

**STAFF REPORT**  
**COUNCIL MEETING DATE:**  
**November 28, 2011**

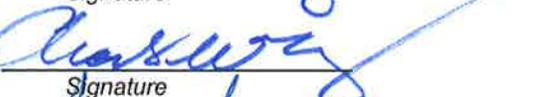
**ITEMS FOR COUNCIL CONSIDERATION:**

**Refuse and Recyclable Materials Collection Franchise  
Agreement Performance Reviews**

**Report prepared by:** Erin Maker, Environmental Coordinator  
**Department:** Public Works

  
Signature

**Reviewed by  
Public Works Director:**

  
Signature

**Reviewed by  
City Manager:**

  
Signature

**ACTION  NON-ACTION  STAFF RECOMMENDATION:**

- 1) Receive and File the performance and financial reviews of E.J. Harrison and Sons, Inc.
- 2) Authorize opening Franchise Agreement negotiations with E.J. Harrison and Sons, Inc.

**Motion:** I move to receive and file the performance and financial reviews of E.J. Harrison and Sons, Inc., and authorize staff to open sole-source negotiations with the aforementioned company.

**I. BACKGROUND:**

The City of Carpinteria Solid Waste Program administers all aspects of solid waste handling in the City, including recycling, green waste and household hazardous waste programs. Program responsibilities include monitoring the City's waste stream to ensure compliance with goals set by the State of California Department of Resources Recycling and Recovery (CalRecycle). In

addition to offering curbside solid waste and recycling, the City runs an Antifreeze, Battery, Oil and Paint (ABOP) collection program to encourage proper disposal of those types of materials. The City also holds an annual Household Hazardous Waste Collection Day that allows residents to drop off e-waste and other hazardous wastes not collected through the ABOP program.

During the 1980's, California faced waste stream problems due to a lack of suitable landfill sites and a projected shortage of landfill capacity that had the potential to impact health and safety. In 1989, Assembly Bill 939, the Integrated Waste Management Act, established the Integrated Waste Management Board (now CalRecycle). Through AB 939, California created waste diversion mandates, established permitting and enforcement mechanisms and authorized local jurisdictions to impose fees to establish, implement and administer solid waste programs. Ultimately, AB 939 is aimed at reducing the amount of material that is deposited in landfills.

In response to the Integrated Waste Management Act, the City of Carpinteria adopted Chapter 8.08 – Integrated Waste Management, as part of the Carpinteria Municipal Code (CMC). CMC Chapter 8.08 establishes the method and manner by which integrated waste management services relating to the collection, transfer and disposal of refuse, recyclables and compostables within the and throughout the City are provided including the hours, days and frequency of collection. CMC Chapter 8.08 includes Section 8.08.040 – Refuse Collection Franchise, which establishes that the City Council may award one or more franchises for the collection, transfer and appropriate disposal of refuse, recyclables and/or compostables from all or a portion of residential and/or commercial premises in the City. The purpose of the franchise agreement is to limit the number of waste haulers servicing the City and to reimburse the City for the cost of administering the program

In February 2002, the City Council approved a 10-year franchise (exclusive license for service) agreement with E.J. Harrison and Sons, Inc. (Harrison) for all surd side solid waste service, including the collection, diversion and disposal of solid waste and collection and transport for processing of green waste and recyclable materials for both commercial and residential customers. This agreement expires on January 31, 2012.

On May 23, 2011, the City Council approved an agreement with Harrison to extend the current franchise agreement six months. The time extension allowed staff sufficient time to conduct both financial and performance reviews of Harrison and, going forward, for the City to negotiate and approve a new refuse and recycling collection agreement with Harrison or another operator.

**II. DISCUSSION:**

The purpose of this staff report is to present the data and findings from the Solid Waste Solutions, Inc. and MSW, Inc. performance and financial reviews, respectively, and for staff to receive direction from the Council regarding the method and timing of procuring a solid waste hauler franchise service in the City of Carpinteria.

At the May 23, 2011 Council meeting, staff brought before Council proposals for this review from Solid Waste Solutions, Inc. (SWS, Inc.), and MSW Consultants, Inc. (MSW, Inc.). As mentioned in that report, California Public Resources Code Section 40059 grants jurisdictions maximum flexibility for procuring solid waste management services, including type of service and method of procurement. Staff identified two procurement options at that time, sole-source negotiation and open market competition.

