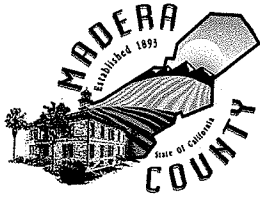


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BOARD OF SUPERVISORS COUNTY OF MADERA

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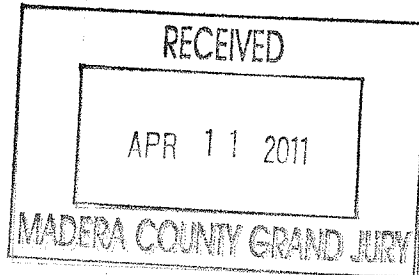
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March 29, 2011

The Honorable Mitchell C. Rigby
Presiding Judge
Madera County Superior Court
209 West Yosemite Avenue
Madera, California 93637



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JURY DIVISION
SUPERVISOR

Subject: **Response to the 2010-2011 Grand Jury Final Report on the "Madera County Solid Waste Management and Recycling"**

Dear Honorable Judge Rigby:

In accordance with Penal Code Section 933, the Madera County Board of Supervisors submits this response to the Final Report of the Grand Jury.

The following are the Grand Jury's findings in their Final Report, and the Board of Supervisors' response to those findings:

Finding 1. County has not been consistent with sound government practices, especially in the areas of contracting, oversight, and fiduciary responsibility.

Response 1. During the past thirty years, the County has maintained an appropriate and acceptable level of oversight in monitoring the operations of the Solid Waste Management and Recycling operations. The County has met its fiduciary obligations in the areas of contracting for these services.

Finding 2. The County employs two personnel who report to the RMA Director who in turn coordinates with the CAO who reports directly to the Board of Supervisors.

Response 2. The Board of Supervisors agrees with this finding.

Finding 3. Solid waste collection involves multi millions of dollars yearly and requires adequate oversight. Trash collection in the cities of Madera and Chowchilla is mandatory. Trash collection in the unincorporated areas of the county is by subscription.

Response 3. The Board of Supervisors agrees with this finding.

Finding 4. The cities of Madera and Chowchilla have mandatory curbside recycling. The unincorporated areas of the county do not.

Response 4. The Board of Supervisors agrees with this finding.

Finding 5. The cities of Madera and Chowchilla along with the County of Madera contract with several vendors to collect solid waste. The County contracts with a vendor to operate the Fairmead Landfill and Material Recovery Facility.

The vendor who operates the landfill and MRF along with collections of solid waste in the unincorporated areas of the county below 1000' was sold to a national corporation.

Contract 5363-C-98 expires in 2017.

- a. Contracts 3293-C-81 and 5363A-C-98 were written without adequate specific requirements to include tonnage, actual operating costs, or a negotiated reasonable profit for contractor.
- b. Contracts 3293-C-81 and 5363-C-98 are deficient of performance criteria and enforcement provisions to protect County. Contract affords contractor multiple renewals at contractor's discretion.
- c. The contractor has initiated and benefited from all renewals that have been related to rate adjustments and expansion of facilities.
- d. There has been serious lack of fiduciary responsibility and due diligence by elected and appointed county officials in initiating and managing contracts over the past 30 years. There is an appearance at best of impropriety in the granting and managing of the contract.

Response 5. The Board of Supervisors agrees with paragraph 1. The Board of Supervisors agrees with paragraph 2. The Board of Supervisors agrees with paragraph 3.

- a. Contract 3293-C-81 was the initial contract with the current vendor operating the Fairmead Landfill. That contract was superseded by Contract 5363-C-94 as amended by 5363A-C-98. The Board of Supervisors holds that the terms and conditions agreed to in contract 5363-C-94, as amended by 5363A-C-98 (hereinafter referred to as the "Fairmead Contract"), were appropriate at the time of signing. Without limiting the foregoing, section 16 of the Fairmead Contract requires the vendor to file monthly reports with the County Engineering Department specifying total tonnage of refuse deposited at the Fairmead Landfill. The reports must break out from the total the tonnage received from the North Fork and Oakhurst Transfer stations, the County Engineering Department and the Road Department broken out separately. The vendor must provide with such report with an accounting of funds collected by the vendor. The tipping fees which are specified in the contract represent the vendor's only compensation for services provided under the contract. The amount of the tipping fees can only be changed on application to and approval by the County. The County, in this process, has the power to control the vendor's profit. The Fairmead contract is not a cost plus contract. The vendor must pay all of its expenses for operation of the Fairmead Landfill from its share of the tipping fees. If the fees charged by the vendor don't cover its costs, the contractor must bear the burden of that deficit unless and until the County agrees to an increase in fees that may be charged by the contractor. Finally, the vendor does not control the amount of tonnage deposited at the Fairmead Landfill. Rather, the amount of tonnage disposed of at the landfill is dependent on what is collected and delivered to it.
- b. The Board of Supervisors holds that the terms and conditions agreed to in contract 5363-C-98 were appropriate at the time of signing. Contract 3293-C-81 (which as discussed above is no longer in force) provided for a term commencing July 1, 1981, continuing through June 30, 1984. There was no optional or automatic extension of the term in the contract. The contract provided that on mutual

consent of both parties, the contract could be extended. Thus, neither the County nor the vendor had the right to extend the term of the contract. In fact, the contract was extended by Contract 3660-C-84, which superseded 3293-C-81, for a period to continue through December 31, 1994. In this contract, the County had the right to extend the contract an additional five years. The vendor did not have a similar right to extend the term. By contract 4422-C-89, which superseded 3660-C-84 neither party had a right to extend the term of the contract. The current Fairmead Landfill contract is contract 5363-C-94 as amended by 5363A-C-98. The contract will continue through November of 2012. The contractor has the right to extend this contract for one additional five-year period through November 2017. The reason for the extension and option was to provide time for the contractor to amortize and repay a private activity bond obtained to permit various construction activities, including installation of a gas extraction system, complete the liner system for Waste Management Unit 2, and to continue closure work on Fill Areas One. As to lack of performance standards the contract provides:

“All operations must be strictly in accordance with applicable federal, state, and local statutes and regulations; the vendor must accept all waste from sources within the County and is not to receive waste from any source outside the County without written authorization by the County;”

- c. The Board of Supervisors holds that only contract 5363-C-98 involved an extension of term and rate adjustments, which are all related to capital outlay by the contractor. See response to (b) above as well.
- d. The Board of Supervisors agrees with finding 5-d in as much as over 30 years, multiple boards, and administrators were responsible for contract management and administration, and that there may have been lapses in relation to appropriate oversight of the solid waste operations in Madera County. The Board of Supervisors **disagrees** with that portion of finding 5-d that infers impropriety in the granting and management of the contract.

