Council Agenda Report

From: Dick McKinley, Public Works Director

Subject: Extending the Landfill Management Contract with Pacific Waste Services

Date: July 18, 2017

Facts

1. The City owns a landfill that has been in operation for a number of years. The landfill currently receives about 45,000 tons of waste per year. As currently permitted, and with the waste stream increasing by about 2% per year, the landfill has more than 50 years of life remaining. There are a number of factors that could alter the growth rate of the landfill. These include variables such as increased recycling, or in the converse, increased population.

2. The City has contracted with Pacific Waste Services, Inc. (PWS) for operation of the landfill since August 1, 2000. The contract is a 20-year contract set to expire in 2020. The contract has been amended four times (2005, 2006, 2009, and 2013).

3. On April 5, 2016, PWS requested that the City extend the contract by 10 years (to 2030) with a mutual option for another 10 years (to 2040). The primary reason for the request is that PWS will need to invest in landfill liners soon, with only a few years remaining on the contract, as well as to replace some very expensive heavy equipment that they would not need if the contract were not extended.

4. As part of our due diligence, the City hired R3 to evaluate the proposed extension and to advise the City. R3 is a well-respected firm that specializes in solid waste issues. R3 was the firm that recently analyzed the rate request from Paso Robles Waste & Recycle. Because of their analysis over several months, R3 "generally found PWS's cost projections to be reasonable" but recommended that there are a number of factors that can influence the growth of the landfill. R3 recommended that a part of the contract extension should be a review of the financials every five years during the course of the contract. Staff and PWS agree with that recommendation.

5. On September 30, 2016, Blue Ridge Services completed a full Operational Assessment of the landfill operations provided by PWS. Based on that Operational Assessment, Blue Ridge Services concluded that, "the landfill is operating at a level that generally meets or exceeds industry standards, and is doing so at a reasonable cost."

6. On July 31, 2016 David M. Low, CPA completed a full independent financial audit of PWS work at the landfill, and found that, "the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America."

Options

1. Do nothing;
2. Amend the landfill operating agreement to extend the term by ten years, plus an additional ten years by mutual agreement, with PWS, and including making changes to some other terms of the agreement;
3. Allow the current agreement to expire, and conduct an RFP process in 2019 to select a new landfill operator.

Analysis and Conclusions

The key issue here is that the operator of the landfill is doing a very good job. The operator needs to replace some very expensive heavy equipment needed to operate the landfill, and to pay to install liners and soils in the next cells as the landfill expands. With only a few years left in the agreement (expires on July 31, 2020) it is problematic for the operator to invest large amounts of money. If the agreement is extended then the operator can make the investments knowing that there is sufficient time to recoup the investment. There have been a number of regulatory and operational changes that have increased the costs of operating, so the funding to the operator is proposed to increase to cover those costs.

Option 1 works for the short term, but does not address the future management of the landfill after contract expiration, does not address heavy equipment replacement, and does not address purchasing and installing liners in the next landfill cells.

Option 2 provides assurances going forward for at least the next 12 years, including landfill regulatory and financial compliance. Option 2 provides for replacement of essential heavy equipment, and purchase and installation of landfill liners for continued operation. Without the time extension, the current operator would have no incentive to invest in the liners or the replacement equipment. The current operator, PWS, has done a good job in operating the landfill, holding down costs, protecting the City's investment for the future, and complying with all regulations. There is no operating or financial reason to want to change the contract operator.

Option 3 would be time consuming and expensive, with no real expectation of having a better operator, or a better financial agreement.

Fiscal Impact

The City, as owner of the landfill, receives revenues from tipping fees, and reduced costs for City waste deposited at the landfill. That means waste that comes from the City organization, not waste from the community as collected and transported by Paso Robles Waste & Recycle. After paying the PWS fee the City receives the funding needed for the mandatory Closure and Post-Closure funds (currently $2.6 million), and additional income to the General Fund from the PWS franchise fee ($759,345 in FY 2015/16). Having PWS as a contract operator means that the Contractor, not the City, pays for the major expenses of the landfill out of pocket, including new liners and heavy equipment. This keeps the General Fund from having to making significant capital outlay. The City pays directly for the mandatory monitoring through a contract with Golder Associates. Those reports consistently show that the landfill is being properly managed, and that the environment is being properly protected, saving the City from having to pay for expensive fines. The future rates of Annual Contractor Retention will change to make the operating ratio and profit margins more in line with industry norms. The profit for 2014 was -7.5% and for 2016 was 4.5%. A typical operating ratio is 86% with a profit margin of about 14% due to the high risks, extensive capital outlay, and liability exposures for landfill operations.

Recommendation

Approve Resolution 17-XXX authorizing the City Manager to execute Amendment No. 5 to the Landfill Operating Agreement with PWS, attached hereto, extending the term for 10 years, and authorizing the

City Manager and City Attorney to make minor changes to the agreement fully consistent with overall Council direction.

Attachments

1. Resolution 17-XXX
2. Amendment No. 5 to the Landfill Operating Agreement with Exhibits
3. R3 PWS Contract Extension Negotiations Review, with Blue Ridge Services Operational Assessment, and Blue Ridge Services High Level Cost Review
4. Paso Robles Landfill Independent Financial Audit Report

RESOLUTION NO. 17-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT NO. FIVE TO THE LANDFILL OPERATING AGREEMENT WITH PACIFIC WASTE SERVICES, INC.

WHEREAS, the City owns a landfill that has been in operation for a number of years. The landfill currently receives about 45,000 tons of waste per year. As currently permitted, and with the waste stream increasing by about 2% per year, the landfill has more than 50 years of life remaining. There are a number of factors that could alter the growth rate of the landfill. These include variables such as increased recycling, or in the converse, increased population; and

WHEREAS, the City has contracted with Pacific Waste Services, Inc. (PWS) for operation of the landfill since August 1, 2000. The contract is a 20-year contract set to expire in 2020. The contract has been amended four times (2005, 2006, 2009, and 2013); and

WHEREAS, on April 5, 2016, PWS requested that the City extend the contract by 10 years (to 2030) with a mutual option for another 10 years (to 2040). The primary reason for the request is that PWS will need to invest in landfill liners soon, with only a few years remaining on the contract, as well as to replace some very expensive heavy equipment that they would not need if the contract were not extended; and

WHEREAS, as part of our due diligence, the City hired R3 to evaluate the proposed extension and to advise the City. R3 is a well-respected firm that specializes in solid waste issues. R3 was the firm that recently analyzed the rate request from Paso Robles Waste & Recycle. Because of their analysis over several months, R3 "generally found PWS's cost projections to be reasonable" but recommended that there are a number of factors that can influence the growth of the landfill. R3 recommended that a part of the contract extension should be a review of the financials every five years during the course of the contract. Staff and PWS agree with that recommendation; and

WHEREAS, on September 30, 2016, Blue Ridge Services completed a full Operational Assessment of the landfill operations provided by PWS. Based on that Operational Assessment, Blue Ridge Services concluded that, "the landfill is operating at a level that generally meets or exceeds industry standards, and is doing so at a reasonable cost"; and

WHEREAS, on July 31, 2016 David M. Low, CPA completed a full independent financial audit of PWS work at the landfill, and found that, "the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America."