Generally, sole-source negotiation is used when a jurisdiction chooses to extend an existing contract and negotiate with their current service provider. Sole-source negotiation involves good-faith negotiation with regard to contract service changes and rates. California Public Resources Code allows agencies to sole-source negotiate with any service provider of their choice.

Open market competition involves the development of service and contract specifications included in a Request For Proposals (RFP) that would be widely distributed to all interested parties, as well as publication in trade journals. Interested parties would respond to the RFP with proposed services and rates included. RFPs can include alternative proposals with service or contract specifications not included at the base level. Multiple criteria, including but not limited to, pricing, would be used to evaluate the proposals.

Staff has analyzed the information collected during the reviews, as presented below. Based upon this data, staff recommends proceeding with sole-source negotiations with Harrison, the City's current solid waste hauler.

### **III. ANALYSIS:**

#### **Performance Review**

To prepare the analysis of the performance of Harrison, Solid Waste Solutions, Inc., requested applicable information to review from the waste hauler. The requested information, detailed in the agreement, was comprised of the following areas:

- 1) Compliance with agreement and applicable laws
- 2) Organizational structure
- 3) Efficiency of collection operations, analysis of routes, schedules, disposal and diversion and impact to agreement requirements
- 4) Staffing practices, including deployment of managerial and supervisory personnel
- 5) Employee and job safety training and management of hazardous waste
- 6) Processes for receiving and resolving customer complaints
- 7) Procedure for maintenance, safety check and replacement of equipment, and
- 8) Program updates/company service improvements.

SWS, Inc. concluded its review of Harrison in August of 2011 (see Exhibit A). A site visit and tour of the Gold Coast Recycling facility was conducted by staff and SWS, Inc. as part of the performance review.

The review conducted by SWS, Inc, indicates that Harrison is in compliance with performance aspects of the current franchise agreement. In addition to being a good service provider to both residential and commercial customers, The review found that Harrison has complied with all applicable laws. Harrison has exceeded the stated 43% residential diversion mandated by the contract, submitted all required reports on time, and continually demonstrates its willingness as a company to be an active participant in the community.

Diversion refers to the amount of waste that was previously in the City's waste stream now being diverted from the landfill, either through recycling, reuse or implementation of other programs, including green waste recycling. Below is a table of the diversion rate for all sectors collected by Harrison.

Sector	% Waste stream	Diversion Rate		
		2008	2009	2010
<b>Residential</b>	33%	48.6%	49.4%	49.6%
<b>Commercial</b>	50%	8.4%	8.9%	9.7%
<b>Roll-Off</b>	17%	25.7%	26.3%	29.8%

The percentages in the above table represent only the services that Harrison provides within the City. Other waste haulers provide roll-off services to Carpinteria residents, typically for construction and demolition, which has a very high rate of recovery. Residents may also self-haul refuse, recyclables or green waste to a landfill or recycling facility. Larger chain grocery stores and pharmacies handle 100% of their waste, much of which is recyclable and therefore diverted from the landfill. Those diversion rates together with the diversion rates from Harrison services are the overall diversion rate that the City of Carpinteria reports annually to CalRecycle. The current overall reported diversion rate for the City of Carpinteria is 71%.

In the areas of staffing practices and employee and job safety training, Harrison has processes in place that affords them compliance with the agreement, including adequate staff to address staff and community inquiries, regular driver safety trainings, and equipment and hazardous material training. The report also suggests that Harrison staff is available for inquires, is responsive to the community and City staff needs, and the company as a whole demonstrates its commitment to safety with frequent training of their staff. There have been no major incidents involving damages to personal or personnel or property in association with the agreement.

Procedures for Customer Complaints/Resolution: Harrison continues to demonstrate an efficient system in handling customer complaints and providing same day resolutions. For 2009-2010, the company has received a total of 24 complaints over a two-year period:

	2009	2010
<b>Number of Complaints</b>	12	4
<b>2nd Requests</b>	7	1
<b>Resolved</b>	19	5
<b>% of total Residential Customers</b>	0.3%	0.1%

\*Approximately 95% of the complaints are comprised of missed pick up calls

It should be noted that missed pick up occurrences are common in the solid refuse arena, and the low total percentage of missed pickups is not concerning. In addition, the recent decreases in customer complaints demonstrate that Harrison has been effective in addressing problems and complaints to the City regarding a lack of response from the refuse hauler have been infrequent.