Finding 6. Contract 3293-C-81 was awarded without bid. In contract 3293-C-81 contractor was required to operate the landfill as a bale fill operation. The contract to operate the landfill and MRF were extended several times without bid. Board Resolution 94-237 authorized no bid contracting for solid waste services.

- a. There is a history of unacceptable expediency and cronyism along with a lack of due diligence in contracting for management of the landfill.
- b. Appearance of impropriety in existing contracts.
- c. Competitive bidding will likely result in lower cost of operations that can be passed on to county residents.
- d. Current landfill fees are significantly higher than those of surrounding counties.
- e. Landfill not being operated as a bale fill operation. That the contractor saves money by not utilizing bale fill reducing costs and maximizing profit with impunity.

Response 6. Board of Supervisors holds that contract 3293-C-81 was awarded after the County solicited bids for the operation of the sanitary landfill. (See contract 3293-C-81 page 1, lines 10-11) Board of Supervisors finds no evidence that bale fill was mandatory and that over the term of the contract newer more

effective means of compaction were identified and put into practice. The Board agrees that the landfill and MRF agreements were extended without bid; however the Board of Supervisors holds that all appropriate policies and procedures, guidelines and regulations have been followed in issuing and extending current contracts.

- a. The Board of Supervisors holds that processes followed in awarding contracts and contract extensions followed all appropriate laws, guidelines, and practices in place at the time of signing. Public Resources Code Section 40059 specifically authorizes such contracts to be negotiated and entered into with or without competitive bidding.
- b. The Board of Supervisors holds no position in reference to appearances.
- c. The Board of Supervisors acknowledge that competitive bidding generally results in lower costs; however, in this specific case due to the specialized nature of some services this may not be the case.
- d. RMA has gathered information concerning fees of surrounding counties and find that a measurement of apples to apples shows Madera County fees to be appropriate.
- e. Analysis of bale fill vs. traditional compaction shows comparable cost and no significant savings to either method.

Finding 7. The Cities of Madera and Chowchilla contract with the County for use of the landfill and MRF. The Cities have negotiated a tipping fee lower than the unincorporated areas of the county. The Cities pay no tipping fee at the landfill for recyclable material. The City of Madera gave notice to the County that it would solicit bids for landfill service after 2012 claiming overcharges for landfill use. This would reduce MRF recycling and trash tonnage in the landfill significantly.

Response 7. The Board of Supervisors agrees with this finding.

Finding 8. A no-bid contract was issued to build and operate the Material Recovery Facility and landfill. A surcharge of \$3.05 was added to the tipping fee to recover the contractor's capital outlay. The estimate of 10 years to retire the debt was conservative and the tonnage estimate was low. The debt was retired early but the surcharge is still being assessed.

Response 8. Board of Supervisors holds that contract 3293-C-81 was awarded after the County solicited bids for the operation of the sanitary landfill. (See contract 3293-C-81 page 1, lines 10-11) It was by a separate contract, contract 5266-C-93 dated November 9, 1993, that the County contracted with the contractor to build and operate the Material Recovery Facility ("MRF") at the Fairmead landfill site. An RFP was issued by the County in April of 1992 (see lines 16 to 23 of page one of the contract). Ultimately, the County chose the current vendor to build and operate the MRF. Contract 5266-C-93 does provide and records show that a surcharge of \$3.05 was authorized and was assessed to recover the contractor's capital outlay for the construction of the MRF beginning in the 1995-96 fiscal year. This surcharge continued to be assessed through the 2005-06 fiscal year at which time the surcharge had been reduced to \$.96. Fiscal year 2005-06 was the last year the surcharge was assessed to the tipping fees.

Finding 9. The contractor is making overly excessive profits that were not intended in the contract.

Response 9. An audit is being conducted by an independent accounting firm. (See the draft report in Attachment "A".) The Board of Supervisors holds that contracts 5266-C-93 and 5266A-C-98 specify the profit to which the contractor is entitled. Contract 5266-C-93, Article II - Cost and Compensation, Section C, lines 17-

20 state, "It is further agreed that a ten percent (10%) profit shall be allowed to MDSI in the calculation of its operational costs for the MRF." The exact operational costs of the MRF are being analyzed by the independent accounting firm and will be reviewed by County Administrative staff. If it is found in the audit that more than 110% of operating costs are being retained by contractor, necessary steps will be taken to correct the issue and recover moneys owed the County, if appropriate.

Finding 10. The Materials Recovery Facility was designed and permitted to operate as a "dirty" MRF meaning that all trash is run through and recyclable commodities are removed prior to baling and burial of no recyclable refuse. It is contended that the MRF is now being operated as a "clean" MRF due to several factors which include but are not limited to, volume, commodity rich loads (cities with recycle programs) vs. commodity poor loads (all unincorporated county) and facility capacity. Contractor told the Grand Jury that most dirty trash is no longer baled but is compacted at the landfill face, which is more efficient.

- a. The intent of the contract is that all dirty trash is to be processed through the MRF.
- b. The intent of the contract is that the contractor process the trash to effectively divert recyclable materials and to expand the facility as needed to achieve this goal.
- c. The contractor has not added staff, expanded the facility nor has he increased hours of operation to increase the MRF to handle all dirty trash as intended in the contract.

Response 10. The Board of Supervisors accepts the statements as presented by the Grand Jury in the opening paragraph of this finding.

- a. The Board of Supervisors holds that the contract is silent to the operation of the MRF as "dirty" vs. "clean". Contract 5266-C-93, Article VII, Section E states, "All of the Exhibits attached hereto and referenced in this Agreement are hereby incorporated in the Agreement as if fully set forth." In attachment "A", MDSI Proposal dated June 1992, page 3, Materials Recovery Facility states, "MDSI proposes to construct and operate what is typically referred to as a 'Dirty MRF'. This facility would process all co-mingled solid waste collected from a dedicated waste stream within Madera County and currently delivered to the landfill for disposal. The MRF proposes to utilize a combination of human and mechanical sorting to process paper, glass, metals, plastics, and wood. The initial design processing capacity will be equal to the peak daily delivery of 125 tons per day and divert approximately 65 tons per day from landfill disposal." The Board of Supervisors holds that the intent of the contract is to meet the mandates set in AB 939 and that how the MRF is operated is subordinate to that goal. If the contractor is able to meet the AB 939 mandates as guaranteed in contract 5266-C-93, Article III - Performance and Environmental Guarantees, the operation of the MRF as "dirty" or "clean" is inconsequential.
- b. The Board of Supervisors holds that the contract is silent to speed of the MRF operation. We do agree with the finding, however, that the contractor is to effectively divert recyclable materials in compliance with AB 939 mandates.
- c. The Board of Supervisors accepts the statements as presented by the Grand Jury.