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. All of the above recitals are true and correct and incorporated herein by reference.

Section 2. The City Council hereby authorizes the City Manager to execute Amendment No. Five to the Landfill Operating Agreement, extending the term for ten years.

Section 3. The City Council hereby authorizes the City Manager and City Attorney to make minor changes to the agreement fully consistent with overall Council direction.

Section 4. This Resolution shall take effect on the date it is approved by the City Council.

APPROVED this 18th day of July, 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

FIFTH AMENDMENT TO AGREEMENT

FOR OPERATION OF SOLID WASTE LANDFILL

PASO ROBLES MUNICIPAL LANDFILL

THIS FIFTH AMENDMENT (the "Fifth Amendment") is made and entered into this _____ day of _____, 2017, by and between the CITY OF EL PASO DE ROBLES, a municipal corporation ("City") and PACIFIC WASTE SERVICES, INC. a California corporation ("Contractor").

Recitals

A. The City and Contractor entered into an Agreement for Operation of Solid Waste Landfill, Paso Robles Municipal Landfill, commending August 1, 2000, (the "Original Agreement") providing terms and conditions for the operation of the City's landfill ("Landfill") by Contractor.
B. The City and Contractor have previously entered into Amendments dated April 5, 2005 ("First Amendment"); April 5, 2006 ("Second Amendment"); April 29, 2009 ("Third Amendment"); and November 5, 2013 ("Fourth Amendment"). The Original Agreement, First Amendment, Second Amendment, Third Amendment, and Fourth Amendment are referred to collectively herein as the "Agreement."
C. Regulatory costs have significantly impacted operating costs in recent years, including new standards for heavy equipment, new standards for liners and soil layers, and continually increasing operating requirements.
D. The City sends sludge from the wastewater treatment plant to the landfill resulting in an operating expense. Due to the new treatment plant, the amounts of 200 tons per year to a current level of about 2,000 tons per year.
E. The Contractor submitted to the City on April 5, 2016 a proposed extension to the Agreement.
F. The City has reviewed the proposed extension to the Agreement with the assistance of R3 Consulting Group, Inc.
G. In addition, the parties wish to clarify and modify certain other provisions of the Agreement.

Agreements

Section 1 "Section (1) – Term" is hereby amended to add:

"The initial term of this Agreement shall be extended for ten (10) years from expiring on July 31, 2020 to expiring on July 31, 2030. Upon mutual agreement between City and Contractor, term may be extended another ten (10) years from expiring on July 31, 2030 to expiring on July 31, 2040."

Section 2 paragraph (k) is hereby added to "Section (2) – Scope of Services" to read as follows:

"(k) Clarifications and detailed description of Scope of Services of work to be provided by Contractor unless explicitly identified as City responsibility include: Exhibit B.I – Scope of Services – Landfill

Operations and Administration; Exhibit B.II – Scope of Engineering, Planning, Reports, Permit Compliance Services; Exhibit B.III – Scope of Landfill Gas System; and, Exhibit B.IV – Scope of Module 3Cb, 4A1, 4A2, and 4A3 Phased Liner Construction, CQA Services."

It is mutually understood by the parties that the contractor will prepare a soil management plan and fill sequencing plan prior to the completion of the first extension term.

Section 3 for Section 2 in this Fifth Amendment to be implemented as mutually desired, an amendment where the First Amendment, Section 1 and Section 2 paragraph (h) shall be deleted.

Section 4 Paragraph (l) is hereby added to "Section (2) – Scope of Services" to read as follows:

"(l) An independent third party (the "Independent Party") selected by the City shall have full responsibility for groundwater monitoring, landfill gas probe monitoring, landfill gas surface emission testing and all associated semi-annual reporting. The Contractor will continue weekly flare monitoring, monthly landfill gas well field monitoring and adjustments, and associated report preparation and sharing of documents with Independent Party."

Section 5 for "Section (6) – Distribution of Revenues" is hereby revised in its entirety to read as follows:

"(a) During each of the first two (2) years of this Agreement, in accordance with the procedure set forth herein, Contractor shall be entitled to retain a portion of annual revenues (the "Annual Contractor Retention") in the amount of nine hundred seventy-seven thousand dollars ($977,000), and all revenues above that amount and up to the Revenue Sharing Point as defined in paragraph (c) below, shall be remitted to City. Beginning on August 1, 2002, and on each August 1 thereafter, the amount of the Annual Contractor Retention shall be increased by Two and One-half Percent (2.5%) per year; however, the Contractor voluntarily waived the annual increase beginning August 1, 2010 such that as of August 1, 2013 the parties agreed that the Annual Contractor Retention amount shall be One Million Two Hundred Fifty-Five Thousand Four Hundred and Thirty-Nine Dollars ($1,255,439) and thereafter shall increase each August 1 by One and One-Half Percent (1.5%) per year. As of August 1, 2016 the Annual Contractor Retention was $1,312,785.36. On August 1, 2017, the Annual Contractor Retention will increase by One and One-Half Percent (1.5%) plus $100,000 to $1,432,477.14. On August 1, 2018, the Annual contractor Retention will increase by One and One-Half Percent (1.5%) plus $100,000 to $1,553,963.30. Every August 1 thereafter, the Annual Contractor Retention will increase by One and One-Half Percent (1.5%)."

Section 6 for "Section (8) – Reports and Audits" is hereby revised as follows:

"(a)…Said performance audit shall be undertaken after the end of every ~~third~~ five year period, covering the prior ~~three~~ five year period of operations.

(b)…Said audit shall be undertaken every ~~other~~ fifth year beginning with the date of this Amendment. ~~Independently compiled~~ An independent certified public accountant shall prepare compiled financial reports annually except when an audited financial statement is required, Should the audited financial reports…"

Section 7 for "Section (8) – Reports and Audits" add paragraph (d) as follows:

"(d) The City and Contractor will review the finances to make sure the landfill operations agreement is working as planned, and to confirm that the operating ratio and profit margin is within the accepted norms for landfill operations. Such reviews will occur in 2025 and every five years thereafter during the term of the Agreement."

This Fifth Amendment shall be effective as of the date hereinabove written.

CITY OF EL PASO DE ROBLES

A municipal corporation

_____

Thomas Frutchey, City Manager

Approved as to Form:

_____

Iris P. Yang, City Attorney

"City"

PACIFIC WASTE SERVICES, INC.

A California corporation

_____

James A. Wyse, President

"Contractor"

EXHIBIT "B. I."