Franchise agreements include service performance standards, which allow the Franchisee and Franchisor to be clear about levels of service to be met during the contract term. Harrison has complied with all service performance standards currently in the franchise agreement such as responding to customers in a timely manner.

As the solid waste provider for the City of Carpinteria, Harrison has let it be known that there are additional programs or services that have been made available that may not be included in the current franchise agreement, as described below.

*Disaster Recovery:* Harrison has made it known that they are available to assist the City in times of crisis or disaster. They have provided contact numbers where they can be reached 24 hour/day. During the 2005 disaster at La Conchita, which closed the City off from direct access to Ventura County, Harrison continued to provide service to the City. By staging refuse haul trucks and drivers in the City of Carpinteria and working out an arrangement with the County of Santa Barbara to haul refuse to Tajiugas landfill to the north, as well as sending refuse hauling trucks on lengthy alternate routes, the company was able to provide uninterrupted service to Carpinteria businesses and residents while the US 101 was closed and the Ventura River overflow restricted alternate routes.

*Residential Program Enhancement:* Even though the residential recyclables collected from Carpinteria are very clean, thus have limited material going to the landfill, Harrison has begun a new program to lower the landfill disposal tons. All material that is not recyclable by their processes at Gold Coast Recycling is trucked to a 3<sup>rd</sup> party vendor who processes 100% of that material. The tonnage that was previously being landfilled is now diverted by a 3<sup>rd</sup> party vendor under contract with Harrison. This increase in tonnage being diverted will translate in to a higher diversion rate for the City.

*Commercial Recycling:* All commercial customers have been offered commercial recycling services in the past year in an effort to increase the commercial sectors diversion rates. There are approximately ten (10) commercial customers that have refused this service for a variety of reasons that the City is working to find solutions for. In an effort to increase diversion in the commercial sector, Harrison will be starting to collect and sort the refuse containers that are rich in recyclable material. These bins will be sorted at the Gold Coast Facility with the residual taken out as in the residential sector. This higher diversion will increase the success of the commercial recycling program while again increasing total diversion rate of the City of Carpinteria.

Finally, while not a requirement in the contract, Harrison has identified that they are currently in the process of obtaining required hauling permits for food waste, thereby allowing Harrison the future ability to provide a food waste collection program. This program would begin in the commercial sector, with focus on our restaurants and schools. Harrison would develop new routes to differentiate wet/food waste loads from dry/recyclable loads. This routing will allow our hauler to get premium values for all product collected.

#### Recommended Areas for Improvement:

In addition to reviewing if the current waste hauler is meeting the terms of the franchise agreement held with the City, the performance and financial reviews allow the City to identify areas where service may need improvement and possible terms for future negotiations. While Harrison is characterized as an above average service provider, the following areas of improvement have been identified:

1. Improvement to the public education program to expand awareness on recycling and solid waste diversion;
2. Improvement of diversion rates, particularly in the multi-family/commercial sector;
3. Improvement in communication with City staff regarding program status and efforts;

4. Continue efforts to decrease the frequency of missed pickups and complaints from accounts.
5. Improved call response times for minor complaints.

The items listed above are an example of areas identified that may be used in negotiating a new contract.

### **Financial Review**

The financial review was conducted by MSW, Inc and concluded in September 2011. As with the performance review, Harrison was found to be in compliance with the terms of their contract.

There were three objectives of the financial review: to confirm waste service billing accuracy, to review the franchise fee payments made to the City by Harrison, and an analysis of Harrison profit margin.

*Billing Accuracy:* Using a random sampling of residential and commercial customers within the City of Carpinteria from Harrison 2010 billing system, rate schedules were compared to verify that customers were being billed accurately. Although not all locations subscribe to service, due to vacancies, either vacation rentals (seasonal service) or homes that are for sale, those residents with service analyzed were found to be billed correctly for the service requested.

E.J. Harrison and Sons collect two fees from customers for the City, a franchise fee which is set at 8% of gross receipts for all customers and an AB 939, or Integrated Waste Management, fee that was \$0.66 for residential customers prior to July 1, 2011 and 4% of gross receipts for commercial customers. Council has since elected to raise these rates to cover rising program costs to \$1.66 and 6% for residential and commercial customers, respectively.

To determine whether or not these fees were accurately paid to the City, MSW, Inc tested the cash receipts system from the payment information provided. All fees were found to have been properly paid to the City.

