

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Environmental Resources

BOARD AGENDA # B-10

Urgent

Routine

CEO Concurs with Recommendation YES NO

(Information Attached)

AGENDA DATE November 4, 2008

4/5 Vote Required YES NO

SUBJECT:

Approval of a Revised Refuse Rate Adjustment Methodology and Amended Regulations for Franchise Refuse Collectors in the Unincorporated Areas of Stanislaus County and Related Actions

STAFF RECOMMENDATIONS:

1. Approve a revised Refuse Rate Adjustment Methodology for determining franchise refuse rates in the unincorporated areas of Stanislaus County.
2. Approve the amended franchise Regulations to incorporate the revised Refuse Rate Adjustment Methodology and two new performance measures for franchise refuse collection in the unincorporated areas of Stanislaus County, and to make other minor technical changes.
3. Adopt the new base rates from which the maximum franchise rates for solid waste collection services in the unincorporated areas of Stanislaus County will be set beginning July 1, 2009.

(Continued on next page)

FISCAL IMPACT:

If a revised Refuse Rate Adjustment Methodology is approved, a savings in Environmental Resources staff time will result during the years that rates are indexed. For the franchise collectors, the amount of time required to prepare the financial information using the new methodology's approach is approximately equal to the current method. The revised rate methodology should benefit franchise collectors by providing a greater level of certainty and predictability to the rate setting process.

(Continued on next page)

BOARD ACTION AS FOLLOWS:

No. 2008-763

On motion of Supervisor Grover, Seconded by Supervisor O'Brien

and approved by the following vote,

Ayes: Supervisors: O'Brien, Grover, Monteith, and Vice Chairman DeMartini

Noes: Supervisors: None

Excused or Absent: Supervisors: Mayfield

Abstaining: Supervisor: None

1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION: Approved Staff Recommendations Nos. 1 through 4 and adopted the new base rates as amended and dated 11/04/2008.

Christine Ferraro

ATTEST:

CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval of a Revised Refuse Rate Adjustment Methodology and Amended Regulations for Franchise Refuse Collectors in the Unincorporated Areas of Stanislaus County and Related Actions

Page 2

STAFF RECOMMENDATIONS: (Continued):

4. Direct staff to develop an Ordinance change which would incorporate an enforcement process for failure to meet performance measures or conditions specified in the Ordinance or Regulations.

FISCAL IMPACT (Continued):

If a new base for franchise maximum rates for solid waste collection services is adopted, beginning July 1, 2009, changes to the cost for residential basic service, i.e., 1-90 gallon cart, curbside recycling and the Bulky-Item Program, will range from a 2.5% decrease to a 9.59% decrease prior to any adjustment for a consumer price index change for that rate-setting period. Correspondingly, commercial bin rate changes will range from a 6.11% decrease to a 8.05% increase and franchise drop-box haul charges would increase between 33% and 95%, prior to any adjustments for a consumer price index change for that rate-setting period.

There is no fiscal impact associated with approving amended franchise Regulations, however, some additional staff time will be required on the part of the franchise collectors in order to maintain and report on a log of complaints received.

Finally, individuals and businesses in the unincorporated area would no longer be subject to a mid-year adjustment for diesel fuel, however, in order to correct for the over-estimation in what fuel costs would be in 2008-2009, a final one-time correction (credit back to the rate payers) must be made in December 2008. Currently, the total franchise revenue from solid waste collections is close to \$13 million annually.

DISCUSSION:

The Department of Environmental Resources (Department) receives solid waste collection rate adjustment applications annually from the franchise refuse collectors for the unincorporated area. For the past 10 years, these applications have been evaluated using a detailed cost of service study. While the study is very thorough, it is also complicated and some desire had been expressed for a simpler method. Given that, the Board of Supervisors approved an amendment to the County's contract with Hilton, Farnkopf and Hobson, LLC (HF&H), on February 12, 2008, to develop an alternative methodology for determining maximum solid waste collection charges. This alternative was also intended to establish a "base rate" from which future rates could be determined by applying the appropriate consumer price index adjustment.

Over the past several months, Department staff, together with HF&H, have been meeting with the franchise refuse collectors to develop the alternative methodology and gather needed information. The alternative methodology and the resultant new base rates are now complete and the results were shared with the franchise collectors on September 30, 2008. Comments, and in particular any errors or omissions that might have been found, were requested from the

Approval of a Revised Refuse Rate Adjustment Methodology and Amended Regulations for Franchise Refuse Collectors in the Unincorporated Areas of Stanislaus County and Related Actions

Page 3

franchise collectors by the close of business on October 14, 2008. No errors or omissions were reported.

The new base rates from which the maximum franchise rates for solid waste collection services will be set beginning July 1, 2009, are included in Attachment "A." The base rates for the 90-gallon residential cart service are shown in the Table, below. Staff will return to the Board next spring after examining and applying the consumer price indices to the base rates, to set the public hearing to consider recommended rate increases or decreases.

<u>Comparative Refuse Collection Scenarios – October 2008</u>				
<u>Stanislaus County</u>				
County	Rate-setting Method	Monthly Rates 90-gallon cart	No. of Haulers	Extra's Included
Stanislaus County	Set by Board	\$17.12 – \$21.45	4	Manual curbside recycling + Bulky items

A comparison of local city and surrounding county refuse rates are as follows:

<u>Comparative Refuse Collection Scenarios – October 2008</u>				
<u>Local Cities</u>				
City	Rate-setting Method	Monthly Rates 90-gallon cart	No. of Haulers	Extra's Included
Ceres	Set by Council	\$19.15	1	Automated recycling + Bulky items
Modesto	Set by Council	\$20.46	2	Automated green waste + Bulky items
Oakdale	Set by Council	\$19.73	1	Automated green waste
Patterson	Set by Council	\$19.06	1	Automated recycling + Automated green waste + Bulky items
Turlock	Set by Council	\$25.10 (32 gal); \$38.10 (90 gal)	1	Automated recycling + Automated green waste + Annual clean-up

<u>Comparative Refuse Collection Scenarios – October 2008</u> <u>Surrounding Counties</u>				
County	Rate-setting Method	Monthly Rates 90-gallon cart	No. of Haulers	Extra's Included
Fresno County	Set by Board	\$33.17 (urban) – \$46.83 (mnts)	13	Annual clean-up event
Madera County	Set by Board	\$22.36 - \$24.21 (depending on zone)	2	None
Merced County	Set by Board	\$16.08 - \$17.90 (rural) \$24.52 - \$33.17 (urban)	3	None Automated green waste &/or recycling
San Joaquin County	Board set rates once, now adj. for CPI, Disp. fees	\$30.05 - \$37.82 (depending on the area)	4	Automated recycling

The new (alternative) rate setting methodology does the following:

1. Through a detailed review, it examines and determines the actual cost to provide service and uses these costs to set a “base rate.” The examination process includes comparing reported expenses to those that are allowed/disallowed (refer to Attachment “B”). Once the allowable costs are identified, they are compared to prior year costs as well as to industry averages for reasonableness. Industry averages include things such as the number of accounts per route, the labor hours per route, the gallons of fuel per operating hour, etc.
2. The base rate is then adjusted in the next four (4) consecutive years according to the appropriate consumer price index only (refer to Attachment “B”). No other adjustments are made in years 1-4, however, both the County and the franchisee have the ability to request an interim compensation adjustment for extraordinary circumstances. It should be noted, however, that these circumstances can cause rates to either increase or decrease. Mid-year adjustments for diesel fuel will no longer be made with the exception of a final, one-time adjustment in December 2008 to correct for an over-estimation of what fuel costs would be during 2008-2009.
3. Every fifth year, the detailed cost of service study will be repeated to determine a new base rate and then the process for adjustments in years 1-4 would repeat, and so on.

This new (alternative) rate setting methodology replaces all prior methodologies that were used and has been incorporated by reference into the franchise Regulations (Attachment “C”) in Section VI, sub-paragraph G, as Exhibit “1.” It is anticipated that the new methodology will result in a more accurate reflection of what the maximum rates should be, a simpler methodology to use and understand, and savings in staff time during the indexed years.

Performance Measures

Given that a detailed review would no longer be conducted every first through fourth rate-setting years, staff feels it appropriate to suggest that two Performance Measures be amended into the franchise Regulations. These measures cover areas that are not currently addressed in the Regulations and incorporating them would provide an assurance that customer service is maintained at a high level during these intervening years. These Performance Measures would require the franchise collectors to do the following:

1. Maintain a log of all complaints and provide reports of the complaint activity to the County; and
2. Not exceed a maximum threshold number of complaints of 2 per 1,000 customers quarterly.

These Performance Measures have been incorporated into the franchise Regulations as Section V, sub-paragraph E, item Nos. 4(b) and 4(c), and are included as Attachment "C."

Enforcement of Performance Measures or Other Conditions

The existing franchise agreements for the collection of refuse in the unincorporated areas are long-standing agreements that contain no means of enforcement when requirements are not met or a customer issue is not resolved in a timely or satisfactory manner. An example of a requirement that might not be met is meeting the annual deadline for submitting an audited financial statement. An example of a customer issue that might not be resolved in a timely manner would be a complaint about vehicle fluids spilled in a residential area that does not receive prompt attention.

While the current performance of the franchise haulers is generally acceptable, if not outstanding, having the ability to enforce performance measures will serve as a deterrent and/or negative reinforcement in the cases of repeat or serious failures to meet performance measures or conditions specified in the Ordinance or Regulations. If the Board concurs with the need for enforcing performance measures, staff would develop specific language for this change and bring the item back to the Board for consideration in the near future.

POLICY ISSUE:

The Board of Supervisors should determine if approving a revised Refuse Rate Adjustment Methodology and amended Regulations for franchise refuse collection in the unincorporated areas of Stanislaus County, adopting a new base rate for setting future franchise maximum rates for solid waste collection services, and directing staff to develop an Ordinance Change is consistent with the Board's priorities of the efficient delivery of public services, effective partnerships, a healthy community, and a well-planned infrastructure system.

Approval of a Revised Refuse Rate Adjustment Methodology and Amended Regulations for Franchise Refuse Collectors in the Unincorporated Areas of Stanislaus County and Related Actions
Page 6

STAFFING IMPACTS:

There will be some savings in staff time in the Department of Environmental Resources during the years that refuse rates are indexed if the Board approves the Revised Refuse Rate Adjustment Methodology, however, it is anticipated that this time will be absorbed by other solid waste projects. There are no other staffing impacts associated with this item.

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

**PROPOSED MAXIMUM RESIDENTIAL BASE RATES
INCLUDING BULKY ITEM PROGRAM**

BERTOLOTTI DISPOSAL

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$14.76	\$14.72	-0.27%
2 cans	\$22.00	\$21.45	-2.50%
Add'l. Can	\$10.72	\$10.72	0.00%
60 gal. cart	\$14.76	\$14.72	-0.27%
90 gal. cart	\$22.00	\$21.45	-2.50%
Add'l. cart	\$13.08	\$13.08	0.00%

GILTON SOLID WASTE MANAGEMENT

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$10.57	\$9.91	-6.24%
2 cans	\$18.91	\$17.12	-9.47%
Add'l. Can	\$9.18	\$8.56	-6.75%
60 gal. cart	\$14.56	\$13.36	-8.24%
90 gal. cart	\$18.91	\$17.12	-9.47%
Add'l. cart	\$11.20	\$10.45	-6.70%

MODESTO DISPOSAL / WASTE MANAGEMENT, INC.