SCOPE OF SERVICES – LANDFILL OPERATIONS & ADMINISTRATION

PASO ROBLES LANDFILL OPERATIONS SERVICES BY PWS
(All items are at PWS Expense)

Scale/Gatehouse/Billing/Collections

1. Gate/Scale Operation
2. Tickets for all customers, Collect Fees
3. Monthly Billing and collection for all charge customers
4. Daily Banking, deposit of cash and checks, credit card reconciliation
5. Conduct all banking, reconciliations
6. Tracking outstanding charge customers, handle bounced checks, delinquent accounts, bankruptcy customer filings
7. Monthly reports to the City with supporting information
8. Monthly payment to City for City's share and IWMA share
9. Updating Scale Software (WAM Software) and Technical support when needed
10. Computer replacements when needed, networking scale to office (last done March 2016)
11. Annual County Weight Master Certification of the scale
12. Cleaning/Maintenance/Load Cell Replacements of Scale
13. Periodic Load Checks of public and commercial loads at scale & active area
14. Directing customers with CRT's, Hazardous Waste to on-site HHW Facility
15. Direct customers to unloading area(s) for their loads, i.e. waste active area, wood waste stockpile, metal area, concrete, clean soil, clean glass fines, C&D Fines, Glass Fines,etc.
16. Treated Wood Waste load checking and record keeping
17. Periodic distribution of information to customers
18. Customer communication
19. City Communications

Waste Handling/Filling

1. Provide and maintain all-weather access road to near the active landfill operations area.
2. Provide wet weather unloading area with all-weather surfaced material.
3. Direct customers unloading at active area or stockpiles
4. Provide directional signs and gate rate, hazardous waste limitation signs
5. Recyclable separation from unloaded material at the active landfill face, by hand and/or with equipment (cardboard, metal, wood, concrete, tires, copper wire). Place recyclables into designated containers near the active face. Some salvaging of other reusable materials are conducted consistent with Agreement and Exhibits.
6. Push rubbish off unloading pad into landfill cell using CAT 953 or JD755C crawler loader and at times the bulldozer.
7. Spread and compact the waste using the CAT 826G Compactor or BOMAG BC1172RB.
8. Construct the landfill cells in sequence that maximizes compaction, builds cells to final graded slopes, access roads, drainage benches or interim slopes as designed.
9. Daily cover consists of regulatory approved tarps, C&D Fines, glass fines, wood chips, or soil.

10. Daily cover, other than tarps, is placed by dozer and/or crawler loader from material stockpiled/delivered by CAT 623 Scraper or delivered by customers.
11. As a common practice, next days cell footprint area will have any soil/concrete on that surface removed in the morning and placed along the edge of the cell for use as future daily cover. Such practice reduces perimeter leachate seepage potential, reduces soil cover within the landfill cell, and increases refuse capacity.
12. Soil for cover is excavated from designated borrow areas of the site in a sequence for future landfill cell development and lining. Soil is picked up and moved with a scraper to the active landfill area. At times, alternative methods of soil movement may include excavator and truck(s). Soil movement is recorded on Soil Borrow and Use Logs.
13. All equipment repairs are conducted either by PWS experienced staff or other experienced heavy equipment mechanic.
14. When needed, PWS rents equipment to conduct the landfill's operation.
15. On-site personnel conduct regular equipment service.
16. All record keeping for above efforts are kept by site staff/management.
17. All equipment records/reporting to California Air Resources Board and SLO APCD are kept by PWS. Necessary future reporting for "In-Use Off-Road Diesel Vehicle Regulation" will be handled by PWS.

Hazardous Waste Materials

1. Equipment waste oil, antifreeze, oily rags, oil filters are temporarily stored in secondary containment tray(s) in PWS' secure container until Saturdays when material is delivered to manned SLO IWMA's HHW facility for log in and acceptance.
2. Maintains a Hazardous Waste Permit with SLO County, pays the annual fees, and makes sure all site documents are up to date and accurate.
3. Cleanup of any spills of waste liquids
4. Responsible for diesel fuel tank and secondary containment, any leaks, monitoring and cleanup if needed.

Recyclable Material Handling

1. Recycled metal is loaded into one or two 40 cubic yard roll-off containers provided by North Coast Recycling or others. When the container is filled, the container is picked up, weighed as Outgoing Load (recycled metal), and taken to North Coast Recycling for processing and shipment to metal salvagers.
2. Cardboard roll-off container is provided by one of the local haulers. PWS places cardboard into the container until it is filled. Once filled, PWS contacts the hauler and they rotate the full for an empty container.
3. Clean unpainted pallets, lumber (no plywood or partical board) are stockpiled or loaded into a separate roll-off container for recycling off-site. The recycler, grinds that material and sends to urban wood recycling companies when they have markets for this type of material. When these type of materials are not sent to off-site processor, the pallets will be stockpiled or placed in the wood pile. We also have parties who will pick the pallets up at no cost.
4. Wood waste separated and loaded into roll-off container near the active landfill area is rotated to the on-site wood stockpile when the roll-off container is full. Customers with clean wood loads (no pressure treated wood, no painted wood, no furniture, no excess metal) are also directed to the wood/green waste stockpile. This stockpiled material is ground periodically by a subcontractor. Ground material, if acceptable, is sent to be beneficially used at a biomass facility. Ground wood waste material is also used for daily cover and interim slope mulching for erosion control. PWS is responsible for funding the

subcontracted grinder, uses on-site, transport truck loading, and trucking costs to biomass facility. Customers are periodically provided with flyers describing wood/green waste stockpile use and unacceptable material.

5. Appliances with CFC are set aside in an open area. Once there are around 15+ units Eco Solutions is called to remove the CFC from the units using appropriate permitted units. After the CFC's have been removed those units are placed in the metal container.
6. Tires are separated into roll-off containers or enclosed trailer. Passenger size tires without the rims may be placed in a container. When that passenger tire container is full, it is taken to Chicago Grade Landfill where they are chipped up for recyclable use at a cost to PWS. PWS gets a load of chipped tires back from Chicago Grade Landfill which is used for Horizontal Landfill Gas Collection permeable backfill as permitted by the APCD. Other larger tires with and without rims are placed in other roll-off containers or in a trailer. PWS has these larger tires picked up by licensed tire hauler/recycler for chipping or shredding. For each load of tire disposal/recycling, PWS pays a fee.
7. Additional recyclables are tracked as they leave the site to processors – mixed recyclables from containers at the gate house, and other separated aluminum cans, and reusable materials.
8. Drop off recyclables placed by customer in the containers at the gate house are picked up by Paso Robles Waste Disposal commingled recycle truck, weighed, recorded, and taken to recyclable material processor.

Landfill Liner Development

1. PWS provides equipment and manpower to excavate, install small earthfills, access ramps, and grade new cells to the approximate subgrade conditions as part of the landfill site operations.
2. PWS provides lined cell protection from rain impacts when necessary.
3. PWS continues to excavate and grade the next cell to be lined
4. PWS provides RWQCB approved improvements for preferential leachate flow pathway for unlined waste management units at the site.

Leachate Handling/Monitoring

1. PWS maintains and monitors 2 leachate tanks on an on-going basis.
2. PWS pumps leachate into on-site water truck primarily for delivery to the RWQCB approved permanent leachate re-circulation program trench and have RWQCB approval for dust control for access roads located over lined modules.
3. When necessary, PWS rents additional storage containers to store leachate quantities beyond the 2 leachate tanks during wet weather periods.
4. PWS has secured City and RWQCB approval for leachate reinjection into the landfill where the leachate reinjection trench is located over lined waste management units/modules.