*Profitability:* To determine E.J. Harrison and Sons profit margin in the City of Carpinteria, MSW, Inc. reviewed audited financial statements from previous fiscal years. Cost allocations between the City and other local government agencies serviced by E.J. Harrison and Sons, along with labor, equipment, and disposal and other associated costs, MSW, Inc. were compared.

E.J. Harrison and Sons profit from services within the City of Carpinteria was at 5.3% in FY 2010. This falls within the range of industry standards. Refuse waste haulers typically have a profit margin anywhere between 2.5% and 12.4%.

### **IV. CONCLUSION:**

After reviewing all work performed by Solid Waste Solutions, Inc. and MSW Consultants, Inc., staff recommends a sole-source negotiation with the current waste hauler, Harrison. As presented, all aspects of the review showed them to be a competent service provider that shows dedication to their customers and accuracy in their financial statements, both with customers and the City.

Staff recommends hiring a consulting firm experienced in solid waste franchise agreements to assist with the negotiation process. This contract will be brought before your Council in early 2012, prior to negotiations beginning. At that time, key terms being considered for the future solid waste franchise agreement will be presented.

If Council feels additional public input is necessary prior to negotiations, there are two options that the Council may consider:

1. Formation of a blue ribbon, or ad hoc, committee, or
2. Hosting a public workshop.

Generally, a blue ribbon committee may be formed when a local government agency has had prior issues with its solid waste service provider, or when an open RFP is being considered. A public meeting may be more suited to a sole-source negotiation with an existing solid waste provider that has acted in good faith over the time frame of previous franchise agreements.

**V. ATTACHMENTS:**

- Attachment A: SWS, Inc. Performance Review  
SWS, Inc. Presentation
- Attachment B: MSW Consultants, Inc. Presentation

**ATTACHMENT A**

**SWS, Inc. Performance Review  
SWS, Inc. Presentation**



**Solid Waste Solutions, Inc.**

August 26, 2011

Charles Ebeling, Public Works Director  
City of Carpinteria  
5775 Carpinteria Avenue  
Carpinteria, CA 93013

Subject: Performance Review for E. J. Harrison & Sons, Inc.

Dear Charlie:

Solid Waste Solutions has reviewed the entire package that was submitted by E. J. Harrison & Sons, Inc., for the performance review for the period of 2008 – 2010. Below are a few highlights of what was submitted:

- ⊕ E. J. Harrison & Sons, Inc. (Harrison) is in compliance with the general terms of the franchise agreement and is maintaining compliance with the requirements of the Air Resources Board. They are currently using two (2) LNG trucks in its City operations and provided their CHP safety compliance report.
- ⊕ Harrison is maintaining a diversion rate in the residential sector in accordance with Section 6.14 Diversion Standards, which establishes the goals of 43% in the residential sector. These numbers indicate our residents' dedication to the environment and the City's recycling and green waste programs.

Year	Residential
2008	48.6%
2009	49.4%
2010	49.6%
2011 (Jan-June)	50.4%

- ⊕ Harrison is maintaining the following diversion rates in the multi-family/commercial and roll-off sectors. Please note that there are specific diversion requirements associated with the multi-family/commercial sectors.

Year	Multi-family/ Commercial	Roll-Off
2008	8.4%	25.7%
2009	8.9%	26.3%
2010	9.7%	29.8%
2011 (Jan-June)	14.6%	48.4%



S.W.S. Inc., - City Permit Services, 25 W. Rolling Oaks Dr., Suite 201, 1000 Oaks, CA 91361

Phone: (805) 495-7521

Fax: (805) 495-7621



## Solid Waste Solutions, Inc.

- ⊕ Harrison participates in many community events: The Avocado festival, Chamber of Commerce events, Tomol Play area, the Boys and Girls Club events, etc.
- ⊕ For the 3-year review period, Harrison logged twenty four (24) complaints for all sectors and indicates that all of them were remedied.