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$14.94	\$13.91	-6.89%
2 cans	\$22.81	\$20.76	-8.99%
Add'l. Can	\$11.13	\$10.38	-6.74%
60 gal. cart	\$16.28	\$15.08	-7.37%
90 gal. cart	\$22.81	\$20.76	-8.99%
Add'l. cart	\$14.50	\$13.52	-6.76%

TURLOCK SCAVENGER

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$15.28	\$14.11	-7.66%
2 cans	\$22.32	\$20.18	-9.59%
Add'l. Can	\$10.88	\$10.09	-7.26%
60 gal. cart	\$15.28	\$14.11	-7.66%
90 gal. cart	\$22.32	\$20.18	-9.59%
Add'l. cart	\$13.28	\$12.31	-7.30%

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

PROPOSED MAXIMUM COMMERCIAL RATES

PROPOSED MAXIMUM COMMERCIAL BASE RATES

BERTOLOTTI DISPOSAL

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$48.95	\$52.89	8.05%
1 yd., 2 X week	\$97.89	\$105.77	8.05%
1 yd., 3 X week	\$146.84	\$158.66	8.05%
1 yd., 4 X week	\$195.78	\$211.54	8.05%
1 yd., 5 X week	\$244.73	\$264.43	8.05%
1 yd., 6 X week	\$293.67	\$317.31	8.05%
1 yd., 7 X week	\$342.62	\$370.20	8.05%
1.5 yd., 1 X week	\$61.79	\$66.76	8.04%
1.5 yd., 2 X week	\$123.57	\$133.52	8.05%
1.5 yd., 3 X week	\$185.36	\$200.28	8.05%
1.5 yd., 4 X week	\$247.13	\$267.02	8.05%
1.5 yd., 5 X week	\$308.92	\$333.79	8.05%
1.5 yd., 6 X week	\$370.71	\$400.55	8.05%
1.5 yd., 7 X week	\$432.50	\$467.32	8.05%
2 yd., 1 X week	\$72.17	\$77.98	8.05%
2 yd., 2 X week	\$144.33	\$155.95	8.05%
2 yd., 3 X week	\$216.50	\$233.93	8.05%
2 yd., 4 X week	\$288.65	\$311.89	8.05%
2 yd., 5 X week	\$360.82	\$389.87	8.05%
2 yd., 6 X week	\$432.99	\$467.85	8.05%
2 yd., 7 X week	\$505.15	\$545.81	8.05%
3 yd., 1 X week	\$84.77	\$91.59	8.05%
3 yd., 2 X week	\$169.54	\$183.19	8.05%
3 yd., 3 X week	\$254.30	\$274.77	8.05%
3 yd., 4 X week	\$339.07	\$366.37	8.05%
3 yd., 5 X week	\$423.84	\$457.96	8.05%
3 yd., 6 X week	\$508.61	\$549.55	8.05%
3 yd., 7 X week	\$593.38	\$641.15	8.05%
4 yd., 1 X week	\$105.09	\$113.55	8.05%
4 yd., 2 X week	\$210.17	\$227.09	8.05%
4 yd., 3 X week	\$315.25	\$340.63	8.05%
4 yd., 4 X week	\$420.33	\$454.17	8.05%
4 yd., 5 X week	\$525.42	\$567.72	8.05%
4 yd., 6 X week	\$630.50	\$681.26	8.05%
4 yd., 7 X week	\$735.60	\$794.82	8.05%
6 yd., 1 X week	\$145.71	\$157.44	8.05%
6 yd., 2 X week	\$291.43	\$314.89	8.05%
6 yd., 3 X week	\$437.14	\$472.33	8.05%
6 yd., 4 X week	\$582.86	\$629.78	8.05%
6 yd., 5 X week	\$728.57	\$787.22	8.05%
6 yd., 6 X week	\$874.29	\$944.67	8.05%
6 yd., 7 X week	\$1,020.00	\$1,102.11	8.05%

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

PROPOSED MAXIMUM COMMERCIAL RATES

GILTON SOLID WASTE MANAGEMENT

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$55.57	\$57.00	2.57%
1 yd., 2 X week	\$111.14	\$114.01	2.58%
1 yd., 3 X week	\$166.71	\$171.01	2.58%
1 yd., 4 X week	\$222.28	\$228.01	2.58%
1 yd., 5 X week	\$277.85	\$285.02	2.58%
1 yd., 6 X week	\$333.41	\$342.01	2.58%
1 yd., 7 X week	\$388.98	\$399.02	2.58%
1.5 yd., 1 X week	\$63.06	\$64.69	2.58%
1.5 yd., 2 X week	\$126.14	\$129.39	2.58%
1.5 yd., 3 X week	\$189.20	\$194.08	2.58%
1.5 yd., 4 X week	\$252.24	\$258.75	2.58%
1.5 yd., 5 X week	\$315.32	\$323.46	2.58%
1.5 yd., 6 X week	\$378.38	\$388.24	2.58%
1.5 yd., 7 X week	\$441.45	\$452.84	2.58%
2 yd., 1 X week	\$70.66	\$70.78	0.17%
2 yd., 2 X week	\$141.33	\$141.56	0.16%
2 yd., 3 X week	\$211.99	\$212.34	0.17%
2 yd., 4 X week	\$282.65	\$283.12	0.17%
2 yd., 5 X week	\$353.32	\$353.91	0.17%
2 yd., 6 X week	\$423.98	\$424.68	0.17%
2 yd., 7 X week	\$494.64	\$495.46	0.17%
3 yd., 1 X week	\$74.29	\$74.41	0.16%
3 yd., 2 X week	\$148.56	\$148.80	0.16%
3 yd., 3 X week	\$222.85	\$223.22	0.17%
3 yd., 4 X week	\$297.13	\$297.63	0.17%
3 yd., 5 X week	\$371.42	\$372.04	0.17%
3 yd., 6 X week	\$445.69	\$446.43	0.17%
3 yd., 7 X week	\$519.99	\$520.85	0.17%
4 yd., 1 X week	\$82.07	\$82.21	0.17%
4 yd., 2 X week	\$164.13	\$164.40	0.16%
4 yd., 3 X week	\$246.21	\$246.62	0.17%
4 yd., 4 X week	\$328.30	\$328.84	0.16%
4 yd., 5 X week	\$410.36	\$411.04	0.17%
4 yd., 6 X week	\$492.43	\$493.25	0.17%
4 yd., 7 X week	\$574.50	\$575.45	0.17%
6 yd., 1 X week	\$99.24	\$99.40	0.16%
6 yd., 2 X week	\$198.44	\$198.77	0.17%
6 yd., 3 X week	\$297.68	\$298.17	0.16%
6 yd., 4 X week	\$396.89	\$397.55	0.17%
6 yd., 5 X week	\$496.12	\$496.94	0.17%
6 yd., 6 X week	\$595.33	\$596.32	0.17%
6 yd., 7 X week	\$694.57	\$695.72	0.17%

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

PROPOSED MAXIMUM COMMERCIAL RATES

MODESTO DISPOSAL / WMI

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$54.56	\$52.27	-4.20%
1 yd., 2 X week	\$109.10	\$104.53	-4.18%
1 yd., 3 X week	\$163.65	\$156.79	-4.19%
1 yd., 4 X week	\$218.20	\$209.05	-4.19%
1 yd., 5 X week	\$272.75	\$261.32	-4.19%
1 yd., 6 X week	\$327.29	\$313.58	-4.19%
1 yd., 7 X week	\$381.85	\$365.85	-4.19%
1.5 yd., 1 X week	\$66.33	\$63.55	-4.19%
1.5 yd., 2 X week	\$132.65	\$127.09	-4.19%
1.5 yd., 3 X week	\$198.98	\$190.64	-4.19%
1.5 yd., 4 X week	\$265.30	\$254.18	-4.19%
1.5 yd., 5 X week	\$331.63	\$317.73	-4.19%
1.5 yd., 6 X week	\$397.95	\$381.77	-4.19%
1.5 yd., 7 X week	\$464.27	\$444.82	-4.19%
2 yd., 1 X week	\$69.94	\$67.01	-4.19%
2 yd., 2 X week	\$139.84	\$133.98	-4.19%
2 yd., 3 X week	\$209.78	\$200.99	-4.19%
2 yd., 4 X week	\$279.70	\$267.98	-4.19%
2 yd., 5 X week	\$349.63	\$334.98	-4.19%
2 yd., 6 X week	\$419.55	\$401.97	-4.19%
2 yd., 7 X week	\$489.47	\$468.96	-4.19%
3 yd., 1 X week	\$78.77	\$75.47	-4.19%
3 yd., 2 X week	\$157.51	\$150.91	-4.19%
3 yd., 3 X week	\$236.28	\$226.38	-4.19%
3 yd., 4 X week	\$315.05	\$301.85	-4.19%
3 yd., 5 X week	\$393.80	\$377.31	-4.19%
3 yd., 6 X week	\$472.56	\$452.76	-4.19%
3 yd., 7 X week	\$551.32	\$528.23	-4.19%
4 yd., 1 X week	\$86.51	\$82.88	-4.20%
4 yd., 2 X week	\$173.01	\$165.77	-4.18%
4 yd., 3 X week	\$259.51	\$248.64	-4.19%
4 yd., 4 X week	\$345.75	\$331.27	-4.19%
4 yd., 5 X week	\$432.54	\$414.41	-4.19%
4 yd., 6 X week	\$519.03	\$497.29	-4.19%
4 yd., 7 X week	\$605.54	\$580.17	-4.19%
6 yd., 1 X week	\$93.28	\$89.37	-4.19%
6 yd., 2 X week	\$186.55	\$178.74	-4.19%
6 yd., 3 X week	\$279.84	\$268.12	-4.19%
6 yd., 4 X week	\$373.10	\$357.47	-4.19%
6 yd., 5 X week	\$466.38	\$446.84	-4.19%
6 yd., 6 X week	\$559.65	\$536.20	-4.19%
6 yd., 7 X week	\$652.94	\$625.58	-4.19%

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

PROPOSED MAXIMUM COMMERCIAL RATES

TURLOCK SCAVENGER

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$55.99	\$52.57	-6.11%
1 yd., 2 X week	\$111.98	\$105.15	-6.10%
1 yd., 3 X week	\$167.97	\$157.72	-6.10%
1 yd., 4 X week	\$223.94	\$210.28	-6.10%
1 yd., 5 X week	\$279.94	\$262.86	-6.10%
1 yd., 6 X week	\$335.92	\$315.43	-6.10%
1 yd., 7 X week	\$391.91	\$368.00	-6.10%
1.5 yd., 1 X week	\$73.25	\$68.78	-6.10%
1.5 yd., 2 X week	\$146.48	\$137.54	-6.10%
1.5 yd., 3 X week	\$219.75	\$206.35	-6.10%
1.5 yd., 4 X week	\$292.99	\$275.12	-6.10%
1.5 yd., 5 X week	\$366.23	\$343.89	-6.10%
1.5 yd., 6 X week	\$439.48	\$412.67	-6.10%
1.5 yd., 7 X week	\$512.73	\$481.45	-6.10%
2 yd., 1 X week	\$72.53	\$70.50	-2.80%
2 yd., 2 X week	\$145.03	\$140.97	-2.80%
2 yd., 3 X week	\$217.56	\$211.48	-2.79%
2 yd., 4 X week	\$290.06	\$281.95	-2.80%
2 yd., 5 X week	\$362.59	\$352.45	-2.80%
2 yd., 6 X week	\$435.10	\$422.93	-2.80%
2 yd., 7 X week	\$507.61	\$493.43	-2.79%
3 yd., 1 X week	\$76.92	\$74.77	-2.80%
3 yd., 2 X week	\$153.84	\$149.54	-2.80%
3 yd., 3 X week	\$230.76	\$224.31	-2.80%
3 yd., 4 X week	\$307.67	\$299.07	-2.80%
3 yd., 5 X week	\$384.59	\$373.84	-2.80%
3 yd., 6 X week	\$461.51	\$448.61	-2.80%
3 yd., 7 X week	\$538.42	\$523.37	-2.80%
4 yd., 1 X week	\$92.90	\$90.30	-2.80%
4 yd., 2 X week	\$185.77	\$180.58	-2.79%
4 yd., 3 X week	\$278.67	\$270.88	-2.80%
4 yd., 4 X week	\$371.56	\$361.18	-2.79%
4 yd., 5 X week	\$464.46	\$451.48	-2.79%
4 yd., 6 X week	\$557.34	\$541.77	-2.79%
4 yd., 7 X week	\$650.24	\$632.07	-2.79%
6 yd., 1 X week	\$119.37	\$116.03	-2.80%
6 yd., 2 X week	\$238.74	\$232.06	-2.80%
6 yd., 3 X week	\$358.10	\$348.09	-2.80%
6 yd., 4 X week	\$477.46	\$464.12	-2.79%
6 yd., 5 X week	\$596.83	\$580.15	-2.79%
6 yd., 6 X week	\$716.21	\$696.19	-2.80%
6 yd., 7 X week	\$835.57	\$812.22	-2.79%