Sludge Handling

1. Grade a flat, dry weather accessible unloading area for the City's sludge hauling contractor within Module 4A.
2. Mix sludge only to air dry the excess moisture in the sludge so the dried material can be used for future on-site beneficial uses.
3. Sludge and soil can be mixed at the active landfill or interim cover area or within the borrow pit area for beneficial uses.
4. RWQCB approved interim cover soil amendment with sludge use continues.
5. Approved small % mixture of sludge with active landfill soil cover continue.

Site Observations and Record Keeping

1. Weekly monitoring of the flare inlet and observe the blower/flare operation daily
2. Restart flare system when it shuts down. Check causes of shutdown and repair. During restart of flare at least an hour of watching the temperature, louvers to balance the flare is necessary to avoid another shutdown due to either high temperature or low temperature. Transmit required regulatory notifications of the flare shutdown and complete a Shutdown/Startup Form for the event.
3. Bi-monthly inspections and record keeping of leachate tanks, leachate piping, condensate piping
4. Bi-monthly inspections and record keeping of fuel storage system
5. Periodic inspection and recording of stormwater drainage facilities on both PWS log sheet and RWQCB Annual Stormwater Report forms.
6. Prepare quarterly information and compile other information for transmittal to CalRecycle
7. Review special waste sources including analysis, sometimes physical pre-delivery inspection
8. Review City's WWTP sludge analysis, keep records, observe delivered material
9. Keep an on-going spread sheet of monthly incoming waste tonnage, recycled tonnage, landfilled tonnage, remaining landfill capacity, in-place landfilled tons, and annual tonnages.
10. Record daily rainfall totals using site rain gauge.
11. Provide Golder Associates or 3rd Party Monitoring/Reporting Consultant with information required for their semi-annual and annual reports.
12. Provide CalRecycle with quarterly site data required by the Solid Waste Facilities Permit.
13. Record location of waste filling
14. Record Special Occurrences
15. Keep all required permits, technical documents, recent reports available for review at the landfill site.
16. Track and prepare treated wood waste disposal reports for CalRecycle and DTSC
17. Prepare and transmit quarterly waste, recyclable tonnage data for SLO IWMA

Engineering Support

1. Plan wet weather fill location operations, access & sequencing
2. Plan dry weather fill location operations, access & sequencing
3. Provide periodic inspection tour for RWQCB
4. Provide monthly inspection tour for CalRecycle

EXHIBIT "B. II."

SCOPE OF ENGINEERING, PLANNING, REPORTS, PERMIT COMPLIANCE SERVICES

Engineering, Planning, Reporting

1. Joint Technical Document review, preparation, and update once every 5 years, last completed in November 2012
2. Preliminary Closure and Post Closure Monitoring and Maintenance Plan review, preparation and update once every 5 years, last completed in November 2012
3. Periodically review and update the Worst Case Foreseeable Corrective Action Plan (Water)
4. Annually review the SWPPP document and update as needed
5. Submit Permit to Operate/Title V Landfill Gas Permit Application once every 5 years, last completed in December 2012
6. Permit to Construct Document Preparation, Application to SLO APCD, Secure Approval
7. Coordinate, Review, Comment and Implement New WDR's, SWFP's, PTO's
8. Prepare Pilot Test Report for Leachate Recirculation, Coordinate Permanent Approval
9. Conduct periodic inspections of Leachate Preferential Pathway Operations
10. Prepare Annual Wet Weather Preparedness Letter Report to RWQCB/Inspect Implementation
11. Conduct Annual Comprehensive Compliance Evaluation for Stormwater Report for RWQCB
12. Prepare/Transmit Annual Stormwater Report to RWQCB
13. Prepare Regulatory Approval Documents for C&D Entrance Facility
14. Refuse Fill Planning to accommodate future site improvements, provide adequate capacity, proper drainage and access
15. Prepare Partial Final Closure Plan for South 1/3 Landfill Area

Surveying/AutoCadd

1. Module 3C Base rough grade checking and staking
2. Module 4A Base rough grade checking and staking
3. South 1/3 Landfill Final grade check and staking
4. South 1/3 Landfill final access road grade check and staking
5. South 1/3 Landfill final drainage bench grade check and staking
6. 5-year topographic mapping, control staking
7. 5-year waste density, refuse/soil ratio, check on remaining capacity of South 1/3 Landfill Area
8. Evaluation of refuse fill capacity of landfill areas: Module 1, 2A, 2B, 3A, 3B, 3Ca, and Unlined Module A, for lining timing for Modules 3Cb, Module 4A1, 4A2, etc.

Landfill Gas Operation & Maintenance

1. Arrange, Coordinate, Fund Triennial LFG Blower/Flare Station Source Test & Report by 3rd Party Consultant
2. Conducts monthly well field monitoring in compliance with the Title V/Permit to Operate SLO APCD Permit. Conduct repairs on the LFG well field as needed.
3. Prepare Monthly LFG Reports
4. Prepare Annual Throughput Report for SLO APCD
5. Prepare Annual Methane Emissions for MSW Landfill Report to SLO APCD
6. Provides 3rd party consultant with site monitoring information on the LFG system for their semi-annual and annual Title V Report preparation.
7. Review, Evaluate Surface Sweep, LFG Probe Monitoring data collected by 3rd Party Consultant

8. Assist/Coordinate Annual SLO APCD Inspection

Permit Compliance

1. Review/Comment on Semi-annual Self Monitoring Reports for WDR & MRP Compliance prepared by 3rd Party Consultant.
2. Review/Comment on LFG PTO/Title V/GHG semi-annual and annual reports prepared by the 3rd Party consultant.
3. Review/Comment on LFG Probe Monitoring Report prepared by the 3rd Party Consultant.
4. Compiles Tonnage, Site Records, Recycling, Load Check Forms and Other information for 3rd Party Consultant use in preparation of documents listed in 1, 2 and 3 above.
5. Collects storm water samples from the storm water basin outlets during wet weather season when discharges occur (1 at first discharge and at least 1 additional discharge, there are years when there are no stormwater discharges from the site and we so note). The samples are analyzed and incorporated into the annual reporting.
6. Keep up to date on proposed, revised, and new regulations that impact landfills.
7. PWS assists City with the Annual Closure/Post Closure/Corrective Action Financial Assurance adequacy reporting to CalRecycle.
8. Prepare air emission analysis for heavy equipment in compliance with the "In-Use Off-Road Regulation" and amendments adopted and enforced by California Air Resources Board (ARB).

EXHIBIT "B. III."

SCOPE OF LANDFILL GAS SYSTEM

Engineering, Planning, Reporting (PWS)

1. Preparation of Updated Authority to Construct to supplement the existing approved Authority to Construct and secure SLO APCD approval.
2. Observe and report on the installation of upgraded collection system
3. Observe and report on new well installations and when they become active.
4. Coordinate and design necessary improvements to the Blower/Flare System, including but not limited to: Flow Meter; Louver Controls; PLC Controls; and Blower/Motor.
5. Evaluate landfill gas system malfunctions and necessary resolution of malfunctions.