	2009	2010
<b>Number of Complaints</b>	12	4
<b>2nd Requests</b>	7	1
<b>Resolved</b>	19	5
<b>% of total Residential Customers</b>	0.3%	0.1%

- ⊕ Harrison works annually at the citywide free clean-up day in April. Together with the City, they have developed a fantastic drop-off collection event.
- ⊕ Detailed route maps are available. No significant route changes are anticipated.
- ⊕ Staff assigned to the City have been identified.
- ⊕ Harrison has indicated a detailed description on how their staff are trained for all duties and indicated where all records are kept.
- ⊕ Harrison has used our franchise checklist to confirm how they met all performance standards and how they met and exceeded the requirements of the contract.
- ⊕ Harrison has identified that they are currently processing all of the residential recyclables including the residual waste which used to be landfilled. This is done thru a third party. What that means to the City is that all the material placed in the residential recycling container will be 100% diverted. This should increase that sectors diversion rate.
- ⊕ Harrison is proposing the implementation of two (2) new programs:
  - Commercial recyclables will be processed as currently being done in the residential sector. This will decrease the residual currently landfilled and increase diversion in the commercial sector.
  - Commercial Food Waste: Upon receipt of the required permits, Harrison will begin a food waste diversion program. This will be coordinated with



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## Solid Waste Solutions, Inc.

City staff and optimistically implemented in the commercial sector and at the schools.

The following are the areas of service that are in need of enhancement:

- ⊕ There needs to be additional public education material that is initiated and generated by the hauler for delivery to the commercial sector. The City is in need of a proactive public education program to expand customer awareness. By reinforcing what and how to recycle, we will continue to increase the diversion rate from this program. Information can be added on the bills themselves promoting the existing programs and occasional bill inserts can be placed in the billings.
- ⊕ Improve program implementation communication. When Harrison is working with the City on implementing or updating a program, they need to more closely communicate with the City staff on how the program is progressing. That will assist the City in helping Harrison to remedy issues with programs.
- ⊕ Harrison should continue to stress to all employees the need for good customer service and endeavor to continue to reduce the number of complaints.

In general, E. J. Harrison & Sons, Inc. has met all of the requirements of their existing franchise agreement.

If you have any questions or concerns, please give me a call. As always thank you for the opportunity to assist you with your solid waste services.

Sincerely,

Kimberly C. Nilsson  
Vice President

Attachment

Cc: Lars J. Nilsson, SWS Inc.



S.W.S. Inc., – City Permit Services, 25 W. Rolling Oaks Dr., Suite 201, 1000 Oaks, CA 91361

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City of Carpinteria  
DEPARTMENT OF PUBLIC WORKS



**Solid Waste Franchise Performance Review**

Performance Review: June 2011

For E.J. Harrison & Sons, Inc.

Agreement for Collection, Diversion and  
Disposal of Solid Waste and Collection and  
Transport for Processing of Green Waste  
and Recyclable Materials



Prepared by: Solid Waste Solutions, Inc.  
Representative: Kimberly Nilsson

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**Solid Waste Franchise Performance Review**

E.J. Harrison & Sons, Inc.



Submitted a detailed report indicating their compliance with the general terms and conditions of the franchise agreement, the California Highway Patrol and the Air Resources Board.

City of Carpinteria  
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# Solid Waste Franchise Performance Review

## Residential Diversion Statistics 2008 - Present

YEAR	Residential Diversion
2008	48.6%
2009	49.4%
2010	49.6%
2011 thru June	50.4%
2011 thru September	50.8%

Note: Contract requires a diversion rate of 43%, compliance exceeded.

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## Solid Waste Franchise Performance Review

### Multi-Family/Commercial & Roll-off Diversion Statistics 2008 - Present

YEAR	Multi-family / Commercial Diversion	Roll-Off Diversion
2008	8.4%	25.7%
2009	8.9%	26.3%
2010	9.7%	29.8%
2011 thru June	14.6%	48.4%
2011 thru September	20.1%	51.1%

Note: Contract does not establish a diversion goal.

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## Solid Waste Franchise Performance Review

### Community Service Opportunities

- ① Actively participates in many community events: the Avocado Festival, Chamber of Commerce events, Tomol Play Area, Boys and Girls Club, etc.
- ① Assists with the annual spring clean-up event.
- ① Provides educational material to the community.

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## Solid Waste Franchise Performance Review

### Information Available to City

- ① Training records of the employees
- ① Route maps for coordination with street sweeping, etc.
- ① List of staff assigned to the city and their associated duties.
- ① List of complaints received, less than 0.1% of total customers.
- ① Company available for Emergency response as needed.

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## Solid Waste Franchise Performance Review

### New Programs

- ① Have recently implemented a new recycling program in the residential sector that greatly reduced the refuse that previously was landfilled.
- ① Commercial recyclables will be processed as the residential sector is.
- ① Would like to establish a commercial food waste program in the near future.