PLEASE SEE AMENDED RATES PAGES 11/4/2008

PROPOSED MAXIMUM DROP-BOX HAUL CHARGES

	Bertolotti Disposal			Gilton Solid Waste Management			MDS / WMI			Turlock Scavenger		
	Current	Proposed	% Change	Current	Proposed	% Change	Current	Proposed	% Change	Current	Proposed	% Change
10 - 19 yrd.	\$ 105.00	\$ 147.00	40%	\$ 105.00	\$ 149.00	42%	\$ 105.00	\$ 201.00	95%	\$ 105.00	\$ 140.00	33%
20 - 29 yrd.	\$ 138.00	\$ 194.00	41%	\$ 138.00	\$ 196.00	42%	\$ 138.00	\$ 265.00	92%	\$ 138.00	\$ 184.00	33%
30 yrd. & up	\$ 163.00	\$ 230.00	41%	\$ 163.00	\$ 232.00	42%	\$ 163.00	\$ 313.00	92%	\$ 163.00	\$ 218.00	34%

PLEASE SEE AMENDED RATES PAGES DATED 11/4/2008

**PROPOSED MAXIMUM RESIDENTIAL BASE RATES
INCLUDING BULKY ITEM PROGRAM**

BERTOLOTTI DISPOSAL

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$14.76	\$14.72	-0.27%
2 cans	\$22.00	\$21.45	-2.50%
Add'l. Can	\$10.72	\$10.72	0.00%
60 gal. cart	\$14.76	\$14.72	-0.27%
90 gal. cart	\$22.00	\$21.45	-2.50%
Add'l. cart	\$13.08	\$13.08	0.00%

GILTON SOLID WASTE MANAGEMENT

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$10.57	\$10.12	-4.26%
2 cans	\$18.91	\$17.50	-7.46%
Add'l. Can	\$9.18	\$8.75	-4.68%
60 gal. cart	\$14.56	\$13.65	-6.25%
90 gal. cart	\$18.91	\$17.50	-7.46%
Add'l. cart	\$11.20	\$10.67	-4.73%

MODESTO DISPOSAL / WASTE MANAGEMENT, INC.

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$14.94	\$13.91	-6.89%
2 cans	\$22.81	\$20.76	-8.99%
Add'l. Can	\$11.13	\$10.38	-6.74%
60 gal. cart	\$16.28	\$15.08	-7.37%
90 gal. cart	\$22.81	\$20.76	-8.99%
Add'l. cart	\$14.50	\$13.52	-6.76%

TURLOCK SCAVENGER

Service	Current Rate including Bulky Item Program	Proposed Base Rate including Bulky Item Program	% Change
1 can	\$15.28	\$14.11	-7.66%
2 cans	\$22.32	\$20.18	-9.59%
Add'l. Can	\$10.88	\$10.09	-7.26%
60 gal. cart	\$15.28	\$14.11	-7.66%
90 gal. cart	\$22.32	\$20.18	-9.59%
Add'l. cart	\$13.28	\$12.31	-7.30%

PROPOSED MAXIMUM COMMERCIAL RATES**PROPOSED MAXIMUM COMMERCIAL BASE RATES****BERTOLOTTI DISPOSAL**

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$48.95	\$52.89	8.05%
1 yd., 2 X week	\$97.89	\$105.77	8.05%
1 yd., 3 X week	\$146.84	\$158.66	8.05%
1 yd., 4 X week	\$195.78	\$211.54	8.05%
1 yd., 5 X week	\$244.73	\$264.43	8.05%
1 yd., 6 X week	\$293.67	\$317.31	8.05%
1 yd., 7 X week	\$342.62	\$370.20	8.05%
1.5 yd., 1 X week	\$61.79	\$66.76	8.04%
1.5 yd., 2 X week	\$123.57	\$133.52	8.05%
1.5 yd., 3 X week	\$185.36	\$200.28	8.05%
1.5 yd., 4 X week	\$247.13	\$267.02	8.05%
1.5 yd., 5 X week	\$308.92	\$333.79	8.05%
1.5 yd., 6 X week	\$370.71	\$400.55	8.05%
1.5 yd., 7 X week	\$432.50	\$467.32	8.05%
2 yd., 1 X week	\$72.17	\$77.98	8.05%
2 yd., 2 X week	\$144.33	\$155.95	8.05%
2 yd., 3 X week	\$216.50	\$233.93	8.05%
2 yd., 4 X week	\$288.65	\$311.89	8.05%
2 yd., 5 X week	\$360.82	\$389.87	8.05%
2 yd., 6 X week	\$432.99	\$467.85	8.05%
2 yd., 7 X week	\$505.15	\$545.81	8.05%
3 yd., 1 X week	\$84.77	\$91.59	8.05%
3 yd., 2 X week	\$169.54	\$183.19	8.05%
3 yd., 3 X week	\$254.30	\$274.77	8.05%
3 yd., 4 X week	\$339.07	\$366.37	8.05%
3 yd., 5 X week	\$423.84	\$457.96	8.05%
3 yd., 6 X week	\$508.61	\$549.55	8.05%
3 yd., 7 X week	\$593.38	\$641.15	8.05%
4 yd., 1 X week	\$105.09	\$113.55	8.05%
4 yd., 2 X week	\$210.17	\$227.09	8.05%
4 yd., 3 X week	\$315.25	\$340.63	8.05%
4 yd., 4 X week	\$420.33	\$454.17	8.05%
4 yd., 5 X week	\$525.42	\$567.72	8.05%
4 yd., 6 X week	\$630.50	\$681.26	8.05%
4 yd., 7 X week	\$735.60	\$794.82	8.05%
6 yd., 1 X week	\$145.71	\$157.44	8.05%
6 yd., 2 X week	\$291.43	\$314.89	8.05%
6 yd., 3 X week	\$437.14	\$472.33	8.05%
6 yd., 4 X week	\$582.86	\$629.78	8.05%
6 yd., 5 X week	\$728.57	\$787.22	8.05%
6 yd., 6 X week	\$874.29	\$944.67	8.05%
6 yd., 7 X week	\$1,020.00	\$1,102.11	8.05%

PROPOSED MAXIMUM COMMERCIAL RATES**GILTON SOLID WASTE MANAGEMENT**

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$55.57	\$58.29	4.89%
1 yd., 2 X week	\$111.14	\$116.59	4.90%
1 yd., 3 X week	\$166.71	\$174.88	4.90%
1 yd., 4 X week	\$222.28	\$233.17	4.90%
1 yd., 5 X week	\$277.85	\$291.46	4.90%
1 yd., 6 X week	\$333.41	\$349.75	4.90%
1 yd., 7 X week	\$388.98	\$408.04	4.90%
1.5 yd., 1 X week	\$63.06	\$66.15	4.90%
1.5 yd., 2 X week	\$126.14	\$132.32	4.90%
1.5 yd., 3 X week	\$189.20	\$198.47	4.90%
1.5 yd., 4 X week	\$252.24	\$264.60	4.90%
1.5 yd., 5 X week	\$315.32	\$330.77	4.90%
1.5 yd., 6 X week	\$378.38	\$396.92	4.90%
1.5 yd., 7 X week	\$441.45	\$463.08	4.90%
2 yd., 1 X week	\$70.66	\$72.38	2.43%
2 yd., 2 X week	\$141.33	\$144.76	2.43%
2 yd., 3 X week	\$211.99	\$217.14	2.43%
2 yd., 4 X week	\$282.65	\$289.52	2.43%
2 yd., 5 X week	\$353.32	\$361.92	2.43%
2 yd., 6 X week	\$423.98	\$434.29	2.43%
2 yd., 7 X week	\$494.64	\$506.67	2.43%
3 yd., 1 X week	\$74.29	\$76.09	2.42%
3 yd., 2 X week	\$148.56	\$152.17	2.43%
3 yd., 3 X week	\$222.85	\$228.27	2.43%
3 yd., 4 X week	\$297.13	\$304.36	2.43%
3 yd., 5 X week	\$371.42	\$380.45	2.43%
3 yd., 6 X week	\$445.69	\$456.52	2.43%
3 yd., 7 X week	\$519.99	\$532.63	2.43%
4 yd., 1 X week	\$82.07	\$84.07	2.44%
4 yd., 2 X week	\$164.13	\$168.12	2.43%
4 yd., 3 X week	\$246.21	\$252.20	2.43%
4 yd., 4 X week	\$328.30	\$336.28	2.43%
4 yd., 5 X week	\$410.36	\$420.33	2.43%
4 yd., 6 X week	\$492.43	\$504.40	2.43%
4 yd., 7 X week	\$574.50	\$588.47	2.43%
6 yd., 1 X week	\$99.24	\$101.65	2.43%
6 yd., 2 X week	\$198.44	\$203.26	2.43%
6 yd., 3 X week	\$297.68	\$304.91	2.43%
6 yd., 4 X week	\$396.89	\$406.54	2.43%
6 yd., 5 X week	\$496.12	\$508.18	2.43%
6 yd., 6 X week	\$595.33	\$609.80	2.43%
6 yd., 7 X week	\$694.57	\$711.45	2.43%

PROPOSED MAXIMUM COMMERCIAL RATES**MODESTO DISPOSAL / WMI**

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$54.56	\$52.27	-4.20%
1 yd., 2 X week	\$109.10	\$104.53	-4.19%
1 yd., 3 X week	\$163.65	\$156.79	-4.19%
1 yd., 4 X week	\$218.20	\$209.05	-4.19%
1 yd., 5 X week	\$272.75	\$261.32	-4.19%
1 yd., 6 X week	\$327.29	\$313.58	-4.19%
1 yd., 7 X week	\$381.85	\$365.85	-4.19%
1.5 yd., 1 X week	\$66.33	\$63.55	-4.19%
1.5 yd., 2 X week	\$132.65	\$127.09	-4.19%
1.5 yd., 3 X week	\$198.98	\$190.64	-4.19%
1.5 yd., 4 X week	\$265.30	\$254.18	-4.19%
1.5 yd., 5 X week	\$331.63	\$317.73	-4.19%
1.5 yd., 6 X week	\$397.95	\$381.27	-4.19%
1.5 yd., 7 X week	\$464.27	\$444.82	-4.19%
2 yd., 1 X week	\$69.94	\$67.01	-4.19%
2 yd., 2 X week	\$139.84	\$133.98	-4.19%
2 yd., 3 X week	\$209.78	\$200.99	-4.19%
2 yd., 4 X week	\$279.70	\$267.98	-4.19%
2 yd., 5 X week	\$349.63	\$334.98	-4.19%
2 yd., 6 X week	\$419.55	\$401.97	-4.19%
2 yd., 7 X week	\$489.47	\$468.96	-4.19%
3 yd., 1 X week	\$78.77	\$75.47	-4.19%
3 yd., 2 X week	\$157.51	\$150.91	-4.19%
3 yd., 3 X week	\$236.28	\$226.38	-4.19%
3 yd., 4 X week	\$315.05	\$301.85	-4.19%
3 yd., 5 X week	\$393.80	\$377.31	-4.19%
3 yd., 6 X week	\$472.56	\$452.76	-4.19%
3 yd., 7 X week	\$551.32	\$528.23	-4.19%
4 yd., 1 X week	\$86.51	\$82.88	-4.20%
4 yd., 2 X week	\$173.01	\$165.77	-4.18%
4 yd., 3 X week	\$259.51	\$248.64	-4.19%
4 yd., 4 X week	\$345.75	\$331.27	-4.19%
4 yd., 5 X week	\$432.54	\$414.41	-4.19%
4 yd., 6 X week	\$519.03	\$497.29	-4.19%
4 yd., 7 X week	\$605.54	\$580.17	-4.19%
6 yd., 1 X week	\$93.28	\$89.37	-4.19%
6 yd., 2 X week	\$186.55	\$178.74	-4.19%
6 yd., 3 X week	\$279.84	\$268.12	-4.19%
6 yd., 4 X week	\$373.10	\$357.47	-4.19%
6 yd., 5 X week	\$466.38	\$446.84	-4.19%
6 yd., 6 X week	\$559.65	\$536.20	-4.19%
6 yd., 7 X week	\$652.94	\$625.58	-4.19%