Surveying/AutoCadd (PWS)

1. Prepare design and as-built layout of upgraded landfill gas collection system upgrades combined with existing, active landfill gas collection system (wells, horizontal collectors, headers, laterals, condensate piping)

Landfill Gas Operation & Maintenance (PWS)

1. Once new landfill gas collection piping is installed, adjust well head flows accordingly.
2. Once new landfill gas wells are installed and connected to the landfill gas collection system, adjust well field accordingly, both for compliance with Title V/PTO and also to assure proper landfill gas collection.
3. Record landfill gas system shutdowns for piping installations, connections, replacement of blower/flare system components.
4. Once new blower/flare system components are installed, adjust the blower/flare system to maintain operations in compliance with all permits.

Permit Compliance (PWS)

1. As new wells are connected to the landfill gas collection system they must be reported to the SLO APCD using the "Startup, Shutdown, Malfunction" Forms.
2. When Landfill Gas Blower/Flare System requires capital component improvement installation of flow meter, louver controls, PLC controls, or blower/motor, secure SLO APCD approval to shutdown system for those capital component installations.

LFG Collection System Capital Improvements (PWS)

1. All landfill gas collection system capital improvements including new horizontal and vertical landfill gas collection wells, gas collection piping, and condensate piping will be installed in Modules within 5 years of commencement of refuse filling therein.

LFG Blower/Flare Capital Improvements (City)

1. City is responsible for funding all LFG Blower/Flare Capital Improvements on the existing 20+ year old LFG Blower/Flare Skid and any future LFG Blower/Flare Capital Improvements.
2. City will issue a Change Order/Agreement Amendment to PWS for the capital improvements including materials, parts, components, electrical, plumbing and other construction efforts. PWS will be responsible for any LFG Blower/Flare designs and permitting.

EXHIBIT "B. IV."

SCOPE OF MODULE 3Cb, 4A1, 4A2, and 4A3 PHASED LINER CONSTRUCTION, CQA SERVICES

Engineering, Evaluations, Design, Permitting, Planning, RWQCB Approvals

1. Conduct subgrade testing using a combination of backhoe pits and drilled test holes to establish the location of the target native clay layer.
2. Preparation of Module 3Cb Liner Design Documents using Module 3Ca approved design document as the basis.
3. Meet with RWQCB to review any concerns or questions they have in order to streamline the process of securing RWQCB approvals.
4. Preparation of Module 4A1, 4A2 and 4A3 Liner Design Documents using Module 3Ca approved design document as the basis.
5. Conduct evaluations of remaining landfill airspace, access and necessary timing for the phased construction of Module 3Cb, 4A1, 4A2, and 4A3.

Surveying/AutoCadd

1. Grade stake the draft Module 3Cb, 4A1, 4A2, 4A3 and 4A4 subgrade design to identify remaining cut needed to achieve grades. Such information will be used when conducting backhoe pits and drilled test holes.
2. Conduct GPS as-built subgrade surveying of test holes, backhoe pits and subgrade.
3. Conduct GPS survey of the BAT testing locations and any additional drilled borings used to confirm continuity and low-permeable nature of a continuous base clay layer.
4. Conduct GPS survey of each liner layer installed during construction of Module 3Cb, 4A1, 4A2, 4A3.
5. Laser land level equipment to cut the base and side slopes to designed grades.

Earthwork

1. All earthwork is conducted by PWS including excavation, hauling, moisture conditioning, placement, grading and compaction.
2. All access roads will be graded per RWQCB approved design.
3. All side slopes will be graded per RWQCB approved design.
4. All base grades will be graded per RWQCB approved design.
5. The Leak Detection and Leachate Sump will be graded per RWQCB approved design.

Liner Construction

1. Coordinate all liner material acquisition and installation by D&E Construction
2. Overview liner installation by D&E and CQA subcontractor
3. Coordinate and contract with consultant for CQA of liner installation, leak detection installation, leachate sump installation.

LCRS Construction

1. Install main leachate collection piping from Module 3Ca outlet to the Module 3Cb leachate sump
2. Install designed drain rock around the leachate collection pipe from the geocomposite drainage layer to the top of the 2 foot thick operations layer.

3. Install the leak detection sump piping and riser
4. Install the leachate sump piping and riser and associated monitoring riser and cleanout
5. Install the 2 foot operations layer utilizing on-site compliant material.
6. Coordinate and contract with consultant for CQA of the LCRS and operations layer construction.

Leachate Tank

1. Coordinate and move existing east perimeter leachate secondary containment tank to permanent location.
2. Connect piping to the leachate secondary containment tank from the new leachate sump riser.

Liner, LCRS and Operations Layer Certification

1. Overview CQA consultant to prepare timely and required documentation for Certification of Module 3Cb including all components. The RWQCB allows the Certification of the Operations Layer to be submitted after the liner certification report is submitted and potentially approved by the RWQCB.

R3 CONSULTING GROUP, INC.
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February 21, 2017

Mr. Dick McKinley
Public Works Director
City of Paso Robles
100 Spring Street
Paso Robles, CA 93446

Subject: PWS Contract Extension Negotiations – High Level Review of PWS Projected Costs and Profit Level

Dear Mr. McKinley:

R3 Consulting Group, Inc. (R3) was engaged by the City of Paso Robles to assist with the negotiation of a contract extension with Pacific Waste Services (PWS) for the operation of the City's landfill. As part of that process, Blue Ridge Services (BRS) assessed PWS's landfill operations and overall performance. The results of that operational review are presented in BRS's City of Paso Robles Landfill Operational Assessment, Final Report, September 30, 2016 (Attachment 1), and further discussed in R3's November 14, 2016 letter to the City, Subject: PWS Contract Extension Negotiations – Blue Ridge Services Operational Assessment (Attachment 2). A copy of BRS's October 7, 2016 Memorandum to Jim Wyse – Subject: Review of Proposed Contract Extension is provided as Attachment 3. These 3 attachments provide our findings and recommendations associated with the operational analysis conducted as part of this project. This Letter Report provides a high-level financial analysis of PWS's expense projections.

Approach

The R3/BRS team reviewed the reasonableness of PWS's projected costs over the proposed term extension. We also calculated PWS's current, and 5-year average profit level based on information presented in its financial statements. Attachment 4 contains BRS's High Level Cost Review of PWS's projected operating costs. Attachment 5 provides an analysis of PWS's recent historical profit, and projected profit accounting for its requested $200,000 net increase to the "Distribution of Revenues" line item of its proposed extension pro-forma.

Findings

Review of Projected Costs

BRS generally found PWS's cost projections to be reasonable, but cautioned that making 20+ year projections in regards to waste tonnage is difficult for several reasons, including the impact of recycling, economic volatility, which is directly related to landfill disposal fee revenue, and the competitive nature of the landfill industry.