Finding 11. The County has been overcharged for the operation of the MRF by millions of dollars over several years.

Response 11. An audit is being conducted by an independent accounting firm. (See the draft report in Attachment "A".) The Board of Supervisors holds that contracts 5266-C-93 and 5266A-C-98 specify the profit to which the contractor is entitled. Contract 5266-C-93, Article II - Cost and Compensation, Section C, lines 17-20 state, "It is further agreed that a ten percent (10%) profit shall be allowed to MDSI in the calculation of its operational costs for the MRF." The exact operational costs of the MRF are being analyzed by the independent accounting firm and will be reviewed by County Administrative staff. If it is found in the audit that more than 110% of operating costs are being retained by contractor, necessary steps will be taken to correct the issue and recover moneys owed the County, if appropriate.

Finding 12. There seems to be no evidence that the County has received payments or credits for the sale of recyclables, in 2007 or any other year, in direct violation of the terms of the contract.

- a. Contractor in violation of the provision of the contract requiring the County to receive 100% from the sale of recyclables (less 10% profit for the contractor).
- b. County RMA is lax in enforcing contract obligations.

Response 12.

- a. Contract 5266-C-93, Article II - Cost and Compensation, Section C, lines 14-20 read, "In the review of the operational costs, County shall receive credit for one hundred percent (100%) of all revenues MDSI may receive from the sale of recovered/recycled materials from the MRF. It is further agreed that a ten percent (10%) profit shall be allowed to MDSI in the calculations of its operational costs for the MRF." The Board of Supervisors holds that the County is due revenue from the sale of recyclables after the contractor has paid all operating costs of the MRF plus 10% profit. The exact operational costs of the MRF are being analyzed by the independent accounting firm and will be reviewed by County Administrative staff. If it is found in the audit that more than 110% of operating costs are being retained by contractor, necessary steps will be taken to correct the issue and recover moneys owed the County, if appropriate.
- b. The Board of Supervisors agrees that to some extent RMA has done a marginal job of monitoring and enforcing the terms and conditions of the contract since 1993.

Finding 13. The Board of Supervisors should extend recycling to the unincorporated areas of the County and develop options and a timetable to achieve such a goal.

Response 13. The Board of Supervisors agrees.

Finding 14. Over several years, the contractor has retained a significant sum of revenue due to a dispute. County officials have apparently made only limited attempts to resolve this issue and recover monies owed the County.

Response 14. The Board of Supervisors agrees with the finding and will direct staff to settle this dispute immediately.

Finding 15. County contracts 5364A-C-2001 and 6601A-C-2001 provide the contractor's service fees to increase automatically when contractor's requests for fee increases are not acted upon by the Board of Supervisors. Calculations for fee increases are based on Southern California Consumer Price Index (CPI).

Response 15. Section E specifically says, "This Agreement provides for an automatic rate increase, the Board of Supervisors shall have the opportunity to provide for full public disclosure of the scheduled rate

increases at the regularly scheduled Board of Supervisors meeting.” The contractor presents the report to staff calculating the CPI factor and the County can agree or disagree with the report. However, the only thing the County could disagree with is the calculation, not the entitlement to the CPI increase.

Finding 16. County entered into a no bid contract 5266-C-93 to construct and operate a Household Hazardous Waste Facility. The Grand Jury found improperly labeled, handled, and stored hazardous waste on September 27, 2010, when visiting the landfill.

Response 16. The Board of Supervisors holds that contract 5266-C-93 was put out for bid. We find no evidence to dispute or concur with the finding of the Grand Jury of improperly labeled, handled, and stored hazardous waste on September 27, 2010 while visiting the landfill.

Finding 17. The County in a no-bid process granted contractor in contract 5365-C-94 for the operation of the North Fork Transfer Station as long as the landfill contract is valid.

Response 17. The Board of Supervisors holds that in contract 5365-C-94, page 2, item 6, lines 24 through 28 and on page 3, lines 1 through 3 attaches the term of this agreement to contract 5266-C-93 - the Materials Recovery Facility at Fairmead Landfill rather than contract 5363-C-94 - Operation of the Fairmead Landfill. This agreement is an extension of the original agreement 2944-C-79 which was a no-bid agreement.

Finding 18. There is storage of commercial toilets on County property.

- a. The contractor is taking improper advantage of its contract by storing portable toilets on the landfill.
- b. The contractor is taking improper advantage of its contract by operating a business on the landfill.
- c. The CAO, RMA Director, and subordinate office are negligent for failing to take proper action in pursuing matters to protect County interest.

Response 18. The Board of Supervisors concurs and will direct staff to take immediate action to look into the potential contract violation and take proper action to insure the Counties interest is protected.

Finding 19. There is an appearance of co-mingling of staff, resources, and facilities among the various businesses conducted by the contractor at the landfill.

Response 19. The Board of Supervisors concurs and will direct staff to take immediate action to look into the potential contract violation and take proper action to insure the Counties interest is protected.

Finding 20. The Department of Environmental Health is lax in protecting the health and safety of the residents of Madera County regarding the various operations at the landfill. The relationship between County inspectors and the contractor are too informal for effective regulation.

Response 20. The landfill and MRF/Transfer Station are inspected monthly by the Madera County Local Enforcement Agency (LEA), with reports submitted to the Department of Resources Recycling and Recovery (CalRecycle). The County and/or its operator have received both Areas of Concern and Notice of Violations from the LEA.

Finding 21. The relationship between County overseers and the contractor is too informal for effective regulation.

Response 21. The County, along with County's contractor, is regulated extensively by the Department of Resources Recycling and Recovery or CalRecycle (formerly the California Integrated Waste Management Board

CIWMB), Regional Water Quality Control Board (RWQCB), San Joaquin Valley Air Pollution Control District (SJVAPCD), Local Enforcement Agency (LEA), Certified Unified Program Agency (CUPA), Department of Toxic Substance Control (DTSC), and Madera County Environmental Health; all perform inspections to ensure that the County and contractor are operating in compliance with applicable Federal, State and local regulations.

Sincerely,

A handwritten signature in cursive script that reads "Frank Bigelow". The signature is written in black ink and is positioned above the printed name.