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## Solid Waste Franchise Performance Review

### Service Enhancements Recommended:

- ① Continue to increase public education in all sectors.
- ① Continue to improve communication on upcoming programs.
- ① Stress the need for quality customer service at all levels to all employees.

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## Solid Waste Franchise Performance Review

### Recommendations

- ① Accept all performance review documents submitted by E.J. Harrison & Sons, Inc.
- ① Find E.J. Harrison in compliance with all requirements of their contract.

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DEPARTMENT OF PUBLIC WORKS**



**Solid Waste Franchise Performance Review**

Solid Waste Solutions would like to thank the City staff and E.J. Harrison for their assistance in the preparation of all documents needed to generate this performance review.

**ATTACHMENT B**

**MSW Consultants, Inc. Presentation**

# City of Carpinteria



## Financial Review of E. J. Harrison & Sons, Inc.

November 28, 2011

Presented by



# Objectives of Financial Review

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- **Confirm billing accuracy**
- **Review fee payments**
- **Analyze profitability**



# Work Done– Billing Accuracy

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- **Select random sample of customers**
- **Obtain download of customers from company's billing system**
- **Compare to rate schedule**



# Findings – Billing Accuracy

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- **Customers who subscribed for service were billed accurately**
- **Not all residents subscribe for service**



# Description of Solid Waste Fees

<b>Description</b>	<b>Franchise Fees</b>	<b>AB 939 Fees</b>
<b>Residential</b>	<b>8% of Gross Receipts</b>	<b>\$0.66 per month per unit</b>
<b>Commercial</b>	<b>8% of Gross Receipts</b>	<b>4% of Gross Receipts</b>



# Work Performed

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- **Obtained payment info**
- **Tested cash receipts system**
- **Performed false exclusion test**
- **Reviewed house count**



# Fees Paid FY 2009 - 2011

Fee Description	FY 2009	FY 2010	FY 2011
<b>Residential</b>			
Franchise Fees	\$54,000	\$53,700	\$57,700
AB 939 Fees	21,900	22,200	22,200
<b>Total</b>	<b>\$75,900</b>	<b>\$75,900</b>	<b>\$79,900</b>
<b>Commercial</b>			
Franchise Fees	\$124,000	\$128,200	\$125,700
AB 939 Fees	62,000	64,100	62,800
<b>Total</b>	<b>\$186,000</b>	<b>\$192,300</b>	<b>\$188,500</b>
<b>Combined</b>			
Franchise Fees	\$178,000	\$181,900	\$183,400
AB 939 Fees	83,900	86,300	85,000
<b>Total</b>	<b>\$261,900</b>	<b>\$268,200</b>	<b>\$268,400</b>



# Findings – Fee Payments

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- **Company properly paid its fees for the years ended June 30<sup>th</sup> 2009, 2010, and 2011.**