Review of Profit Level

Over the past 5-years (2012–2016) PWS realized an average annual profit of 4.5%[1] (equal to a 95.7% operating ratio (OR)) on its landfill contract, with annual profit levels ranging from a high of 19.5% (2012) to a low of -7.5% (2014). In 2016 PWS realized almost the same profit level (4.7%) (95.5% OR).

Considering PWS's financial projections on a profit basis; if we start with PWS's 2016 profit level of 4.7%, and account for PWS's proposed $200,000 net increase to its Distribution of Revenues, PWS's projected annual profit would be 15.2%. This is equivalent to an 86.8% operating ratio. This falls within what we consider to be a reasonable industry profit level for landfill operation. Therefore, on a profit level basis PWS's projections do not appear unreasonable.

Recommendations

While our high-level financial review did not identify any major concerns with PWS's costs projections, or PWS's projected annual profit level, we question the wisdom of using PWS's projections as the sole basis for establishing PWS's compensation over the extended 20-year contract term. Changes are very likely to happen to the landfill tonnages, revenues, and operating costs that are not accounted for in the projections, which could financially benefit or harm either party.

We recommend that the City and PWS establish a means for periodically reviewing PWS's operating costs and profit (e.g., every 5 years), and reestablish the target profit level, as appropriate, so that it is fair and reasonable. That mechanism could involve adjusting the future annual Distribution of Revenues that PWS receives, based on assessment of PWS's average annual profit for the prior 5-year period. That prior 5-year average profit level could be compared to an agreed upon target profit level going forward (e.g., 14.3% profit, or an 87.5% OR), and the Distribution of Revenues figure going forward could be adjusted up or down based on that analysis.

Along with periodic review of PWS's profit level, BRS or another qualified landfill engineer should regularly review PWS's operations to ensure that they remain safe and effective.

* * * * * * *

We appreciate the opportunity to be of service to the City. Should you have any questions regarding this letter or need any additional information please contact me by phone at (916) 782-7821 or by email at wschoen@r3cgi.com.

Sincerely,

R3 CONSULTING GROUP

William Schoen | Principal

Attachments:

1 City of Paso Robles Landfill Operational Assessment; Blue Ridge Services Final Report, September 30, 2016.

[1] Net Income divided by Total Expenses.

2 R3 November 14, 2016 Letter Report; PWS Contract Extension Negotiations – Blue Ridge Services Operational Assessment.

3 Blue Ridge Services October 7, 2016 Memorandum – Review of Proposed Contract Extension

4 Blue Ridge Services Highly Level Cost Review – Proposed Operating Costs City of Paso Robles Landfill

5 Analysis of PWS recent historical profit levels

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City of Paso Robles Landfill Operational Assessment

FINAL REPORT

Prepared for Pacific Waste Services, Inc.
September 30, 2016

Blue Ridge Services, Inc.
7204 Hites Cove Road
Mariposa, CA 95338
Telephone: (209) 742-2398

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Introduction

Under the contract between the City of Paso Robles (City) and Pacific Waste Services, Inc. (PWS), the City requires an operational assessment to be conducted every three years to assess the performance of the contract operator, PWS. In July 2016, PWS contracted Blue Ridge Services, Inc. (BRS) to perform an operational assessment and cursory contract review of the City of Paso Robles Landfill (PRL). The PRL provides waste disposal and recycling services for residential and commercial waste generated within north San Luis Obispo County and south Monterey County. The facility is located at 9000 Highway 46 East, and is open Monday – Saturday, 8 a.m. – 3 p.m. The facility is operated by PWS.

A comprehensive questionnaire was submitted to Jim Wyse of PWS that addressed operational issues regarding airspace, cell construction, staffing, equipment, drainage, and many other topics. Additional documents were obtained and reviewed including inspection reports and operating permits, among a number of other relevant operational documents.

BRS spent two days onsite, split between two trips to allow BRS staff to gain a sound understanding of the operation, as well as review the necessary documents. These site visits involved a number of interactions with landfill management as well as equipment operators.

Based on what we learned and observed about the PRL, we conclude that the landfill is operating at a level that generally meets or exceeds industry standard, and is doing so at a reasonable cost. In the remainder of this report, we offer our findings and recommendations. Please note that these findings and recommendations are based on observations made during our time spent onsite.

Findings and Recommendations

TRAFFIC MANAGEMENT

We evaluated the current onsite vehicle and heavy equipment haul roads in regard to traffic flow patterns and road layout.

Management of Incoming Vehicles

Waste vehicles entering the landfill must stop on the scale to be weighed and evaluated by the scale attendant. The current process requires select vehicles to be weighed in and out. While we observed small queues upon arriving at the scalehouse, the low traffic volumes of the site present no real issues in regard to wait times or queue lengths. The length and vertical alignment of the entrance road provides sufficient sight distance and queueing capacity for peak hour volumes.

Onsite Access for Waste Vehicles

The onsite access roads and tipping areas appeared to be properly graded and in good condition. While roads in better condition tend to invite increased vehicle speeds, we did not observe any vehicles traveling at excessive speeds.

Scraper/Truck Haul Roads

The haul roads were also in fair condition. However, for continued safety, we recommend they be kept separate from customer roads wherever possible (as it appears they generally are currently).

Traffic Safety

Due to the location of the scalehouse in relation to the current fill area, the current traffic flow patterns do not promote the safest possible flow of traffic. If the vehicle is heading to the active landfill area, they are forced to turn around and loop past the entrance road, thus creating potential conflict points. While the configuration forces low vehicle speeds, inexperienced users could still find themselves in an unsafe situation due to this configuration. We acknowledge that there have been no incidents reported, but we recommend that special attention be given to the traffic control devices in this area.

We also recommend that all vegetation be regularly maintained so that all signs are visible to customers and staff. We acknowledge that the palm trees adjacent to the scalehouse signage have been trimmed.

WASTE HANDLING AT THE LANDFILL

As part of our assessment, we also reviewed the waste handling and covering operations at the landfill. We commend PWS for keeping the active fill area clean and organized.

Crawler Loader Operations

During our time onsite, we observed that the Caterpillar 963C Crawler Loader was the main piece of equipment pushing waste into the cell. This system appeared to be effective in incorporating the waste into the cell…which is the ultimate goal. We also observed that the wheel loader's activities consisted of moving recyclable commodities picked from the waste loads and cleaning the tipping pad. Keeping the tipping pad clean results in less litter and waste tracking, while also keeping customers satisfied.

Typical Push Distance

In most cases, it is best to keep pushes as short as possible in order to decrease dozing costs. The exception to this is when working off of a wet-weather pad. In this case, a compromise between short pushes (to decrease dozing costs) and long pushes (to increase the life of the tipping pad) is best. While we are unable to comment on the push distance utilized at the wet-weather pad, the push distance utilized at the active tipping area appeared to be sufficient.