Frank Bigelow

Chairman

Madera County Board of Supervisors

Attachment

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

To the Board of Supervisors
of the County of Madera
Madera, California

We have performed the agreed-upon procedures which the County of Madera (County) has specified, listed in the attached schedule, which were agreed to by the County with respect to the Fairmead Landfill (the Landfill). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as noted in the attached schedule.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Landfill financial records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of Madera, the City of Chowchilla and the City of Madera and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2011

**County of Madera Fairmead Landfill
Schedule of Agreed-Upon Procedures and Findings**

PROCEDURES WITH RESPECT TO THE LANDFILL OPERATOR

Procedure 1 – Establish the basis for compensation received by the landfill operator from all users.

We compared the surcharge rates stated on the Solid Waste Surcharge Report (the source report for the revenue calculation) to the County's established rates.

Finding

All users pay in accordance with the rates established by the County. A breakdown of the rates is found under Procedure 3 of this report.

Procedure 2 - Identify the revenues generated and the payments received from all users of all facilities located within Madera County.

Finding

Revenues generated by the Operator at the Fairmead landfill include:

- a. Cash and credit payments from all users
- b. Revenue generated from the North Fork station
- c. Revenue generated from the trash sorted from Madera Mammoth Recycling (MMR)

Revenues generated by the Operator at the Madera Mammoth Recycling (MMR) include:

- a. A processing charge to the Landfill for sorting recyclable materials out of trash loads
- b. Sales of recyclable materials

We selected a sample of receipts/revenues from the "cash log deposits report" and traced the transactions to the general ledger and income statement without exception.

Procedure 3 - Identify the components of all charges levied by the landfill operator for use of any facility.

The components of the tipping fees are identified in the schedule below:

	COUNTY/PUBLIC RATE \$55.13/ton			CITY RATE \$39.13/ton		
	Operator share \$23.85/ton	County share \$31.28/ton [a]		Operator share \$15.65/ton	County share \$23.48/ton [a]	
	Landfill \$15.65/ton	MMR * \$8.20/ton		Landfill \$15.65/ton	MMR * \$0/ton	
* MMR = Madera Mammoth Recycling						
[a] Breakdown of the County share is shown below as a blended rate at \$24.96/ton.						

Based on the current rates of \$55.13/ton for the County/Public and \$39.13/ton for the City of Madera and Chowchilla residential, the actual and projected tonnages received, and the mid-year tipping fee reductions (\$53.39/ton for the County/Public, and \$37.39/ton for the City of Madera and Chowchilla), the County used the blended rate of **\$47.31** for development of the 2010-2011 budget. The calculation of the blended rate is shown below:

	Estimated Tonnage	County/Public Rate		Percentage	Estimated Revenue	% of Rate
County	16,750	\$55.13	current rate	15%	\$923,428	\$8.17
	50,250	\$53.39	mid-year tipping fee reductions [1]	44%	\$2,682,848	\$23.74
			<u>City Rate</u>			
City	11,500	\$39.13	current rate	10%	\$449,995	\$3.98
	34,500	\$37.39	mid-year tipping fee reductions [1]	31%	\$1,289,955	\$11.42
Total	113,000			100%	\$5,346,225	\$47.31

[1] Mid year tipping fee reductions related to the one time regulatory items/ costs from the 2009 tipping fee increase. The adjustment has not been made to the tipping fee.

The blended rate of \$47.31 consists of:

1. \$22.35/ton for the operational expenses (Operator):
 - a. \$15.65/ton pays for the contractual operator at the Landfill.
 - b. \$6.70/ton covers the cost of operating the Madera Mammoth Recycling (MMR).
2. \$24.96/ton for the County surcharges:
 - a. \$1.40/ton pays for the State surcharge for administrative costs.
 - b. \$0.44/ton covers the costs incurred by Environmental Health as the Local Enforcement Agency (LEA) related to the State mandated oversight of landfill operations.
 - c. \$1.06/ton covers the loan payments over an 18-year period to construct the gas extraction system, new liner, closure of old site, and two groundwater monitoring wells. This loan will be paid off in 2016.
 - d. \$0.78/ton covers services for monitoring of the monolithic cover, landfill gas, and hazard water disposal.
 - e. \$14.71/ton retained by the County of Madera for the costs associated with the operational costs of the Landfill and the indirect costs.
 - f. The remaining of \$6.57/ton pays for the Fairmead Liner Fund for future expansions, including permitting activities, acquisitions, design, and construction.

Procedure 4 - Identify all rate schedules and compare the fees charged to the cost for operating each facility.

We identified all rate schedules and compared the fees charged (revenues) to the cost for operating each facility. We also compared and analyzed the Landfill and the Madera Mammoth Recycling revenues and expenditures from July to October of 2010. We performed inquiries of County management and reviewed the agreement between the County and the Operator to determine if there was any profit limit for the Operator of the Landfill.

We identified the factors used in calculating the amount of the last rate increase that was implemented for any fee by obtaining the rate increase schedule. We reviewed, verified, and recalculated the rate increase schedule.

Findings

1. The Landfill's total net income/(loss) for the months from July to October 2010 was (\$61,503), \$54,968, \$31,337, \$55,498, respectively (See Exhibit A(1 & 2)).
2. The Madera Mammoth Recycling facility total net income/(loss) for the months from July to October 2010 was (\$12,444), (\$16,781), \$1,240, \$27,566 respectively (See Exhibit B(1 & 2)).
3. There is no limit on the profit the operator shall make with regard to the Landfill contract. However, there is a 10% limit on the profit the operator shall make with regard to the Madera Mammoth Recycling contract per agreement number: 5266-C-93, article II, item C.
4. The last rate increase occurred in October of 2009 and was based on the solid waste delivery agreements with the Cities of Madera and Chowchilla. The increase was based on the "Engineering News-Record Index" (6.7%), plus the addition of regulatory items. This increased the rates for the County and Self Haulers from \$50.00 per ton to \$55.13 per ton. The rates for each city increased from \$35.00 per ton to \$39.13 per ton. The operator has not received nor requested an increase in rates since fiscal year 2002-2003. The rate increases are supported by the calculation in Exhibit C.

Procedure 5 - Trace postings to reserves, replacement accounts or other accounts representing a component of the fee structure that is to be set aside for a future use. Determine if amounts set aside are timely and in the proper amount.

Findings

The Operator has no requirement to set aside any amounts for a future use. Reserve accounts are established at the County.

Procedure 6 - Identify all cost centers created by the Landfill operator and determine the revenues and costs assigned to each. Confirm whether revenues are properly matched to costs for the operation of each facility.

We reviewed the Operator's profit and loss statement for the months of July and August 2010 and selected the two largest expenditure categories: fuel and parts/materials. We verified those charges to the fuel log inventory report, invoices, and other supporting documents to determine the propriety of the charges.