PROPOSED MAXIMUM COMMERCIAL RATES

AMENDED

TURLOCK SCAVENGER

Service Level	Current Rate	Proposed Rate	% Change
1 yd., 1 X week	\$55.99	\$52.57	-6.11%
1 yd., 2 X week	\$111.98	\$105.15	-6.10%
1 yd., 3 X week	\$167.97	\$157.72	-6.10%
1 yd., 4 X week	\$223.94	\$210.28	-6.10%
1 yd., 5 X week	\$279.94	\$262.86	-6.10%
1 yd., 6 X week	\$335.92	\$315.43	-6.10%
1 yd., 7 X week	\$391.91	\$368.00	-6.10%
1.5 yd., 1 X week	\$73.25	\$68.78	-6.10%
1.5 yd., 2 X week	\$146.48	\$137.54	-6.10%
1.5 yd., 3 X week	\$219.75	\$206.35	-6.10%
1.5 yd., 4 X week	\$292.99	\$275.12	-6.10%
1.5 yd., 5 X week	\$366.23	\$343.89	-6.10%
1.5 yd., 6 X week	\$439.48	\$412.67	-6.10%
1.5 yd., 7 X week	\$512.73	\$481.45	-6.10%
2 yd., 1 X week	\$72.53	\$70.50	-2.80%
2 yd., 2 X week	\$145.03	\$140.97	-2.80%
2 yd., 3 X week	\$217.56	\$211.48	-2.79%
2 yd., 4 X week	\$290.06	\$281.95	-2.80%
2 yd., 5 X week	\$362.59	\$352.45	-2.80%
2 yd., 6 X week	\$435.10	\$422.93	-2.80%
2 yd., 7 X week	\$507.61	\$493.43	-2.79%
3 yd., 1 X week	\$76.92	\$74.77	-2.80%
3 yd., 2 X week	\$153.84	\$149.54	-2.80%
3 yd., 3 X week	\$230.76	\$224.31	-2.80%
3 yd., 4 X week	\$307.67	\$299.07	-2.80%
3 yd., 5 X week	\$384.59	\$373.84	-2.80%
3 yd., 6 X week	\$461.51	\$448.61	-2.80%
3 yd., 7 X week	\$538.42	\$523.37	-2.80%
4 yd., 1 X week	\$92.90	\$90.30	-2.80%
4 yd., 2 X week	\$185.77	\$180.58	-2.79%
4 yd., 3 X week	\$278.67	\$270.88	-2.80%
4 yd., 4 X week	\$371.56	\$361.18	-2.79%
4 yd., 5 X week	\$464.46	\$451.48	-2.79%
4 yd., 6 X week	\$557.34	\$541.77	-2.79%
4 yd., 7 X week	\$650.24	\$632.07	-2.79%
6 yd., 1 X week	\$119.37	\$116.03	-2.80%
6 yd., 2 X week	\$238.74	\$232.06	-2.80%
6 yd., 3 X week	\$358.10	\$348.09	-2.80%
6 yd., 4 X week	\$477.46	\$464.12	-2.79%
6 yd., 5 X week	\$596.83	\$580.15	-2.79%
6 yd., 6 X week	\$716.21	\$696.19	-2.80%
6 yd., 7 X week	\$835.57	\$812.22	-2.79%

AMENDED

PROPOSED MAXIMUM DROP-BOX HAUL CHARGES

	Bertolotti Disposal			Gilton Solid Waste Management			MDS / WMI			Turlock Scavenger		
	Current	Proposed	% Change	Current	Proposed	% Change	Current	Proposed	% Change	Current	Proposed	% Change
10 - 19 yrd.	\$ 105.00	\$ 147.00	40%	\$ 105.00	\$ 152.00	45%	\$ 105.00	\$ 201.00	95%	\$ 105.00	\$ 140.00	33%
20 - 29 yrd.	\$ 138.00	\$ 194.00	41%	\$ 138.00	\$ 199.00	44%	\$ 138.00	\$ 265.00	92%	\$ 138.00	\$ 184.00	33%
30 yrd. & up	\$ 163.00	\$ 230.00	41%	\$ 163.00	\$ 236.00	45%	\$ 163.00	\$ 313.00	92%	\$ 163.00	\$ 218.00	34%

AMENDED

Reconciliation of Chart of Accounts to Indexed Expense Groups

Total Labor Related Costs (1)

- (17) (18) Salaries & Wages (Collections and Repair Shop)
- (11) Officer's Wages
- (23) Workman's Comp. Ins. (Collections and Repair Shop)
- (10) Medical/Group Ins. (Collections and Repair Shop)
- (13) Profit Sharing/Ret. Ben. (Collections and Repair Shop)
- (12) Payroll Taxes (Collections and Repair Shop)

Consumer Price Index, Urban Wage Earners and Clerical Workers, All Items, West – Size Class B/C, (1996=100, not seasonally adjusted - Series CWURX400SAO)

Total Fuel Cost (2)

- (5) Fuel, Oil & Lubricants (Collections and Repair Shop)

California No. 2 Diesel Retail Sales by All Sellers, U.S. Energy Information Admin.

Total Vehicle Related Costs (3)

- (22) Vehicle Insurance (Collections and Repair Shop)
- (19) Supplies/Small Tools (Collections and Repair Shop)
- (9) Licenses (Collections and Repair Shop)
- (20) Tires (Collections and Repair Shop)

Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996=100, not seasonally adjusted, Series ID CUURX400SAO)

Total Other Direct Costs (4)

- (1) Depreciation (Collections and Repair Shop)
- (8) Vehicle Leases (Collections and Repair Shop)
- (3) Equipment Rental (Collections and Repair Shop)
- (16) Safety Program (Collections and Repair Shop)
- (7) Laundry & Uniforms (Collections and Repair Shop)
- (14) Property Damage (up to 0.5% of Gross Revenues)
- (15) Repairs and Maintenance

Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996=100, not seasonally adjusted, Series ID CUURX400SAO)

- (6) Interest Expense-Direct (Collections and Repair Shop)

Prime rate in effect as published by the "Bank of America, NA and Bank of America NT&SA"

Reconciliation of Chart of Accounts to Indexed Expense Groups

General & Administrative Costs (5)

- (53) Salaries/Wages
- (39) Officer's Salaries
- (37) Medical/Group Ins. (Indirect)
- (43) Payroll Taxes (Indirect)
- (61) Worker's Comp. (Indirect)
- (47) Profit Sharing/Ret. Ben. (Indirect)

Consumer Price Index, Urban Wage Earners and Clerical Workers, All Items, West – Size Class B/C, (1996=100, not seasonally adjusted - Series CWURX400SAO)

- (24) Accounting Services
- (25) Advertising
- (26) Bad Debts (up to 2% of Gross Revenues)
- (27) Bank Charges
- (29) Collections
- (30) Computer/Data Processing
- (32) Depreciation: Non Direct
- (33) Insurance Non-Direct

- (35) Leases, Office Equip.
- (38) Miscellaneous
- (40) Office Supplies
- (41) Other Taxes & Licenses
- (42) Outside Services
- (45) Permits
- (50) Postage
- (48) Promotion
- (46) Professional Services
- (49) Property Taxes
- (51) Rent
- (52) Repair & Maintenance
- (54) Seminars & Edu.-Mgmt. (up to \$5,000 per annum)
- (56) Telephone
- (57) Training
- (59) Utilities
- (60) Vehicle Expense: Non-Direct

Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996=100, not seasonally adjusted, Series ID CUURX400SAO)

- (34) Interest: Non-Direct

Prime rate in effect as published by the "Bank of America, NA and Bank of America NT&SA"

Reconciliation of Chart of Accounts to Indexed Expense Groups

Pass Through Costs (6)

- (2) Disposal Fees
- (21) Transfer Fees (8)
- (4) Franchise Fees

Disallowed Expenses (7)

- (28) Cash Over/Short
- (31) Contributions & Donations
- (36) Meals/Entertainment
- (44) Penalties
- (55) Subscriptions & Dues
- (58) Travel
- (62) Amortization of Goodwill
- (63) Federal/State Income Taxes
- (64) Community Support
- (14) Property Damage (over 0.5% of Gross Revenues)
- (26) Bad Debts (over 2% of Gross Revenues)
- (54) Seminars & Edu.-Mgmt. (over \$5,000 per annum)

REGULATIONS FOR COLLECTION
OF REFUSE IN THE
UNINCORPORATED TERRITORY OF STANISLAUS COUNTY

As Amended on November 4, 2008

SECTION I
GENERAL

In accordance with the requirements of the Stanislaus County Ordinance provisions for the collection of refuse in the unincorporated territory of the County of Stanislaus, the following regulations shall govern Franchisee's operations and shall be terms of the franchise.

SECTION II
DEFINITIONS AND TERMS

- A. FRANCHISE shall mean the franchise granted by the County in accordance with Section 9.08.010 of the Ordinance Code of Stanislaus County.
- B. CODE or ORDINANCE CODE shall mean the Stanislaus County Ordinance Code.
- C. FRANCHISEE shall mean the person or firm to whom the County of Stanislaus grants a franchise for collection and disposal of refuse.
- D. SINGLE DWELLING shall mean a single building designed for residential purposes for occupancy by a single family.
- E. MULTIPLE DWELLING shall mean a residential building designed for and approved for occupancy by two or more families. It shall also mean two or more dwellings if located upon a single lot.
- F. COMMERCIAL CUSTOMER shall mean a customer receiving refuse collection service on property zoned or used for commercial purposes.
- G. REMOVAL shall mean and include both collection and disposal of refuse.

See Ordinance Code Section 9.04.010 for other definitions.

SECTION III
INTERPRETATION OF REGULATIONS

In any and all respects where these regulations differ from any of the provisions of Chapter 3, entitled "Refuse Control" of the Stanislaus County Ordinance Code, the terms and

provisions of the Ordinance Code shall govern. Should any discrepancy appear or any misunderstanding arise as to the meaning or interpretation of anything contained herein, or in Chapter 3 of the Ordinance Code, the matter shall be decided by the Department and the interpretation of the Department shall be binding upon the Franchisee, subject to review by the Board of Supervisors.

SECTION IV
GENERAL CONDITIONS

- A. AREAS: The unincorporated territory of the County has been divided into areas. Separate franchises will be awarded for each area. No person will be granted a franchise in more than one area. Each franchisee shall be independent of every other Franchisee.

- B. COUNTY FEE: The charges a Franchisee makes to customers shall include all fees provided for in Section 3-157 of the Code for administration, inspection and enforcement services. These fees include a franchise fee of 8% of the gross revenue realized from services required to be furnished under the franchise for each month. This fee shall be paid yearly, within sixty (60) days after the close of the fiscal year.