Compactor Operations

During our site visit, we observed that the compactor was working on the slope, rather than horizontally. We were told that this was to get the wet weather pad and ramp constructed, and that normal operations take place horizontally. Working on a slope tends to slow the velocity of the machine, and means more work due to always having to operate on a slope. These factors mean the compactor works slowly, thus placing fewer teeth into the trash at any given time – as opposed to the number of tooth penetrations if it was moving faster. Compacting on the slope also decreases the vertical compactive effort, therefore decreasing the potential waste density. We recommend that the PRL continue to operate the compactor on the horizontal surface of the waste cell.

During our time onsite, we also observed the compactor wheels occasionally spinning and not being able to grip into the waste. We recommend that sufficient buffer space between the compactor and other equipment and vehicles continue to be observed to maintain a safe work area.

Waste Density

Conversation with Mr. Wyse revealed to BRS that the current waste density at the PRL is approximately 1,450-1,500 pcy, which is at or above industry standard. A Technical Memorandum contained as an appendix in the 2012 Joint Technical Document (JTD) also reported that the waste airspace utilization factor (AUF) was determined to be 0.775 and the waste to soil ratio was determined to be 6.5:1.

Utilizing waste density and cover ratio is a good way to conduct a detailed analysis of compaction and site life, and it provides details that can be used to improve the operation. Calculation of overall AUF also provides a broad picture of how the entire system is performing. We recommend that PWS analyze and track both of these airspace utilization methods to develop a good cross-check system. The main goal

regarding comparison of AUF vs. waste density and cover ratio is to develop an updated and cross-referenced system that provides an accurate understanding of airspace consumption and soil reserves.

Segregate Waste by Type

Generally, hard-to-handle, non-compactible waste should go near the base of the cell, and easy-to-handle, compactible waste should go near the top or outside of the cell. While onsite, we observed equipment operators directing loads where to be dumped, and specific direction also being given from the scalehouse attendant in regard to where to dump. We recommend the PRL continue these practices which help to increase compaction and waste density.

Material Diversion

The PRL is doing a good job of diverting recyclable material at the active face with the placement of roll-off containers for different commodities. While it is good that scrap metal is being diverted, we recommend that PWS continue to remove this material on a regular basis so that it does not create a habitat for vectors. As they are doing currently, the PRL should also continue to remove diverted tires on a regular basis so that they do not create a habitat for mosquitos.

The PRL is effectively managing diverted concrete material for use on access roads and tipping pads.

Household Hazardous Waste

The PRL accepts household hazardous waste (HHW) from 11 a.m. – 3 p.m. on Saturdays. The HHW is received and handled by the San Luis Obispo County Integrated Waste Management Authority.

Green Waste Processing

During our time onsite, we did not observe any issues with the wood-chipping and windrowing operations. These areas appeared to be clean, organized and processed in a timely manner.

Machine Responsibilities

At the PRL, the crawler loader is responsible for pushing waste to the compactor. The compactor is then responsible for placing the waste and building the cell. Overall, this system appeared to be working effectively. As mentioned previously, we recommend that the compactor continue to work on the horizontal surface as opposed to the slope. Also, we believe that the wheel loader should only be used to clean the tipping pad when the crawler loader is unavailable.

DAILY COVER OPERATION

Cell Finishing

Cell finishing operations appeared to be in line with the industry standard. A sufficient amount of cover soil appears to be utilized on landfill cells.

Soil Placement Techniques

It is our understanding that the PRL currently hauls soil from the excavation of future cells using a scraper and places it either near the toe or the top of the active area slope. The bulldozer then spreads the soil on the top surfaces and side slopes of compacted waste.

Conservation of Soil

Currently, the PRL is utilizing tarps as a method of alternative daily cover (ADC). We encourage this practice continue to be utilized as it saves soil quantities and valuable landfill airspace. It is our understanding that one or more of the tarps had a tear in them a couple of years ago, which have since been replaced. We also observed that the PRL is stripping soil prior to development of a new cell, which is a practice that conserves large amounts of soil for reuse.

Cell Geometry

Mr. Wyse advised that typically pancake cell construction is used. While onsite, we observed the PRL using advancing face cell construction for the purpose of getting the wet weather tipping pad access road up to grade. We acknowledge that this method is well within the contract requirements and industry standard, but we recommend that PWS fully implement a pancake cell construction system. The main improvements in this style of cell construction are the compactor is compacting on the horizontal surface, therefore achieving better compaction, and conservation of soil because tarps can be utilized more effectively. This results in waste that is significantly more compacted, thus an increased waste density and airspace utilization factor, which could also extend the life of the facility.

Cover Ratio

Based on data contained in the 2012 JTD, we observed that the cover ratio of waste to soil was approximately 6.5:1. We recommend that this ratio be calculated and updated based on data collected during the upcoming topographic mapping. Mr. Wyse advised that an aerial topographic mapping is planned for the Fourth Quarter of 2016. The development of a complete soil management plan will allow PWS to calculate the current cover ratio, track how much soil is remaining onsite and when large amounts of soil will be used.

Cover Soil Budget

Data provided by Mr. Wyse indicates that there could be 100,000 – 120,000 cy excess soil onsite. Mr. Wyse informed us that a comprehensive soil management plan is going to be developed after the upcoming topographic mapping to determine the actual amount of available soil. We also reviewed soil haul count records dating back to 2014, and we encourage PWS to continue to track soil loads.

SEQUENCING

Through discussion with Mr. Wyse and data provided in the questionnaire, there appears to be a good idea of how excavation and development sequencing is going to take place over the next several years. While we acknowledge the validity of this sequencing, we strongly recommend that this plan be translated from the minds of those in charge into technical spreadsheets, drawings and standard operating procedures (SOPs). Not only does this present a more professional and detailed fill sequence plan, it eliminates the risk of losing the plan in the absence of the current management. It is our understanding that formal sequencing will be prepared from the upcoming topographic mapping.

Monthly soil log records show that current excavations are taking place in Modules 4, 4a, 3ca and 3cb. These excavation operations appeared to be clean and well organized. We see these excavations in accordance with the proposed fill sequence plan.

EQUIPMENT

It is our understanding that the PRL is currently in the process of selling the John Deere 755 Crawler Loader, rebuilding the Caterpillar 953 Crawler Loader, selling or scrapping the Bomag BC1172 Compactor and selling or scrapping the Komatsu D65 Bulldozer. While we recognize the importance of backup equipment, we recommend that all equipment that is not being utilized or does not function properly be sold or scrapped as soon as possible.