Finding

Fuel charges agreed to the fuel inventory report. Parts and materials charges agreed to the invoices. During our testing for the month of August, we identified only one charge which was based on allocation. The method used for the allocation was based on the year-to-date purchases trend from January through June 2010. The basis used for the allocation of this cost appeared reasonable.

Procedure 7 - Examine the overhead cost allocation model used to distribute local office and corporate office overhead charges to each cost center and determine the appropriateness of the allocation to each.

We made inquiries of the Operator's District Controller and obtained the cost basis methodology for the overhead calculation.

Finding

According to the District Controller, the overhead charges are based on a corporate allocation formula which uses total corporate overhead costs and total corporate revenues. Prior to October 2010, the Operator used actual revenue numbers in the formula and subsequently used budgeted revenue numbers in calculating the overhead charges.

Corporate office overhead charges were calculated as follows:

4008-Landfill		August	September	October
Account 70149	Corporate overhead allocation per P&L	12,441	12,223	11,722
	Actual revenues per P&L	337,633	337,036	-
	Budgeted revenue per detailed monthly IC report	-	-	334,910
	Percentage *	3.68%	3.63%	3.50%
	Overhead allocation	12,425	12,223	11,722
4009-MRF				
Account 70149	Corporate overhead allocation per P&L	5,358	5,410	4,368
	Actual revenues per P&L	145,402	149,150	-
	Budgeted revenue per detailed monthly IC report	-	-	124,801
	Percentage *	3.68%	3.63%	3.50%
	Overhead allocation	5,351	5,414	4,368
* Based on overhead costs and total revenues for the regions. This percentage is provided by the Corporate Office based on management's decision.				

Procedure 8 – Confirm the staffing plan for each operation and determine whether the resulting allocation of salaries and benefits is appropriate.

We selected payroll expenditures and verified them against the payroll register report. We obtained the Operator's salary allocation schedule and determined whether or not the allocated payroll charges were in accordance with the schedule.

Finding

Payroll expenditures were supported by the payroll register and allocations were in accordance with the allocation schedule prepared by the District Manager.

Procedure 9 – Identify all sources of fixed and variable costs applicable to each cost center and determine that they are properly reflected.

We selected all Landfill variable costs for the months of May and August 2010 and traced the charges to invoices and/or other supporting documentation to verify the propriety of the charge.

Finding

Variable costs reported on the Landfill profit and loss statement for the months of May and August 2010 were properly supported by invoices and/or other supporting documentation and were allocated to the correct cost center.

We did not identify any fixed costs associated with the Landfill or the Madera Mammoth Recycling.

Procedure 10 - Identify the contractual requirements imposed on the landfill operator for processing recyclable material and confirm the revenues received from the handling/sale of recyclables.

We obtained a copy of the Madera Mammoth Recycling agreement between the County and the Operator. We compared revenues received by the County from the Operator for the sale of recyclable materials to the Solid Waste Surcharge Report.

We performed an analysis to determine whether the amount of recyclable materials received at the MMR reasonably agreed with the amount of recyclable materials sold for the period from July 2010 to October 2010.

Finding

The MMR agreement (5266-C-93, article II, item C) between the County and the Operator includes a 10% limit on the profit the operator shall make with regard to the Madera Mammoth Recycling contract. Further, the agreement states that in the review of operational costs, the County shall receive credit for 100% of all revenues the Operator may receive from the sale of recyclables. Therefore, the agreement does not require the Operator to pay the County for the sale of recyclables rather, the Operator should apply the sale proceeds to reduce MMR operating costs.

Our testing revealed that the amount of recyclable materials sold was greater than the amount of recyclable materials received at the facility. The reason for the difference is related to the amount of recyclable materials recovered from commingled trash. The Operator does not maintain an accounting of the amount of recyclable materials recovered from commingled trash and we were not able to determine whether the total amount of recyclable material received and recovered reasonably agreed with the amount of recyclable material sold.

Procedure 11 - Identify the contractual requirements imposed on the Landfill operator to make payments and/or apply credits to Madera County and the Cities of Madera and Chowchilla and determine whether all payments/credits are being made timely.

Finding

The Operator remits monthly payments to the County. These payments are made within 90 days of the last day of the month in which the collections were received. All payments tested were in accordance with the agreement between the County and the Operator, except for the commercial/roll off rate for the Cities of Madera and Chowchilla. The County contends that they should have received \$23.48/ton for the commercial/roll off for the Cities but the Operator has only remitted \$15.28/ton which left a discrepancy of \$8.20/ton. The total balance in question as of October 2010 was approximately \$500,000 according to County Solid Waste management.

The Operator does not make any payments or apply any credits to the City of Madera or the City of Chowchilla.

PROCEDURES WITH RESPECT TO THE COUNTY OF MADERA

Procedure 12 – Review the cost centers that have been established to track Landfill activity. Confirm that each cost center reflects the proper matching of revenues with expenses.

Finding

Revenues are initially posted to organization keys 01380(General), 11400 (Local Enforcement Agency), and 70510 (State Surcharge), and are recorded as gross revenues and expenses of the Landfill in the CAFR to arrive at a full accounting of all the activity of the Landfill in the CAFR. At year end, the excess of revenues over expenditures in General Fund will be transferred to the Fairmead Liner Fund after deduction of indirect cost.

Procedure 13 - Confirm that revenues and expenses related to refuse services provided to the unincorporated areas are segregated from all other activities as necessary.

Finding

The revenues and expenses related to refuse services provided to the unincorporated areas are not segregated. They are coded to organization key 01380 (RMA Refuse Disposal). According to the County Solid Waste Manager there is no contractual agreement to make this segregation.

Procedure 14 - Confirm that monies received from the Landfill operator are being deposited into the proper accounts for holding monies needed for future capital costs.

We selected the payments made by the Operator to the County for the months of May through August 2010. We recalculated the amounts related to reserve accounts (i.e. Fairmead Liner Fund, Local Enforcement Agency Fund and State Surcharge Fund) and we tested for proper posting in the County's accounting system.

Finding

The monies received from the Operator were properly deposited into the reserve accounts: Fairmead Liner Fund, Local Enforcement Agency Fund, and State Surcharge Fund.

Procedure 15 - Confirm that interest is properly allocated to each account that holds funds for a future capital use.

Finding

The interest is properly calculated and allocated to each account that holds funds for a future capital use. Interest is allocated by the County to the Fairmead Liner Fund and the Fairmead Closure Funds. The Treasurer's office is responsible for posting the interest earnings into the County accounting system. The interest earned is credited to the funds quarterly based on the daily cash balance for all funds in the County of Madera.

Procedure 16 - Confirm the process used for allocating indirect overhead charges to each landfill cost center and determine if the resulting charges are appropriate.

