if desired)</li> </ul> </li> <li>■ If granted with limited benefits realized by the County, potentially fails to recognize that a contract extension has tremendous value to a hauler in terms of future profitability. Many jurisdictions use this value proposition to negotiate some service modifications, or possibly some rate relief. Absent a fair negotiation result, a procurement often becomes the only solution</li> <li>■ Limits the time required for a hauler to demonstrate an extension is merited (if granted early in the franchise term)</li> <li>■ Requires rebuilding County/hauler relationship. Potentially, results in a new hauler who may not be motivated to work as closely with the County to meet program needs (e.g., in the case where margins already are slim)</li> <li>■ Causes displacement of local laborers</li> </ul>

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