SECTION V
SCOPE OF THE WORK

- A. WORK TO BE PERFORMED: Franchisee shall furnish all labor, material and equipment necessary and shall provide the service for collection of refuse within the designated Area of the unincorporated area of Stanislaus County and the disposal of such refuse at the designated dumping site, without limit as to the amount or nature thereof except as hereinafter provided:
 - 1. The minimum frequency of collection from any customer will be once each week (7 days). Franchisee shall provide a more frequent service to commercial customers when required by the Department or, upon request of the customer.

 - 2. Franchisee shall be required to make a special pick-up of bulky items twice per year such as rugs, couches, refrigerators, water heaters, and similar items upon the request of any resident subscribing to regular garbage service with a Franchisee. Franchisee may collect from customer a special service charge as authorized by the Department for each additional special pick-up if more than two collections per year are made. The bulky item collection program will be operated through June 30, 2009, unless extended by the Board of Supervisors.

3. Upon the request of any customer, Franchisee shall provide approved drop box containers or bins to premises where off-street collection is determined by the Department to be feasible. The containers or bins so provided shall be in a neat, clean, safe condition and the Franchisee's business name shall be painted thereon. Charges for such service shall be based upon rates established in the franchise. Should service levels greater than those stated in the franchise be requested by a customer, the Franchisee shall submit a proposed price which must be approved by the Department before said greater level of service shall be commenced.
4. Franchisee shall not be required to remove items of a size, weight, bulk, such as automobiles, which are not capable of being removed with the regular equipment and manpower employed by Franchisee.
5. Franchisee will not be required to remove waste building material and other rubbish resulting from the construction, alteration or repair of buildings, house moving or demolition, except when such materials or rubbish are presented for collection in approved containers. Franchisee shall not be required to remove dead animals or other refuse from any place where highly infectious or contagious disease has been present, nor explosive substances, radio-active materials, hazardous waste, drugs or poisons.
6. The County reserves the right to issue permits through the Department to landscape and building contractors, gardeners and hauling businesses for special purpose rubbish removal including permits to remove industrial refuse.

County also reserves the right to issue a permit to a private refuse collection and disposal company for providing special collection and disposal service to a customer, if, upon request of the customer, the Department determines that the said refuse generated by said customer or the proposed use or manner of disposal is of such a special nature that it cannot reasonably be collected or disposed of by the County's refuse Franchisee under terms of the franchise.

B. COLLECTION HOURS AND DAYS:

1. Franchisee shall collect from residential customers at least once each calendar week, on a Monday through Friday basis.
2. Franchisee shall make no collections in residential areas prior to 5:00

A.M. or after 6:00 P.M. No collections at schools, churches, or those portions of commercial districts adjacent to residential neighborhoods shall be made prior to 5:00 A.M. or after 9:00 P.M.

Collection necessitated by emergency conditions may be made at different hours subject to the approval of the Department.

- C. ROUTES AND CHANGES: Franchisee shall prepare and file with the Department a complete map of the refuse collection Area, and shall show, to the satisfaction of the Department, the routes used by collection vehicles within the area. Franchisee shall clearly indicate on the map, the days on which collection or refuse shall be made by the Franchisee on the several routes throughout the area.

Before any change in the collection schedule on the various routes throughout the area is made by the Franchisee, Franchisee shall obtain the approval of the Department, at least thirty (30) days in advance of such change in the collection schedule, and Franchisee shall provide a new map (as described above) embodying such changes in the collection schedule. Franchisee shall, at its own expense, notify the customers affected by such change in the collection schedule, at least thirty (30) days before such change becomes effective.

- D. TERM AND EXCLUSIVENESS OF CONTRACT: Franchisee shall have exclusive right and duty to collect and remove refuse within the specified area of the unincorporated area of the County during the term of the franchise, subject only to the exceptions set forth in Subsection V A (6) hereof.

- E. REFUSE TO BE REMOVED: Franchisee shall remove all refuse presented for collection by each customer, at locations as hereinafter set forth, without limit as to the amount or nature thereof, except as herein provided.

1. Amount of Refuse: Residential service shall entitle each residential customer to dispose of two (2) standard containers of refuse, of 33 gallons each, weighing not more than 40 pounds each, plus an unlimited amount of garden refuse. All garden refuse must be placed either in disposable containers weighing not more than 40 pounds each, or in standard containers weighing not more than 40 pounds each, or in the case of limbs or brush, in securely tied bundles, nor more than three (3) feet long and not more than twenty- four (24) inches in diameter, weighing not more than forty (40) pounds. The maximum diameter of limbs shall be four (4) inches.

For commercial service, the Franchisee shall remove all refuse presented for collection by each customer, provided that all refuse is in proper containers.

2. Location of Refuse Receptacles: The location of receptacles for collection of refuse shall, at the customer's option, be as follows:

(a) On single family and two family premises, receptacles shall be placed by the customer on the premises and collected by the collector as follows:

1. Where alleys exist, upon the customer's premises, immediately adjacent to and accessible from the alley without the necessity of entering the premises.
2. Where alleys do not exist, receptacles for garbage and rubbish shall be placed upon the customer's premises, in a location no greater than fifty (50) feet from the front property line and accessible to the collector without the necessity of entering a fenced yard. Franchisee may submit a fee schedule for service at a location greater than fifty (50) feet from the front property line. Such schedule shall be subject to approval of the Department.

Garden refuse shall be placed on the customer's premises at the front property line.

(b) Standard and detachable containers for garbage service to multiple dwelling buildings, apartments and commercial premises, shall be placed in a location no greater than fifty (50) feet from the nearest point where the collector's vehicle can reasonably be parked. Drop box containers shall be located as agreed upon between the customer and the collector. In case of dispute, the location shall be as determined by the Department.

3. Failure to Collect: Franchisee will be required to tag refuse which is not presented for collection in the manner prescribed herein. A record, listing the address of the tagged refuse together with the reason for non-collection, shall each day be presented to the Department. Where Franchisee has refused to make a collection, the County will inspect the same to ascertain whether it conforms to the requirements hereof, as to type containers, weight of containers, etc., and the County's determination relating thereto, shall be final and conclusive, and enforceable as to the violator.

Should Franchisee fail to collect refuse placed for collection at the time and in the manner required, the County may cause the same to be collected or disposed of and the Franchisee shall be liable for the expenses incurred.

4. Complaints: Franchisee shall rectify all complaints within twenty-four (24) hours after receipt of notice thereof. If a complaint is not corrected within twenty-four (24) hours, Franchisee shall inform the Department of such failure by telephone the next business day and, upon request made by telephone, shall deliver to the Department a full written report within three (3) business days. Franchisee shall also provide Department with such additional reports concerning settled and outstanding complaints as may be requested by Department. Franchisee shall fully cooperate with Department for the expeditious and equitable resolution of complaints.
- 4b. Complaint Log: Franchisee shall maintain an electronic log of all complaints received in a form approved by the Department of Environmental Resources (Department) of all written and oral customer complaints received. At a minimum, the log shall include a description of the complaint, the name, telephone number, and address of the complainant, whether it is for a cart, bin, or drop box customer, the actions taken by the franchisee to resolve the complaint, and the date the actions(s) were taken. Said log shall be made available to the Department at all times. Franchisee shall compile a complaint log summary, in a format approved by the Department, and provide the Department with this summary at least quarterly. The Franchisee shall retain the complaint log(s) for the entire term of the Franchisee Agreement, including extensions.
- 4c. Maximum Threshold of Complaints: At all times during the term of the Franchise Agreement, including extensions, the number of complaints during any quarter shall not exceed two (2) per 1,000 customers. The total number of complaints includes the sum of those received by the Franchisee directly and those received by the Department directly given that if a customer calls both the Franchisee and the Department about the same issue, it will constitute a single complaint. In the case of chronic complainants, the Department will determine the validity of the complaint and if a complaint is disputed, the Department will make the final determination.
5. Service and Sanitation Requirements: Franchisee shall not litter any premises or public property in making collections of refuse, nor shall any refuse be allowed to leak, blow or fall from collection vehicles. However, if in spite of normal precautions against spillage, a litter is made on any

premises or public property, Franchisee shall immediately remove the same and clean up the area of spillage. Franchisee shall, without delay, after removing refuse from any container, replace the container in its designated position on the premises with its cover on, and shall repair or replace at its expense, any containers damaged as a result of its handling thereof, normal wear and tear excepted. Franchisee shall close all gates after making collections and shall avoid crossing private or public planted areas and climbing or jumping hedges and fences. Franchisee's personnel shall make all collections in a quiet and orderly manner and shall incorporate noise control features in equipment used by collectors as may be required by the Department.

6. Salvaging and Scavenging: The Franchisee shall have the full and exclusive right to all salvageable materials collected in connection with the collection of refuse under this Franchise, and shall have the sole right to any and all funds received from the sale of said salvageable materials. Such funds shall be accounted for as part of the gross revenues of Franchisee, but shall not be subject to the franchise fee.

Salvaging or scavenging by the Franchisee, or any of his employees, is prohibited on the collection routes and at the sanitary landfill. Salvaging at a suitable location is encouraged; provided, however, that a permit for salvage operations conducted at a location in the unincorporated area of the County must be obtained from the Department.

7. Recycling: The Franchisee agrees to keep the Department advised as to any current developments in recycling programs, and to participate in such recycling programs when it can be done on a sound economic basis. The Franchisee agrees to cooperate on any reasonable basis with local civic organizations which desire to conduct a recycling program. The term recycling as used herein means any process which has as its goal the conversion of garbage, rubbish or salvageable waste into a useable product.
8. Disposal Area: Franchisee may dispose of refuse collected under the franchise at the Fink Road Sanitary Landfill, operated by the County. Disposal of refuse at the sanitary landfill will be in accordance with regulations in effect for the same as they now exist or may hereafter be amended.

Franchisee shall obtain the approval of the Department and obtain any necessary permits for disposal at a different location or in another manner.

The County reserves the right to designate other methods of disposal or other County owned or operated sanitary landfill areas for disposal, by the Franchisee if such methods or sites become available.

F. EQUIPMENT

1. Standards: All equipment used by a Franchisee for regular collection service shall be hydraulically-controlled, compaction type equipment, in good and serviceable condition as determined by the Department. The bodies of collection equipment shall be watertight and equipped with close-fitting metal covers. Color of equipment shall be subject to the approval of the Department.
2. General: At all times Franchisee shall have vehicles available and in use that will comply with the requirements hereof for the collection and transportation of refuse without leakage or spillage. Franchisee shall be required to have at least one spare vehicle capable of providing collection services for all types of services required of a Franchisee.
3. Maintenance: Franchisee shall have a complete and comprehensive system of preventative maintenance on all vehicles and shall keep them in good repair. Trucks shall be repainted as needed, in the judgement of the Department. Franchisee shall not use a collection vehicle which has been used for more than five (5) years without the express approval of the Department.

Franchisee's collection vehicles shall be operated in full compliance with the California Vehicle Code and local ordinances. Vehicles shall be thoroughly washed and disinfected inside the collection body at least once each week and the outside of each vehicle shall be cleaned and washed each day.

The Franchisee's name or firm name and truck number, shall be printed or painted in legible letters, four (4) inches in height, on both sides, the rear and the front, of all trucks and conveyances used in the County in the performance of the franchise. The words "County" and "Stanislaus" shall not be used in any manner upon the identification placed on the vehicle, nor shall an official County of Stanislaus telephone number or address be used. Should the Department at any time give notification in writing to the Franchisee that any designated truck, trailer or other conveyance does not comply with the standards herein set forth, such truck, trailer or other conveyance shall forthwith be removed from service by the Franchisee and not used again until inspected and approved by the Department.