Finding

According to the County cost allocation plan, the indirect overhead charge for the year ended June 30, 2010 should have been \$210,176. The actual amount charged to the Landfill by the County was \$460,325, resulting in an overcharge of \$250,149.

The County uses only one fund to account for all Landfill activity. The County allocates indirect charges to the Landfill based on an indirect cost allocation plan. This cost allocation plan was prepared by a consultant and is based on actual expenses for the 2007/2008 fiscal year for use in the 2009/2010 fiscal year.

Procedure 17 - Review the process used for determining the amount of funds required for future capital outlay.

Finding

We identified two purposes which would require future capital outlays, the Fairmead Liner Fund and the Closure/Post-Closure Fund. The County has established a rate of \$6.57 per ton as the amount to be deposited to the Fairmead Liner Fund (refer to procedure 3 for breakdown).

In practice this established rate is not charged or used to determine the amount of the deposits to the Fairmead Liner Fund. Instead, the amount deposited to the Fairmead Liner Fund is the residual balance after deposits are made to the General, Local Enforcement Agency and the State Surcharge Funds.

The overage/(shortage) of the Liner fund is calculated below:

Period	Tonnages received	Required deposit amount @\$6.57	Amount deposited into Fairmead Liner Fund	Overage/ (Shortage)
July 1, 2008-June 30, 2009	114,721.70	\$753,721.57	\$753,214.77	(\$506.80)
July 1, 2009-June 30, 2010	110,391.26	\$725,270.58	\$746,668.29	\$21,397.71

The County does not currently make any deposits to the Closure/Post-Closure Fund. However, we did recalculate the calculation of the closure/post-closure liability prepared by the County and determined that the liability was fairly stated in accordance with GASB 18.

Procedure 18 - Identify the components of the current tip fee and determine whether the charges properly match the costs of operations at the landfill.

Finding

The County's net profit/loss statement for Landfill operations is attached as Exhibit D. As can be seen in Exhibit D, over the last four years, the Landfill has had net income and net losses. Please refer to Procedure 3 for the components of the tipping fees.

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EXHIBITS

EXHIBIT A(1)

(LANDFILL)

Account # Revenues	July	August	September	October
36000 Landfill Revenue	\$ 146,831	\$ 144,287	\$ 139,026	\$ 150,952
36009 Landfill Revenue-MSW Intercompany	190,552	193,346	198,010	179,636
Landfill Revenue	337,383	337,633	337,036	330,588
43001 Taxed and Pass Thru Fees	213,249	172,935	185,919	183,406
Net Revenue	124,134	164,698	151,117	147,182
Primary Labor				
50020 Wages Regular	10,614	7,996	10,369	6,569
50025 Wages OT	4,521	4,091	4,503	2,153
50035 Safety Bonuses	467	1,000	934	(1,734)
50050 Payroll Taxes	1,175	1,116	1,051	662
50060 Group Insurance	728	592	2,487	501
50065 Vacation Pay	546	1,745	158	564
50070 Sick Pay	372	(3)	246	(93)
50086 Safety and Training	88	(88)	-	-
50015 Pension and Profit Sharing	86	51	59	-
Total Primary Labor	18,597	16,500	19,807	8,622
Truck Variable				
52010 Salaries	1,818	1,818	1,818	-
52020 Wages Regular	8,348	7,049	7,690	6,398
52025 Wages OT	3,294	3,554	2,702	3,071
52035 Safety Bonuses	67	400	134	(1,111)
52050 Payroll Taxes	867	799	746	791
52060 Group Insurance	1,568	1,275	(620)	1,438
52065 Vacation Pay	280	108	336	1,870
52070 Sick Pay	-	-	318	(151)
52086 Safety and Training	-	21	65	-
52090 Uniforms	-	137	181	139
52115 Pension and Profit Sharing	139	89	90	93
52120 Parts and Materials	14,388	1,537	2,852	2,800
52125 Operating Supplies	1,305	612	1,068	-
52140 Tires	852	1,375	11,560	1,707
52142 Fuel Expense	7,957	13,796	11,953	11,202
52146 Oil and Grease	674	585	749	1,446
52147 Outside Repairs	8,592	344	-	3,543
52149 Allocated Exp In Out-District	-	-	-	1,735
52150 Utilities	-	109	1,577	691
52165 Communications	-	92	91	204
52335 Miscellaneous	-	3	3	3
Total Truck Variable	50,149	33,703	43,313	35,869
Container Expense				
55065 Vacation Pay	-	-	14	8
Total Container Expense	-	-	14	8
Supervisory Expense				
56010 Salaries	10,570	5,896	4,485	4,281
56035 Safety Bonuses	-	-	200	-
56050 Payroll Taxes	747	451	357	327
56060 Group Insurance	-	176	-	-
56065 Vacation Pay	33	14	40	24
56115 Pension and Profit Sharing	153	102	102	102
56149 Allocated Exp In Out-District	-	-	1,677	2,022
56142 Fuel Expense	90	31	48	180
56165 Communications	220	-	-	30
Total Supervisory Expense	11,813	6,670	6,909	6,966
Other Operating				
57125 Operating Supplies	309	(24)	3,271	12
57147 Bldg & Property	-	2,048	98	(799)
57150 Utilities	69	55	190	356
57165 Communications	143	-	-	412
57275 Property Taxes	1,424	1,381	1,352	1,266
Total Other Operating	1,945	3,460	4,911	1,247
Insurance Expense				
59340 Self Insurance Premium	-	1,348	1,321	1,283
59343 WC-Current Year Claims	1,341	1,090	(4,180)	1,544
59400 Damages paid by District	-	-	-	(633)
Total Insurance Expense	1,341	2,438	(2,859)	2,194
Total Cost of Operations	83,845	62,771	72,095	54,906
Total Gross Profit	40,289	101,927	79,022	92,276

EXHIBIT A(2)

(LANDFILL)