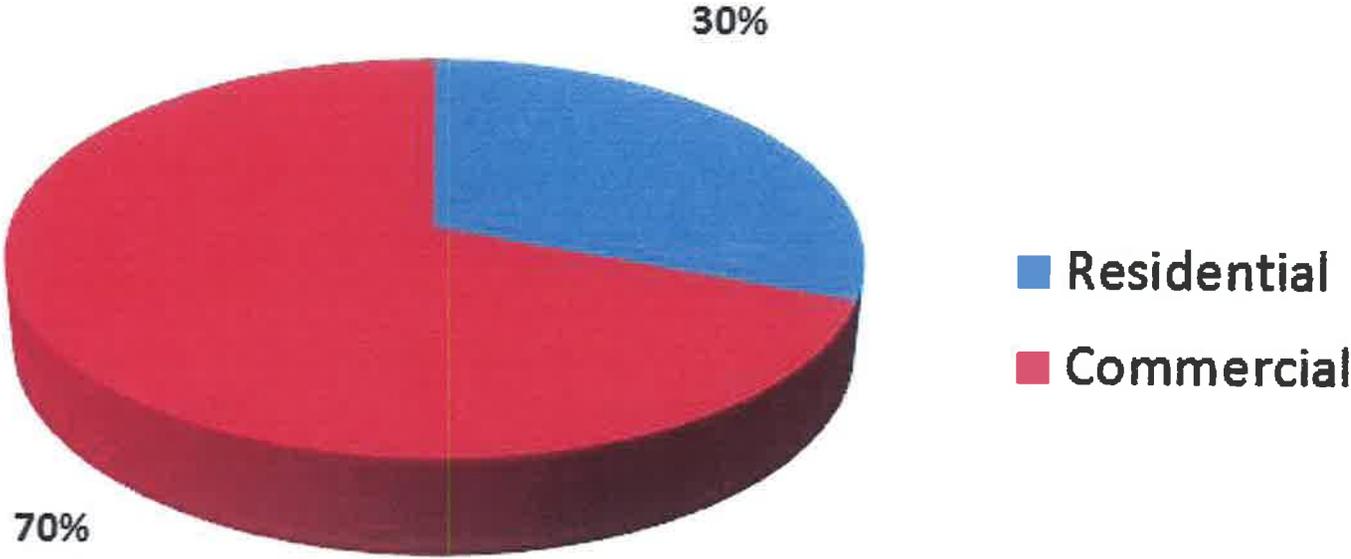
# Profitability – Work Performed

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- Obtain audited financial statements
- Review allocations of cost between Carpinteria and other jurisdictions
- Analyze labor, equipment, disposal, and other costs
- Recalculate revenue based on customer information
- Compare operational data to financial information

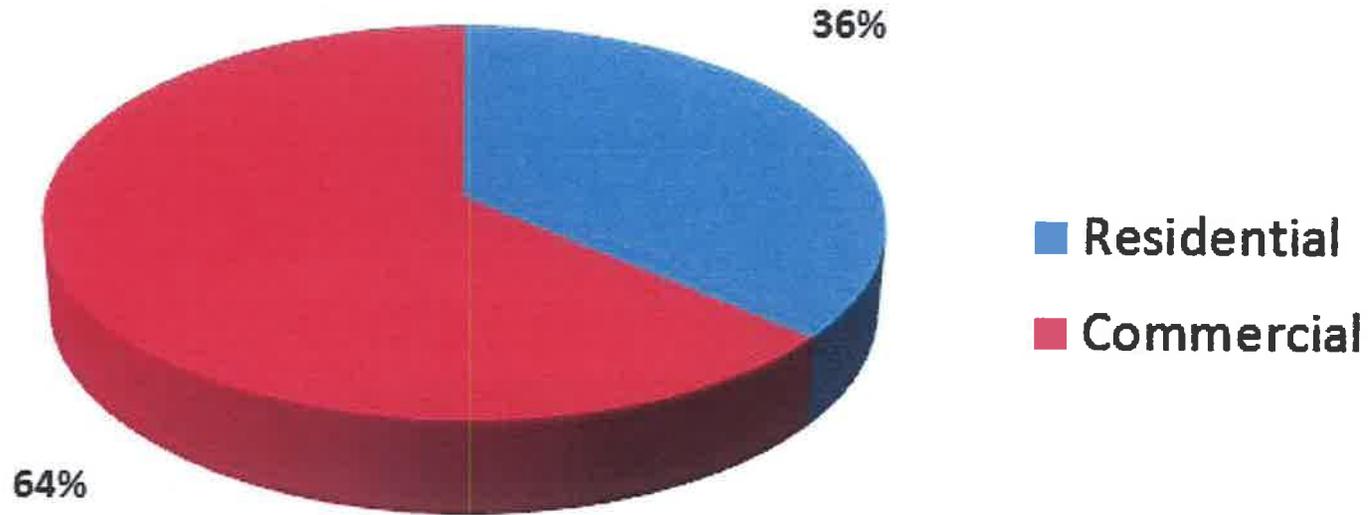


# Revenue by Customer Sector



# Expenses by Customer Sector

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# Profitability - Residential

Description	FY 2009		FY 2010	
	Amount	%	Amount	%
<b>Total Revenue</b>	<b>\$704,600</b>	<b>100.0%</b>	<b>\$711,100</b>	<b>100.0%</b>
<b>Expenses:</b>				
<b>Labor and Labor-related</b>	<b>\$271,400</b>	<b>38.5%</b>	<b>\$281,100</b>	<b>39.5%</b>
<b>Vehicle and Equipment</b>	<b>\$177,200</b>	<b>25.1%</b>	<b>\$161,800</b>	<b>22.8%</b>
<b>Landfill and Processing</b>	<b>\$192,600</b>	<b>27.3%</b>	<b>\$195,700</b>	<b>27.5%</b>
<b>Other Operating Costs</b>	<b>\$99,800</b>	<b>14.2%</b>	<b>\$96,800</b>	<b>13.6%</b>
<b>AB 939 &amp; Franchise Fees</b>	<b>\$75,900</b>	<b>10.8%</b>	<b>\$75,800</b>	<b>10.7%</b>
<b>Total Expenses</b>	<b>\$816,900</b>	<b>115.9%</b>	<b>\$811,200</b>	<b>114.1%</b>
<b>Net Income Before Taxes</b>	<b>(\$112,300)</b>	<b>-15.9%</b>	<b>(\$100,100)</b>	<b>-14.1%</b>