4. Ownership of Equipment: All vehicles and equipment used by the Franchisee for the collection and hauling of refuse shall be wholly owned by Franchisee, except as follows:

(a) The Franchisee may enter into conditional sales contracts, mortgages or encumbrances for the purchase of vehicles and equipment with prior approval of the Department. Any such conditional sales contract, mortgage or encumbrance shall provide that in the event of default of the Franchisee or of such conditional sales contract, mortgage or encumbrance, the County, at its option, shall have the right to assume such conditional sales contract, mortgage or encumbrance and take possession of and operate the vehicles and equipment covered by said conditional sales contract, mortgage or encumbrance.

(b) The Franchisee may enter into leasing or rental agreements with prior approval of the Department. Any leasing or rental agreement shall provide that in the event of default of the Franchisee, or of such leasing or rental agreement, the County, at its option, shall have the right to assume such leasing or rental agreement and take possession of and operate the vehicle and equipment covered by agreement for the unexpired term of such agreement.

In the event of the termination of the franchise by breach or default of the Franchisee, the County shall have the right forthwith to take possession of all vehicles and equipment wholly owned by the Franchisee for the purpose of performing the services provided for in the franchise. The County shall have the right to retain possession of said vehicles and equipment until other suitable vehicles and equipment can be purchased or otherwise acquired by the County for said purpose, and shall pay the Franchisee the reasonable rental value of such vehicles and equipment during the time the same are used by the County.

- G. RECEPTACLES AND CONTAINERS: All standard containers or bins owned or used by customers shall be replaced upright, where found, with lids if any, on them. Containers and lids shall not be placed or thrown on the streets, alleys, highways or on adjoining property. The Franchisee shall not permit containers to be thrown from the truck to the pavement or parkway, nor in any other way permit damage to occur by rough or improper handling thereof.
- H. SUPERVISION: Franchisee shall employ a competent full-time supervisor satisfactory to the County. The supervisor shall be an agent of the Franchisee to direct the work, and shall be assigned and available full time to supervise the

employees in their work. Notices, orders and instructions given to such supervisor shall be deemed, for all purposes, notice thereof to the Franchisee.

- I. LOCAL OFFICE: Franchisee shall maintain an office at some fixed place approved by the County, which is to be designated prior to commencement of collection work, and shall maintain a telephone therein, listed in the local telephone directory serving the Area of the franchise, under the firm name and shall at all times during the hours between 8:00 A.M. and 12:00 noon and 1:00 P.M. and 5:00 P.M. of each working day, staff the office with a full-time employee during such hours to answer inquiries and receive complaints from users and from the County.

SECTION VI
PAYMENT TO THE FRANCHISEE

- A. BILLING AND COLLECTION OF CHARGES: Franchisee shall be responsible for all billings and collections for refuse collection.
- B. RESIDENTIAL SERVICE: Franchisee shall establish, with the approval of the Board, the unit price per month which is charged to provide the weekly residential service required to single dwellings.
- C. COMMERCIAL, MULTIPLE DWELLING SERVICE: The base charge for residential service shall be multiplied by the factors tabulated below to establish the cost of commercial and multiple dwelling service provided to customers using standard containers.

<u>FACTORS FOR STANDARD CONTAINERS</u>							
<u>Numbers of Collections per Week</u>							
<u>Number of Cans</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
1, 2, or 3	1.00	2.00	3.00	4.00	5.00	6.00	7.00
4	1.25	2.50	3.75	5.00	6.25	7.50	8.75
5	1.50	3.00	4.50	6.00	7.50	9.00	10.50
6	1.75	3.50	5.25	7.00	8.75	10.50	12.25

- D. LIST OF SERVICES AND CHARGES: The Franchisee shall furnish the Department a complete list of services furnished to customers pursuant to the franchise. Such list shall show the current charge for each service and shall be provided to a customer on request. When a change in the rate of customer charges is requested, the Franchisee shall specify the amount of change requested for each affected charge. A change in the rate of any charge shall become effective as of the date specifically authorized or directed by the Board or the Department.

- E. FEES AND GRATUITIES: Neither the Franchisee nor any of his agents, employees or sub-contractors shall request, demand or accept, either directly or indirectly, any compensation from any person, firm or corporation, other than for the charges authorized by the Board.
- F. CHANGE IN CHARGES TO CUSTOMERS: Pursuant to County rate adjustment procedures, the Franchisee may petition the County for rate increases at reasonable times on the basis of changes in his cost of doing business. A Franchisee is also subject to rate decreases on the basis of changes in the cost of doing business, as shown in a petition for a rate increase or upon rate adjustment procedures initiated by the Department. Adjustments attributable to revised laws or regulations of governmental agencies, or changes in disposal site fees, over which Franchisee has no control, may be made without regard to the rate adjustment procedures to the extent that the effect of the change on rates is evident.
- G. Rate Adjustment Process (Methodology): Franchise refuse collection rates will be adjusted in accordance with Exhibit 1, "Rate Adjustment Process for Unincorporated Areas of Stanislaus County."

SECTION VII
LEGAL RELATIONS AND RESPONSIBILITIES

- A. APPLICABLE LAWS: Franchisee shall at all times comply with all applicable provisions of the Code, now in effect or hereafter enacted, as well as any applicable State and Federal laws and regulations.
- B. PERMITS AND LICENSES: Franchisee shall obtain all permits and licenses required by the County or State for conducting any activity necessary to provide service under the franchise.
- C. WORKMAN'S COMPENSATION INSURANCE: Franchisee and its subcontractors, if any, shall obtain and maintain in full force and effect throughout the entire term of the franchise, full Workman's Compensation Insurance in accordance with the provisions and requirements of Division IV, Workman's Compensation and Insurance of the Labor Code of the State of California and other applicable laws. Certificates of such insurance, approved by the Department and approved as to form by the County, shall be filed with the Department within ten (10) days after the award of the franchise. Franchisee shall immediately inform County of any cancellation, or change of any such insurance.

- D. PUBLIC LIABILITY INSURANCE: Franchisee and its subcontractors, if any, shall obtain and maintain, at their sole cost and expense, through the entire term of the franchise, public liability insurance, approved as to form by the County. Such policy or policies shall insure Franchisee and its sub-contractors and the County, its officers, agents and employees, and each of them, against liability for bodily injury or death to and of any person or persons and for any property damage, arising or resulting from the operations of Franchisee or its sub-contractors in conducting the business hereinabove authorized. Minimum bodily injury or death coverage provided by said insurance shall be Three Hundred Thousand Dollars (\$300,000) for bodily injury or death of each person and Five Hundred Thousand Dollars (\$500,000) for bodily injury or death of two (2) or more persons, per each occurrence; property damage coverage shall be a minimum of Fifty Thousand Dollars (\$50,000) per each occurrence. Policies or certificates of said insurance, shall be filed with the Department within ten (10) days after the date of the franchise. The policy is primary coverage and shall not be cancellable by the insurer except after filing with the County, ten (10) days' written notice of cancellation. Copies of such policy or policies or certificates evidencing the same shall be on file at all times in the Department.
- E. FRANCHISEE TO INDEMNIFY AND HOLD HARMLESS THE COUNTY: Franchisee shall indemnify and save harmless the County, its officers, agents and employees, for and from any and all loss, liability, claim demand, action or suit, of any and every kind and description, arising or resulting from or in any way connected with any operations of Franchisee or its sub-contractors in exercising any privilege granted to it by the franchise or by any ordinance of the County, or arising or resulting from the failure of Franchisee or its subcontractors to comply in all respects with the provisions and requirements of the franchise, of all applicable ordinances of the County and of all other applicable laws. Franchisee shall, upon demand of the County and at its sole cost and expense, defend and provide attorneys to defend County, its officers, agents and employees against any and all claims, actions or suits brought against the County, the officers, agents and employees, arising or resulting from or in any way connected with the above mentioned operations of Franchisee or its sub-contractors or its sub-contractor's failure to comply with the contract and with the ordinances and laws hereinabove mentioned. If the County is required to provide its own defense against any such action or suit, Franchisee will reimburse the County for all attorney fees and other costs incurred by the County.
- F. HEIRS, SUCCESSORS, ETC.: The terms, covenants and conditions of the franchise shall apply to and shall bind the heirs, successors, executors, administrators, assigns and sub-contractors of the Franchisee.

G. BONDS:

1. Faithful Performance Bond: Upon award of the franchise, Franchisee shall file with the Department and thereafter maintain on file a current corporate surety bond, approved as to form by the County, executed by Franchisee as principal and by a corporate surety as surety, in the sum required in the Code, conditioned upon the faithful performance by Franchisee, and its sub-contractors, if any, of the franchise.

H. WAIVERS: The waiver by the County of any breach or violation of any term, covenant or condition of the franchise or of any provision, ordinance or law shall not be deemed to be a waiver of such term, covenant, condition, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, ordinance or law. The subsequent acceptance by the County of any franchise fee or of any other monies which may become due hereunder to the County shall not be deemed to be a waiver of any preceding breach or violation by Franchisee of any term, covenant or condition of the franchise or of any applicable law or ordinance.

I. BANKRUPTCY: Any of the following shall constitute a breach of the franchise by Franchisee and shall, at the option of the County, terminate immediately the franchise and privileges granted therein:

- i. The appointment of a receiver to take possession of all or substantially all of the assets of Franchisee; or
- ii. A general assignment by Franchisee for the benefit of creditors; or
- iii. Any action taken by or suffered by Franchisee under any insolvency or bankruptcy act.

J. OPERATION AS A SEPARATE ENTITY: The operations of Franchisee under the franchise shall be conducted as an independent entity and the assets, liabilities, revenues, expenses and net worth shall not be combined, consolidated or in any way incorporated with those of any other operation. The accounting records of Franchisee shall be kept on the accrual basis, and the operating year for financial and accounting purposes shall begin July 1 and end June 30. Franchisee shall not use firm name containing the word "County" or other words implying governmental ownership.

K. ASSIGNMENTS: Franchisee shall not assign the franchise or any interest therein, or any privilege or right granted therein, without the written consent of the Board of Supervisors first had and obtained, and then only to a person or persons

approved by said Board of Supervisors and subject to such terms and conditions as the Board of Supervisors may require. A consent to one assignment shall not be deemed to be a consent to any subsequent assignment. Any assignment without such consent and approval shall be void and shall, at the option of the County, terminate the franchise and privileges granted therein. The franchise shall not, nor shall any interest therein, be assignable, as to the interests of Franchisee, by operation of law, without the written consent of the Board of Supervisors expressed by resolution.

- L. TRANSFER OF STOCK OR INTEREST: Any change of partners or principals, if Franchisee is a partnership or joint venture, or transfer of twenty-five percent (25%) or more of the stock if Franchisee is a corporation, during the term of the franchise shall be treated in the same manner as an assignment and shall be subject to the prior approval of the Board of Supervisors expressed by resolution.
- M. SUB-CONTRACTOR: Franchisee shall not sub-contract any portion of the work or business which it has been franchised to perform without the written consent of the Department.
- N. FINANCIAL STATEMENTS: Franchisee shall furnish to the County three (3) copies of annual financial statements within sixty (60) days after the end of the operating year. Statements shall be prepared by a licensed or certified public accountant and shall include the accountant's letter of opinion, a comparative balance sheet, comparative operating statement, statement of changes in investments in property and equipment, statement of source and application of funds, and a statement of changes in owner's equity in which shall be set forth the names of the principal officers and stock-holders of the corporation, if any, and salaries, if any, paid to such individuals.
- O. BOOKS, RECORDS AND REPORTS: Franchisee shall establish and maintain its office in the County, and shall keep and maintain such office full and complete books of account and other records showing all business transacted in connection with the franchise by Franchisee, including, but not by way of limitation, records of all special monthly collections, receipts, expenses, profits, supporting statements and vouchers, balance sheets and profit and loss statements and other documents accurately reflecting and showing all business of Franchisee and of each of its subcontractors. All such books and records shall be subject to audit and inspection at any and all reasonable times by County and its authorized officers, agents or employees, and shall be made available at said office for such inspection or audit at any or all reasonable times upon request of the Department.
- P. NOTICES: Any and all notices to be given, or which County may desire to give to Franchisee may be given in writing personally or by depositing the same in the

United States Mail, postage prepaid and addressed to Franchisee at the address of its local office. Notices to County shall be directed to the Refuse Division, Stanislaus County Department of Environmental Resources, 3800 Cornucopia Way, Suite C, Modesto, California, 95358.