Account #	General and Admin Expense	July	August	September	October
70010	Salaries	7,178	-	-	-
70020	Wages Regular	2,328	6,993	6,922	(2,175)
70025	Wages O.T	376	934	777	(214)
70030	Corp Allocated Bonus	-	(60)	-	-
70036	Other Bonus/Commission Non-Safety	-	-	20	(133)
70050	Payroll Taxes	251	1,144	871	(457)
70060	Group Insurance	-	1,125	1,026	174
70065	Vacation Pay	762	365	631	530
70070	Sick Pay	-	43	142	235
70095	Empl&Commun Activ	-	-	299	139
70105	Employee Relocation	-	233	233	233
70110	Contributions	-	-	-	48
70116	Pension and Profit Sharing	99	317	313	316
70147	Bldg & Property Maintenance	-	307	882	709
70148	Allocated Exp in -District	-	5,260	4,606	4,524
70165	Communications	158	1,565	1,228	1,430
70167	Cellular Telephone	-	203	218	165
70170	Real Estate Rentals	-	254	254	416
70175	Equip/Vehicle Rental	-	91	17	54
70185	Postage	-	58	211	346
70196	Club Dues	-	-	-	48
70200	Travel	-	-	109	10
70202	Excursions Meetings	-	107	-	-
70203	Lodging	-	-	576	37
70205	Travel-Auto	-	-	139	61
70206	Meals	-	60	159	42
70210	Office Supplies and Equip	-	1,068	690	1,212
70214	Credit Card Fees	-	565	624	793
70215	Bank Charges	-	461	231	231
70245	Payroll Processing Fees	-	133	133	133
70301	Computer Software	200	-	-	200
70302	Computer Supplies	-	-	217	91
70310	Bad Debt Profsion	63,237	(8,434)	(3,607)	(1,290)
70320	Credit and Collection	-	-	12	-
70336	Coffee Bar	-	52	35	49
	Total General and Admin	74,589	12,844	17,968	7,957
	Total EBITDA b/ CO	(34,300)	89,083	61,054	84,319
	Overhead Expense				
70149	Corporate Overhead Allocation	11,925	12,441	12,223	11,722
	EBITDA	(46,225)	76,642	48,831	72,597
	EBITDA w/o Ins	(44,884)	79,080	45,972	74,791
	Depreciation				
	Total Depreciation	15,278	15,277	15,278	15,277
	EBIT (Earning Before Interest and Taxes) From Ops	(61,503)	61,365	33,553	57,320
	Other Expenses				
80099	Interest Allocation	-	6,397	2,216	1,822
	Total Other Expenses	-	6,397	2,216	1,822
	EBIT (Earning Before Taxes) From Ops	(61,503)	54,968	31,337	55,498
	Net Income/(Loss)	\$ (61,503)	\$ 54,968	\$ 31,337	\$ 55,498

EXHIBIT B(1)

(MADERA MAMMOTH RECYCLING)

Account # Revenues	July	August	September	October
35500 MRF Processing Charge	\$ 97,546	\$ 97,546	\$ 91,141	\$ 91,590
35510 Proceeds - OCC	15,026	15,852	18,835	22,651
35511 Proceeds - ONP	2,904	2,960	3,332	3,185
35512 Proceeds - Other Paper	4,610	2,454	6,223	5,688
35513 Proceeds - Aluminum	1,551	2,301	2,497	2,259
35514 Proceeds - Metal	8,814	7,517	8,686	9,373
35515 Proceeds - Glass	1,116	1,092	813	796
35516 Proceeds - Plastic	11,490	17,927	6,499	5,858
35517 Proceeds - Other Recyclables	14,595	(2,247)	11,124	5,707
Total Recycling Proceeds	60,106	47,856	58,009	55,517
Total Revenues	157,652	145,402	149,150	147,107
40109 Disposal Landfill Intercompany	8,899	11,392	13,183	-
40129 Disposal Other Intercompany	-	-	-	14,756
40861 Processing Fees MRF	16,328	11,220	1,550	1,015
43001 Taxes and Pass Thru Fees	57,150	55,959	49,918	50,813
44168 Cost of Materials - Other Recyclables	4,081	4,501	(961)	(6,149)
Total Revenue Reductions	86,458	83,072	63,690	60,435
Net Revenue	71,194	62,330	85,460	86,672
Primary Labor				
50010 Salaries	(22,178)	-	-	-
50020 Wages Regular	27,481	22,399	23,893	21,756
50025 Wages O.T.	2,557	3,335	3,238	3,638
50035 Safety Bonuses	1,000	3,200	2,000	(1,933)
50050 Payroll Taxes	2,628	2,560	2,087	2,047
50060 Group Insurance	728	512	912	497
50065 Vacation Pay	4,319	2,858	2,266	1,645
50070 Sick Pay	431	711	(161)	895
50086 Safety and Training	716	(558)	66	(440)
50090 Uniforms	1,559	1,127	1,526	1,051
50115 Pension and Profit Sharing	361	219	212	280
Total Primary Labor	19,602	36,363	36,039	29,436
Truck Variable				
52010 Salaries	1,212	1,212	1,212	-
52020 Wages Regular	1,455	4,194	2,430	3,886
52025 Wages O.T.	62	157	73	189
52035 Safety Bonuses	134	200	268	(430)
52050 Payroll Taxes	340	311	293	267
52060 Group Insurance	364	256	(144)	199
52065 Vacation Pay	3,443	29	(306)	718
52070 Sick Pay	-	-	1,626	(770)
52086 Safety and Training	-	10	33	-
52090 Uniforms	-	69	91	70
52115 Pension and Profit Sharing	135	89	92	89
52120 Parts and Materials	2,431	3,922	2,259	4,304
52125 Operating Supplies	664	306	534	-
52135 Equipment and Maint Repair	-	40	1,509	-
52142 Fuel Expense	1,358	2,231	1,915	1,680
52146 Oil and Grease	337	292	375	723
52147 Outside Repairs	1,469	-	-	805
52149 Allocated Exp In Out - District	-	-	-	1,157
52150 Utilities	-	73	1,051	461
52165 Communications	-	61	61	136
52335 Miscellaneous	-	1	1	1
Total Truck Variable	13,404	13,453	13,373	13,485
Container Expense				
55065 Vacation Pay	-	19	(13)	15
Supervisory Expense				
56010 Salaries	27,873	5,193	3,782	3,610
56035 Safety Bonuses	-	-	200	467
56050 Payroll Taxes	335	399	305	276
56060 Group Insurance	-	176	-	-
56065 Vacation Pay	53	55	(37)	45
56115 Pension and Profit Sharing	77	52	52	52
56142 Fuel Expense	-	52	-	-
56149 Allocated Exp In Out - District	-	-	838	1,011
56165 Communications	221	-	31	47
Total Supervisory Expense	28,559	5,927	5,171	5,508

EXHIBIT B(2)

(MADERA MAMMOTH RECYCLING)