# Profitability - Commercial

Description	FY 2009		FY 2010	
	Amount	%	Amount	%
<b>Total Revenue</b>	<b>\$1,605,900</b>	<b>100.0%</b>	<b>\$1,623,100</b>	<b>100.0%</b>
<b>Expenses:</b>				
<b>Labor and Labor-related</b>	<b>\$428,600</b>	<b>26.7%</b>	<b>\$431,400</b>	<b>26.6%</b>
<b>Vehicle and Equipment</b>	<b>289,900</b>	<b>18.1%</b>	<b>272,400</b>	<b>16.8%</b>
<b>Landfill and Processing</b>	<b>374,200</b>	<b>23.3%</b>	<b>373,900</b>	<b>23.0%</b>
<b>Other Operating Costs</b>	<b>165,800</b>	<b>10.3%</b>	<b>159,700</b>	<b>9.8%</b>
<b>AB 939 &amp; Franchise Fees</b>	<b>187,400</b>	<b>11.7%</b>	<b>193,500</b>	<b>11.9%</b>
<b>Total Expenses</b>	<b>\$1,445,900</b>	<b>90.1%</b>	<b>\$1,430,900</b>	<b>88.1%</b>
<b>Net Income Before Taxes</b>	<b>\$160,000</b>	<b>10.0%</b>	<b>\$192,200</b>	<b>11.8%</b>



# Profitability - Combined

Description	FY 2009		FY 2010	
	Amount	%	Amount	%
<b>Total Revenue</b>	<b>2,310,500</b>	<b>100.0%</b>	<b>\$2,334,200</b>	<b>100.0%</b>
<b>Expenses:</b>				
<b>Labor and Labor-related</b>	<b>\$700,000</b>	<b>30.3%</b>	<b>\$712,500</b>	<b>30.5%</b>
<b>Vehicle and Equipment</b>	<b>467,100</b>	<b>20.2%</b>	<b>434,200</b>	<b>18.6%</b>
<b>Landfill and Processing</b>	<b>566,800</b>	<b>24.5%</b>	<b>569,600</b>	<b>24.4%</b>
<b>Other Operating Costs</b>	<b>265,600</b>	<b>11.5%</b>	<b>256,500</b>	<b>11.0%</b>
<b>AB 939 &amp; Franchise Fees</b>	<b>263,300</b>	<b>11.4%</b>	<b>269,300</b>	<b>11.5%</b>
<b>Total Expenses</b>	<b>\$2,262,800</b>	<b>97.9%</b>	<b>\$2,242,100</b>	<b>96.1%</b>
<b>Net Income Before Taxes</b>	<b>\$47,700</b>	<b>2.1%</b>	<b>\$92,100</b>	<b>3.9%</b>



# Profit – Industry Benchmarks

Industry Benchmark	Source of Industry Benchmark				EJ Harrison FY 2010	
	First Research Industry Profile 2010 (a)	RMA Financial Statement Studies 2010 (b)	IRS 2008 Corporation Source Book			Three Largest Publicly Traded Waste Firms 2010 (e)
			All companies (c)	Only companies that earned profit (d)		
<b>Pretax Profit Margin</b>	<b>2.5%</b>	<b>6.6%</b>	<b>1.7%</b>	<b>8.8%</b>	<b>12.4%</b>	<b>3.9%</b>

(a) Based on a survey of 13,156 solid waste companies (NAICS #562) of all sizes.

(b) Based on survey of 53 solid waste collection companies with total assets between \$10 and \$50 million

(c) Based on a compilation of 148 corporate tax returns from waste management companies with assets between \$10 and \$25million.

(d) Based on a compilation of 87 corporate tax returns from waste management companies with assets between \$10 and \$25million.

(e) Weighted average of Republic Services, Inc., Waste Connections, Inc. and Waste Management, Inc.



# Financial Review - Summary

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- **Company is accurately billing customers**
- **Company properly paid fees for fiscal years 2009, 2010 and 2011**
- **Profit is within a wide range of industry benchmarks**