- Q. NONDISCRIMINATION: The Franchisee will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Franchisee will take affirmative action to ensure the applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

The Franchisee agrees to post in conspicuous places available to employees and applicants for employment Franchisee's commitments under this provision.

**REGULATIONS
EXHIBIT 1**

**RATE ADJUSTMENT PROCESS
FOR UNINCORPORATED AREAS OF STANISLAUS COUNTY**

Effective _____, 2008

1.0 REQUIRED ANNUAL REPORTING

All franchise holders shall provide one (1) original and two (2) copies of an audited financial statement for each fiscal year ending June 30 for which service has been provided to Stanislaus County, due on October 31.

All franchise holders shall provide Supplemental Schedules 1-10 on Cost-Based Review Years, completed for the most recent fiscal year ending June 30 including reconciliations to the financial statement, due November 30; and, Supplemental Schedules 3, 4, 5, and 6 on Index-Based Years for the most recent fiscal year ending June 30 including reconciliations to the financial statement due November 30.

Signatures on the Management Representation and Non-Collusion Affidavits must be originals and by persons duly authorized to make these declarations on behalf of the franchise holder.

Reporting should be on recycled and recyclable white paper with no binding other than staples.

2.0 ANNUAL ADJUSTMENT PROCESS

The rates will be adjusted annually, with the Board of Supervisor's approval, commencing July 1, 20__, and until this rate adjustment policy is rescinded, amended, or replaced by the Board. The adjustment to rates will be determined using one of two methodologies: (1) an index-based adjustment; or (2) a cost-based adjustment. The index-based adjustment involves the use of various cost adjustment factors (such as the percentage change in the consumer price index and the current Disposal Site tipping fee) to calculate adjusted Rates. The cost-based adjustment involves a detailed review of the Contractor's actual costs of service and determination of adjusted Rates to reflect the Contractor's actual costs; provided however, the Rate adjustment does not exceed 5% unless the contractor can demonstrate a loss from projected operations. If such a loss can be demonstrated, the Rates will be adjusted to allow the contractor a reasonable profit. A ten percent (10%) profit on expenses is forecast; however, the actual profit realized is dependent on Contractor's management decisions. The cost-based adjustment method will be used to set rates every five years. The index-based method will be used for all other Rate Years. Below is a table that illustrates when the two Rate Adjustment Methods shall be used for the next ten years and into the future until such time that the Methods are rescinded, amended, or replaced by the Board.

Rate Year	Commencement Date of Rate Year	Adjustment Method Used to Determine Rates for the Rate Year	Rate Adjustment Application Submittal Date
Initial	July 1, 2008	Cost-Based	January 1, 2008
1	July 1, 2009	Index-Based	April, 1, 2009
2	July 1, 2010	Index-Based	April, 1, 2010
3	July 1, 2011	Index-Based	April, 1, 2011
4	July 1, 2012	Index-Based	April, 1, 2012
5	July 1, 2013	Cost-Based	January 1, 2013
6	July 1, 2014	Index-Based	April, 1, 2014
7	July 1, 2015	Index-Based	April, 1, 2015
8	July 1, 2016	Index-Based	April, 1, 2016
9	July 1, 2017	Index-Based	April, 1, 2017
10	July 1, 2018	Cost-Based	January 1, 2018

2.1 Initial Rates

The rates for the Initial Rate Year (Fiscal Year [FY] 2008-2009) will be established by the County. The rates set forth in this initial rate schedule are to be approved by the Board of Supervisors and have been calculated to generate an amount of revenue necessary to compensate the Contractor for its costs (including Disposal) and expected profit and to cover the County's Franchise Fees and other fees (Base Contractor Compensation). The rate will be composed of several components: a Collection Rate (excluding Labor and Fuel Costs), a Labor Costs rate, a Disposal Rate, a Transfer Rate, a Fuel Rate, a Franchise Fee, and other County fees if applicable.

2.2 Base Contractor Compensation

Contractor's base compensation will be calculated for the Initial Rate Year through a detailed review of expenses incurred during the most-recently completed Rate Year (FY 2006-2007), adjusting the reported expense for any expenses specifically disallowed from compensation and projecting those reported allowable expenses and revenue for the forthcoming Rate Year based on local and industry trends, most-recent quotes from third-party suppliers, management plans, and County direction. The detailed analysis would include reviewing the contractor's reported costs for reasonableness and comparing results to prior year costs and industry averages (e.g., accounts per route, labor hours per route, gallons of fuel per operating vehicle hour, workers' compensation modification rate). It's expected that the Contractor's profit would be calculated using a 0.909 operating ratio. Franchise fees would be calculated as determined by the Board of Supervisors.

2.3 Subsequent Rates (Index-based Years)

Rates will be adjusted for Index Years as described below. At least sixty (60) days prior to the Adjustment Date, the County shall notify the Contractor of the CPI adjustment to take effect on the Adjustment Date and shall provide the Contractor with its computations therefore. Overall rate adjustments may not exceed 5% per annum.

2.3.1 Collection Rate Component Adjustment

The Collection Rate component will be adjusted upward or downward to reflect the average annual percent change in the "Consumer Price Index, All Urban Consumers, All Items, West Urban Area, West - Size Class B/C, (1996 = 100, not seasonally adjusted - Series ID CUURX400SA0)" as published by the Bureau of Labor Statistics for the 12-month period ending nearest, but at least ninety (90) days prior to the Adjustment Date.

2.3.2 Labor Costs Rate Component Adjustment

The Labor Costs Rate component will be adjusted upward or downward to reflect the average annual percent change in the "Consumer Price Index, Urban Wage Earners and Clerical Workers, All Items, West - Size Class B/C, (1996 = 100, not seasonally adjusted - Series ID CWURX400SA0)" as published by the Bureau of Labor Statistics for the 12-month period ending nearest, but at least ninety (90) days prior to the Adjustment Date.

2.3.3 Fuel Costs Component Adjustment

The Fuel Costs component will be adjusted upward or downward to reflect the average annual percent change in the "California No. 2 Diesel Retail Sales by All Sellers, U.S. Energy Information Administration" for the 12-month period ending nearest, but at least ninety (90) days prior to the Adjustment Date.

2.3.4 Disposal Rate Component Adjustment.

The Disposal Rate component will be automatically adjusted by the actual change in the gate rate at the Fink Road Landfill and Stanislaus Resource Recovery Facility, such adjustment to take effect upon the effective date of any such change.

2.3.5 Transfer Rate Component Adjustment

The Transfer Rate component may be adjusted at the discretion of the County. Any change in the Transfer Rate component will be made effective July 1.

2.3.6 Interest Costs Component Adjustment

The Interest Costs component will be adjusted upward or downward to reflect the prime rate in effect as published by the "Bank of America, NA and Bank of America NT&SA" for the period ending nearest, but at least ninety (90) days prior to, the Adjustment Date.

2.3.7 Franchise Fee Adjustment

The Franchise Fee component will be calculated by adding the Collection Rate, Labor Costs Rate, Disposal Rate, and Fuel Costs rate (as calculated above) and multiplying the result by the appropriate factor based on the current Franchise Fee percentage.

2.3.8 Other Fees Adjustment

The Other Fees component, if any, will be adjusted as determined by the County.

2.4 Subsequent Rates (Cost-based Review Years)

A comprehensive compensation adjustment will be required every fifth (5th) year during the term of this policy. The Contractor Compensation will be forecasted in the manner described below.

2.4.1 Contractor's Application

Contractor will submit an application on January 1 of Rate Year Four (e.g., FY 2012 – 2013) requesting the amount of Contractor's Compensation for Rate Year Five (e.g., FY 2013-2014). The application will be based on the Contractor's actual revenues and expenses for Rate Year Three (e.g., FY 2011-2012); audited financial statements for Rate Year Three; and actual and forecasted costs of Contractor's operations for Rate Years Four and Five; and such application will be prepared in accordance with this Section. Audited financial statements will be submitted in accordance with requirements of the final Board-approved rate adjustment policy and will continue to be required under the current policy. Contractor's application will also include Supplemental Schedules 1-10 for the most recent audited Rate Year and for the most recently completed 12 months. The County may request additional information as part of their review. Contractor will provide or make available all such additional information as required by the County upon reasonable notice during normal business hours.

The application will be submitted in the format and will calculate Contractor's Compensation in the manner described below. Contractor will assemble, provide, and submit such information that is necessary to support the assumptions made by Contractor with regard to the assumptions underlying the forecasted Contractor's Compensation for Rate Year Five.

Contractor will provide all information requested by the County during its review of the application, including, but not limited to, all information from related parties requested by

the County regarding any transactions between Contractor and any Related-Party Entity pertaining to Contractor's performance under the Agreement.

2.4.2 Determination of Contractor's Compensation.

The County, or its representative, will review Contractor's application for compliance with the proposed policy, and for accuracy and reasonableness. The application shall clearly document Contractor's calculation of Contractor's Compensation based on the methodology described below.

Contractor's Compensation will equal the sum of forecasted annual cost of operations, profit, and forecasted Pass-Through Costs, each of which will be calculated in accordance with procedures set forth below.

(1) Forecasted Annual Cost of Operations. The forecasted annual cost of operations consists of the sum of:

- (a) Forecasted labor-related costs
- (b) Forecasted vehicle-related costs (excluding fuel costs)
- (c) Forecasted fuel costs
- (d) Forecasted other direct costs
- (e) Forecasted general & administrative costs.

(2) Methodology for Forecasting Annual Cost of Operations

(a) Determine Actual Costs. Contractor's audited financial statement will be reviewed to determine Contractor's actual costs necessary to perform all the services in the manner required by the Agreement for each of the forgoing categories during Rate Year Three. The Contractor's auditor shall determine that costs have actually been incurred and have been assigned to the appropriate cost category. The appropriate cost category includes not only the proper expense designation but also the proper jurisdiction and line of business (e.g., residential, commercial, etc).

(b) Adjustment for Non-Allowable Costs. Contractor will adjust actual costs for Rate Year Three (determined in Section 6.04.B.2.a) above to ensure that non-allowable costs are not included in actual costs. Non-allowable costs shall include the following:

- i. Cash Over/Short, Community Support including political and charitable contributions, Contributions and Donations, Meals &

Entertainment, Subscriptions & Dues, Travel, Penalties & Fines, and Amortization of Goodwill.

ii. Seminars & Education-Mgmt costs (registration fees) that exceed \$5,000 per annum.

iii. Payments to repair damage to property of third parties or the County for which Contractor is legally liable that exceed 0.5% of Gross Revenues.

iv. Federal or State income taxes.

v. Attorney's fees and other expenses incurred by Contractor in any court proceeding in which the County and Contractor are adverse Parties, unless Contractor is the prevailing Party in such proceeding.

vi. Attorney's fees and other expenses incurred by Contractor arising from any act or omission in violation of this Agreement.

vii. Attorneys' fees and other expenses incurred by Contractor in any court proceeding in which Contractor's own negligence, violation of law or regulation, or wrong doing are in issue and occasion, in whole or in part, the attorneys' fees and expenses claimed; and attorneys' fees and expenses incurred by Contractor in a court proceeding in which the legal theory or statute providing a basis of liability against Contractor also provides for separate potential liability for the County derived from the action of its citizens or rate payers (such as in a CERCLA lawsuit) unless the Contractor is found not liable in such claims and such claims arise from acts or occurrences within the Term of the Agreement.

viii. Payments to Related Party Entities or Affiliates for products or services, in excess of cost to the Related-Party Entities for those products or services.

ix. Bad Debt costs that exceed 2% of Gross Revenues.