Account # Other Operating				
57125 Operating Supplies	-	-	-	1,206
57150 Utilities	3,351	-	6,500	(6,449)
57275 Property Taxes	698	595	598	563
57353 Monitoring and Maintenance	-	45	45	45
Total Other Operating	4,049	640	7,143	(4,635)
Insurance Expense				
59340 Self Insurance Premium	-	580	584	571
59343 WC - Current Year Claims	657	(120)	8	751
Total Insurance Expense	657	460	592	1,322
Total Cost of Operations	66,271	56,862	62,305	45,131
Total Gross Profit	4,923	5,468	23,155	41,541
General and Admin Expense				
70010 Salaries	3,589	-	-	-
70020 Wages Regular	-	2,253	2,305	(2,305)
70025 Wages O.T.	-	275	246	(246)
70030 Corp Allocated Bonus	-	(30)	-	-
70036 Other Bonus/Commission - Non-Safety	-	-	10	-
70050 Payroll Taxes	-	443	333	(333)
70060 Group Insurance	-	562	513	(513)
70065 Vacation Pay	287	358	(20)	64
70070 Sick Pay	-	22	(12)	12
70095 Empl and Commun Activ	-	-	149	36
70105 Employee Relocation	-	117	117	117
70110 Contributions	-	-	-	24
70116 Pension and Profit Sharing	-	124	124	126
70147 Bldg & Property Maint	-	154	441	354
70148 Allocated Exp In - District	-	2,630	2,303	2,262
70165 Communications	79	684	552	751
70167 Cellular Telephone	-	102	109	82
70170 Real Estate Rentals	-	127	127	208
70175 Equip/Vehicle Rental	-	45	9	27
70196 Club Dues	-	-	-	24
70200 Travel	-	-	55	5
70202 Excursions Meetings	-	53	-	-
70203 Lodging	-	-	288	19
70205 Travel - Auto	-	-	69	31
70206 Meals	-	30	79	21
70210 Office Supplies and Equip	-	534	345	606
70245 Payroll Processing Fees	-	88	88	88
70302 Computer Supplies	-	-	109	45
70310 Bad Debt Provision	666	-	-	-
70320 Credit and Collection	-	-	5	-
70336 Coffe Bar	-	22	15	23
Total General and Admin	4,621	8,593	8,359	1,528
Total EBITDA b/ CO	302	(3,125)	14,796	40,013
Overhead Expense				
70149 Corporate Overhead Allocation	5,843	5,358	5,410	4,368
EBITDA	(5,541)	(8,483)	9,386	35,645
EBITDA w/o Ins	(4,884)	(8,023)	9,978	36,967
Depreciation				
Total Depreciation	6,903	6,903	6,903	6,903
EBIT (Earning Before Interest and Taxes) From Ops	(12,444)	(15,386)	2,483	28,742
Other Expenses				
80099 Interest Allocation	-	1,395	1,243	1,176
Total Other Expenses	-	1,395	1,243	1,176
EBIT (Earning Before Taxes) From Ops	(12,444)	(16,781)	1,240	27,566

EXHIBIT C

TIPPING FEE INCREASE

<i>Tipping Fee Increase</i>	Total	Cities*	Chowchilla*	Madera*	County
Current Tipping Fee (per ton)-Trash		\$35.00	\$35.00	\$35.00	\$50.00
<i>Tipping Fee Increase per Ton-Los Angeles Engineering News Record Construction Cost Index-February 2009</i>		\$2.35	\$2.35	\$2.35	\$3.35
<i>New Tipping Fee (per Ton) w/ ENR Index</i>		\$37.35	\$37.35	\$37.35	\$53.35
Regulatory Items					
Tonnage ³	113,000.00	54,240.00	13,017.60	41,222.40	58,760.00
Landfill Gas Compliance Regulations-Probe Plan & Installation ¹	\$125,430	\$60,206.40	\$14,449.54	\$45,756.86	\$65,223.60
Rate Increase per Ton	\$1.11	\$1.11	\$1.11	\$1.11	\$1.11
Air Board & EPA Title V Regulations ¹	\$71,190	\$34,171.20	\$8,201.09	\$25,970.11	\$37,018.80
Rate Increase per Ton	\$0.63	\$0.63	\$0.63	\$0.63	\$0.63
Sharps Ban in Landfills-Managed by HHW Facility ²	\$4,520	\$2,169.60	\$520.70	\$1,648.90	\$2,350.40
Rate Increase per Ton	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04
<i>Subtotal of Regulatory Items</i>	\$201,140	\$96,547.20	\$23,171.33	\$73,375.87	\$104,592.80
<i>Tipping Fee Increase per Ton-Regulatory Items</i>	\$1.78	\$1.78	\$1.78	\$1.78	\$1.78
TOTAL-Tipping fee increase per ton		\$4.13	\$4.13	\$4.13	\$5.13
New Tipping Fee w/ the ENR Index and Regulatory Items (per Ton)		\$39.13	\$39.13	\$39.13	\$55.13

¹one time costs; ²on-going costs; ³based on CIWMB Disposal Reports; *Gray Waste or Gray Can Waste-Trash. Absent a Blue Can or Curbside Recycling Program, the tipping fee rate or total disposal fee will default to the current Public Rates as adopted by the County Board of Supervisors.

EXHIBIT D**FAIRMEAD REVENUES AND EXPENSES**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues				
Charges for services	\$ 2,424,146	\$ 2,662,844	\$ 2,959,853	\$ 2,698,084
Other	-	-	10,880	-
Total operating revenues	<u>2,424,146</u>	<u>2,662,844</u>	<u>2,970,733</u>	<u>2,698,084</u>
Operating Expenses				
Refuse disposal	2,559,604	2,787,667	2,508,986	2,384,717
Depreciation	258,342	215,499	161,359	126,434
Total operating expenses	<u>2,817,946</u>	<u>3,003,166</u>	<u>2,670,345</u>	<u>2,511,151</u>
Operating Income (Loss)	<u>(393,800)</u>	<u>(340,322)</u>	<u>300,388</u>	<u>186,933</u>
Non-operating Revenues (Expenses)				
Revenue from use of money and property	187,903	310,556	434,280	151,460
Interest and fiscal charges	(14,358)	(41,190)	(47,819)	(50,750)
Total non-operating revenues (expenses)	<u>173,545</u>	<u>269,366</u>	<u>386,461</u>	<u>100,710</u>
Changes in net assets	(220,255)	(70,956)	686,849	287,643
Net Assets				
Beginning of year	<u>3,608,066</u>	<u>3,679,022</u>	<u>2,992,173</u>	<u>2,704,529</u>
End of year	<u>\$ 3,387,811</u>	<u>\$ 3,608,066</u>	<u>\$ 3,679,022</u>	<u>\$ 2,992,172</u>

The Financial Statements for the fiscal year ended June 30, 2006, were audited by Quady & Leal, LLP. The Financial Statements for the fiscal years ended June 30, 2007 through 2009, were audited by Caporicci and Larson.