(c) Adjust Costs to Reflect Change to Customer Base and Program Changes. The Contractor or County may propose adjustments to the actual costs for Rate Year Three for the following reasons:

i. To adjust costs that Contractor has demonstrated to the County to be necessary in order to provide service to Customers due to growth or decline in the Customer base (based on the number of Customers and subscription level).

ii. To adjust for changes in costs due to the County approved interim compensation adjustment for program changes that will carry forward into the following Rate Year.

(d) Summarize Allowed Costs. The adjusted costs for Rate Year Three determined above may be considered "Allowed Costs" for the purposes of forecasting costs for Rate Year Five following procedures described below and may be presented in cost categories which are consistent with Rate Year Three cost categories as follows:

- i. Allowed labor-related costs
- ii. Allowed vehicle-related costs (excluding fuel costs)
- iii. Allowed fuel costs
- iv. Allowed other direct costs
- v. Allowed general & administrative costs

(e) Forecast Annual Cost of Operations. Forecasted annual cost of operations for Rate Year Five will be calculated using allowed costs of operations for Rate Year Three determined above, adjusted to reflect the impact of consumer price indices, and forecasted interest and depreciation expenses. The forecasts will be performed in the following manner:

i. Forecasted labor-related costs will be calculated for Rate Year Five by multiplying (i) the Allowed labor-related costs for Rate Year Three by one plus the percentage change in the "Consumer Price Index, Urban Wage Earners and Clerical Workers, All Items, West – Size Class B/C, (1996 = 100, not seasonally adjusted – Series ID CWURX400SA0)" which is compiled and published by the U. S. Department of Labor, Bureau of Labor Statistics or its successor agency, between the most-recently-published 12 month average index at the time of the application and the corresponding average monthly index published for the 12 months earlier, and (ii) multiplying the result of step one by the same percentage change used in step one.

ii. Forecasted fuel costs will be calculated for the Rate Year Five by (i) multiplying the Allowed vehicle-related costs for Rate Year Three by one plus the percentage change in "California No. 2 Diesel Retail Sales by All Sellers, U.S. Energy Information Administration", between the most-recently-published 12 month average monthly index at the time of the application and the corresponding average monthly index published 12 months earlier, and (ii) multiplying the result of step one by the same percentage change used in step one.

iii. Forecasted other direct costs, including vehicle repair costs, will be calculated for the Rate Year Five by (i) multiplying the allowed other-related costs for Rate Year Three by one plus the percentage change in the "Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996 = 100, not seasonally adjusted - Series ID CUURX400SA0)" which is compiled and published by the U. S. Department of Labor, Bureau of Labor Statistics or its successor agency between the most-recently-published 12 month average monthly index at the time of application and the corresponding average monthly index published 12 months earlier, and (ii) multiplying the result of step one by the same percentage change used in step one.

iv. Forecasted vehicle and container maintenance costs will be calculated for the Rate Year Five by (i) multiplying the allowed other-related costs for Rate Year Three by one plus the percentage change in the "Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996 = 100, not seasonally adjusted, Series ID CUURX400SA0)" which is compiled and published by the U.S. Department of Labor, Bureau of Labor Statistics or its successor agency between the most-recently-published 12 month average monthly index at the time of application and the corresponding average monthly index published 12 months earlier, and (ii) multiplying the result of step one by the same percentage change used in step one.

v. Forecasted general & administrative costs will be calculated for the Rate Year Five by (i) multiplying the allowed other-related costs for Rate Year Three by one plus the percentage change in the "Consumer Price Index, All Urban Consumers, All Items, West – Size Class B/C, (1996 = 100, not seasonally adjusted, Series ID CUURX400SA0)" which is compiled and published by the U.S. Department of Labor, Bureau of Labor Statistics or its successor agency between the most-recently-published 12 month average monthly index at the time of application and the corresponding average monthly index published 12 months earlier, and (ii) multiplying the result of step one by the same percentage change used in step one.

vi. Forecasted depreciation expense will be determined based on Contractor's current fixed asset schedule and reviewed for reasonableness.

vii. Forecasted interest expense will be determined based on the Contractor's current debt schedule and reviewed for reasonableness.

viii. Forecasted annual cost of operations for Rate Year Five will equal the sum of the following costs, which will have been calculated in accordance with procedures above:

1. Forecasted labor-related costs
2. Forecasted vehicle-related costs (excluding fuel costs)
3. Forecasted fuel costs
4. Forecasted other direct costs
5. Forecasted vehicle and container maintenance costs
6. Forecasted general & administrative costs
7. Forecasted depreciation expense
8. Forecasted interest expense

(3) Calculate profit. Contractor's profit will be calculated using a 0.909 operating ratio.

(4) Forecast Pass-Through Costs. Contractor's Compensation will include Pass-Through Costs as calculated below:

i. Forecasted Disposal cost. Annual forecasted Disposal cost = (Disposal fee at Designated Landfill) x (total Tons of Solid Waste Collected for the most-recently reported twelve-month Year).

ii. Forecasted Transfer cost. Annual forecasted Transfer cost = (Total tons transferred) X (Transfer Allowance per ton)

iii. Forecasted Franchise Fees, and other fees. The forecasted Franchise Fees and other fees will be calculated using forecasted Rate Year Five values.

iv. Compensation Review Fee. An amount agreed-upon by the County and Contractor to reimburse the Contractor for payment of the County's costs, including consulting and legal fees, associated with determination of the Contractor's Compensation.

(5) Determine Contractor's Compensation for Rate Year Five. Contractor's Compensation necessary to perform all the services in the manner required by this Agreement for Rate Year Five will be equal to the sum of the following:

- i. Forecasted annual cost of operations (determined in accordance with above)
- ii. Profit (determined in accordance with Section above)
- iii. Forecasted Pass-Through Costs (determined in accordance with Section 6.04.B.4 above).

The Contractor's Compensation for Rate Year Five will be the only compensation due to Contractor for such Rate Year and will not exceed a 5% increase over the prior year rate. No adjustments for actual costs will be made at the conclusion of Rate Year Five or at any other time while this policy is in effect.

4.0 INTERIM COMPENSATION ADJUSTMENT

If the County directs the Contractor to change its operations or if an extraordinary or unanticipated event including a Change in Law, Regulation, or an adjustment in the Disposal fee due to a new or increased/decreased governmental tax, surcharge or fee, materially (5% of Gross Revenues) affects Contractor's Compensation, then the Contractor or the County may submit a request for an interim Compensation adjustment. In such case, the Contractor shall provide the County with its calculations of the impact of the change in a format approved by the County. The adjustment application shall clearly document the reason for the proposed adjustment, calculation of the proposed cost adjustments, and supporting documentation. Any proposed change in the approved Rates shall be subject to the County's review and approval. Nothing in this Section shall be construed to require the County to accept the Contractor's calculations as correct.

Proposed Revision of Refuse Rate Adjustment Methodology

Sonya K. Harrigfeld, Director

Department of Environmental Resources and Parks & Recreation

November 4, 2008

Today's Presentation

- (1) A proposal to simplify the setting of refuse collection rates and adopt new “Base Rates,”
- (2) A request to include the proposed rate setting methodology and Performance Measures in the Franchise Regulations, and

Today's Presentation (cont'd.)

- (3) A request to direct staff to develop an Ordinance section specifying an enforcement process for failures of the Franchise holders to meet specific Performance Measures or franchise related conditions specified in the Ordinance or the Franchise Regulations.

(1) Collection Rates

Current Method

- Too complicated, difficult to understand
- Delayed expense recovery

Proposed Method

- Apply pre-determined Indices four out of five years
- Timely expense recovery

Collection Rates (cont'd.)

Rather than a detailed cost cost-of-service study every year...

...“Base Rates” will be determined every fifth year and adjusted according to pre-determined Indices during the four intervening years.

Collection Rates (cont'd.)

To develop “Base Rates:”

- Allowed expenses are compared to historical data for reasonableness
- Operations information (# carts/route, hrs./route, fuel/operating hr.) is compared to industry averages for reasonableness
- Submitted expenses are adjusted to reflect the results of this in-depth analysis

Collection Rates (cont'd.)

Within the “Base Rates” expenses are grouped as follows:

Total Labor-Related Costs

Total Fuel Cost

Total Vehicle-Related Costs

Total Other Direct Costs

General & Administrative Costs

Pass-Through Costs

(Disallowed expenses have already been identified and deleted from “Base Rate” expenses)

Collection Rates (cont'd.)

Total Labor-Related Costs

- Salaries & Wages, Payroll Taxes, Medical and Workman's Compensation Ins. (*CPI, Urban Wage Earners and Clerical Workers, All Items, West, B/C*)

Total Fuel Costs

- Diesel Fuel (*Calif. No. 2 Diesel Retail Sales by All Sellers, U.S. Energy Information Admin.*)

Collection Rates (cont'd.)

Total Vehicle-Related Costs

- Vehicle Ins., Licenses, Tires, Supplies (*CPI, All Urban Consumers, All Items, West, B/C*)

Total Other Direct Costs

- Depreciation, Safety Program, Laundry & Uniforms, Property Damage, Repairs & Maintenance (*CPI, All Urban Consumers, All Items, West, B/C*)

Interest Expense, Direct (*Prime Rate in effect as published by the "Bank of America, NA and Bank of America NT&SA"*)

Collection Rates (cont'd.)

General & Administrative Costs

- Accounting Services, Bad Debts, Bank Charges, Collections, Office Supplies, Postage, Property Taxes, Seminars & Education-Mgmt., Telephone, Utilities (*CPI, All Urban Consumers, All Items, West, B/C*)

Interest Expense, Non-Direct (*Prime rate in effect as published by the "Bank of America, NA and Bank of America NT&SA"*)

Pass-Through Costs

- Disposal Fees, Transfer Fees, and Franchise Fees

Collection Rates (cont'd.)

Disallowed Expenses

- Contributions & Donations, Meals & Entertainment, Penalties, Travel, Amortization of Goodwill, Federal & State Income Taxes, Property Damage (over 0.5% of GR*), Bad Debts (over 2% of GR*), and Seminars & Education-Mgmt. (over \$5,000 per annum)

*GR (Gross Revenues)

Proposed “Base Rates” for Basic Residential Service*

	Current Rate	Proposed “Base Rate”	% Δ
Bertolotti Disposal	\$22.00	\$21.45	- 2.5%
Gilton Solid Waste	\$18.91	\$17.50	- 7.46%
Modesto Disp. / WMI	\$22.81	\$20.76	- 8.99%
Turlock Scavenger	\$22.32	\$20.18	- 9.59%

*90-gal. cart, curbside recycling, and bulky-item collection

Collection Rates (cont'd.)

Discussion with the Franchise Haulers we made an adjustment to one haulers the base rate based on actual costs.

Another issues came up regarding workers compensation. The actual costs vs. 100% modification rate.

Collection Rates (cont'd)

If the Board approves the residential, commercial and drop box “Base Rates,” those rates will be indexed next spring and brought back to a Public Hearing for consideration of the recommended increases or decreases.

(2) Assuring Performance

Proposed “Performance Measures”:

- Maintain a log of all complaints and provide reports of the complaint activity to the Department, and
- Not exceed a maximum threshold number of complaints of two (2) per 1,000 customers quarterly.

(3) Enforcement

The existing Franchise Agreements do not provide for an enforcement provision when there is a need by staff to require specific performance.

If the Board concurs, staff will develop an enforcement process for failures to meet performance measures or conditions specified in the Ordinance or Regulations.

Summary

Staff requests that the Board:

- (1) Approve the revised methodology for setting refuse collection rates and adopt the “Base Rates”
- (2) Amend the Franchise Regulations to include the new methodology and “Performance Measures”
- (3) Direct staff to develop an Enforcement section for the Refuse Control Ordinance

Questions?