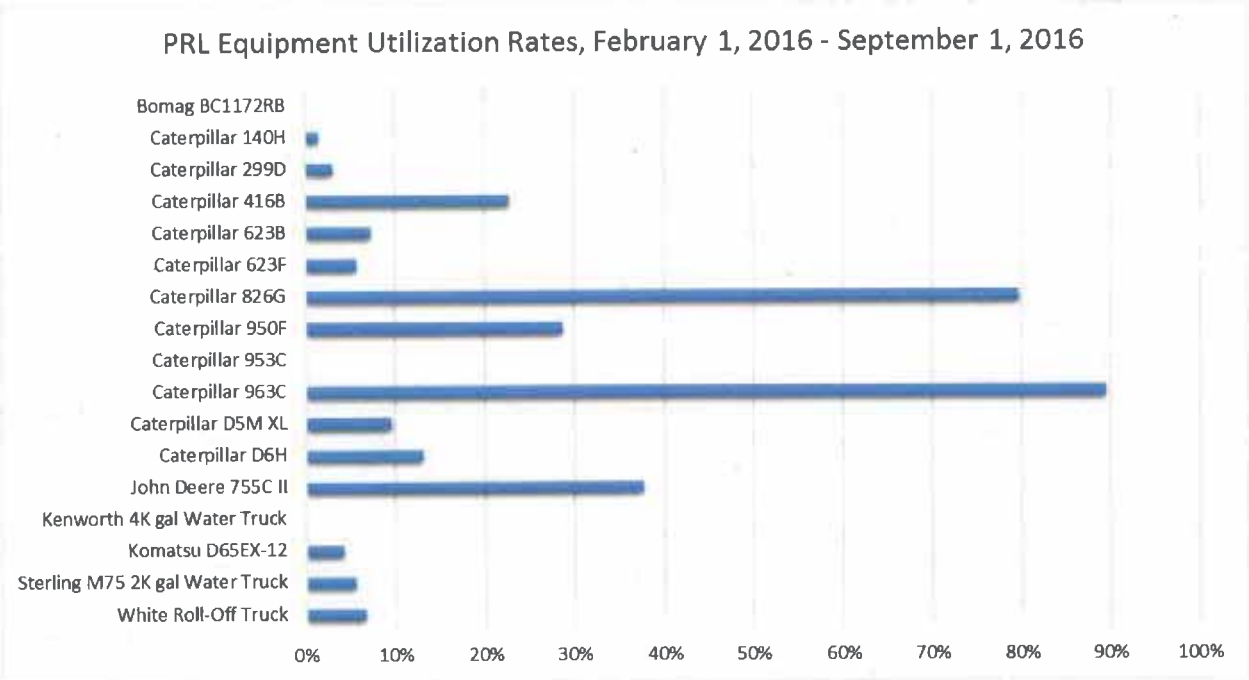
We also recognize that some equipment that is used for supplementary projects offsite is stored at the PRL. While this is reasonable and economical, we recommend that all costs and hours be allocated and tracked accordingly as they currently are by PWS.

Equipment Utilization

The primary heavy equipment that we received data for was evaluated in terms of actual utilization vs. total available work hours for 2016 (February 1 – September 1). In an ideal world, one would look for machines that were achieving 100% utilization, with every minute used toward productive work. However, in the practical world, machines must be warmed up, cooled down, fueled, repaired and cleaned. All things considered, we would consider a machine that averages 85%-90% utilization to be fully utilized.

Based on our analysis, the average utilization rate for the PRL equipment fleet is 19%. The data provided by Mr. Wyse shows that the utilization rate for the Caterpillar 826G is 80%, which means that it is logging

approximately 7 hours per day. Based on the inbound tonnage and an estimated production rate of 60 tph, this machine should only be utilized for approximately 2-3 hours per day. We recommend that PWS continue to track equipment hours and ensure that all equipment is being used efficiently for essential landfill activities.



Maintenance

The current arrangement of performing preventative and routine equipment maintenance appeared to be successful for the PRL. While we did note several maintenance issues (bulldozer not being greased daily, missing fan belt on scraper, etc.), they are not translating into serious problems that are impacting the PRL or the City. We acknowledge that the mechanic goes beyond what his basic responsibilities entail, backup equipment is available and equipment downtime has not been an issue. Through our experience, we have found that the industry standard ratio is one mechanic to six pieces of equipment. To alleviate some of the responsibilities of the mechanic, we recommend that equipment operators participate in some of the basic maintenance items for the equipment, as the site manager is doing currently.

As can be seen in the picture on the right, the compactor teeth are worn and being used beyond their practical service life. While we recognize that there is a significant capital expense to re-tooth the compactor, it doesn't change the fact that the teeth are worn. On the other hand, the PWS crew is doing a good job of processing inbound waste, and historical densities and cover ratio numbers are above industry standard for a

landfill of this size. We also observed some minor deferred maintenance on machines that only receive occasional use. Machines that are used intermittently need to be serviced on the days they are used. Overall, the end result is that the important equipment maintenance items are being completed and the overall maintenance system is working. It is our understanding that PWS is going to begin monitoring equipment maintenance.

The addition of the covered maintenance area is adequate, although we recommend that one end be closed off during the winter and spring months to keep wind and other objects from blowing through this area. The updated fuel storage area appeared to be adequate. We also recommend that all maintenance, including inspections, be documented in a more standardized manner so that records can be produced and handled more effectively. It is our understanding that currently the mechanic tracks this data on his laptop in his truck. We recommend that this data be stationed in a facility structure where all employees can access it.

SAFETY

BRS conducted a high level review of current PWS permits, safety documents and training procedures. The purpose of this was to evaluate the current level of compliance, safety awareness, and overall approach to safety at the PRL. All permits appeared up to date, and it is our understanding that PWS regularly submits permit status reports to the City.

While PWS currently has the framework of safety documents and training in place, we recommend a thorough review and update to all safety documents at the PRL. Safety documents and plans are currently spread through multiple binders and books in various locations in the office. Across the current safety binders there are even multiple and sometimes conflicting versions of identical plans. All PRL safety documents should be condensed into as few binders as possible and placed in an easily accessible location.

Most importantly, the critical safety plans and programs need to be reviewed and updated. These documents include the JTD, the Emergency Response Plan, the Injury and Illness Prevention Plan (IIPP) and the PWS Company Policies binder. It is our understanding that PWS is going to consolidate and update all health and safety documents.

PWS safety training records show past inadequacies, but appear to be improving. The current 2012 JTD states that monthly safety meetings will be conducted. Since January 2016, safety training records indicate meetings have been conducted monthly. Regular safety meetings are essential for the safety of employees and customers, JTD compliance and Occupational Safety and Health Administration (OSHA) requirements. PWS is encouraged to review current training topics and ensure that all OSHA requirements are being covered regularly.

The 2012 JTD also states that employees will be trained during weekly "tailgate" safety meetings. According to Mr. Wyse, there are regular discussions on safety that qualify as "tailgate" meetings, however we recommend that these meetings be documented in a formalized manner.

ENVIRONMENTAL CONTROLS

In general, the PRL displayed effective environmental control methods. Aesthetically, the PRL facility was adequate. The site was well kept and offered a positive impression and sense of pride.

We were told that squirrels had burrowed in several different places throughout the site several years ago. As seen in the adjacent photo, squirrel traps have been implemented around the site. For this innovative vector control measure we recommend that PWS bait them as needed and regularly monitor their condition and effectiveness, as they are currently doing.

During our time onsite, we noted few issues with dust control. However, there were a few occasions at the active landfill area where dust became abundant. We recommend that in addition to the morning and midday roadway waterings, the water truck be available to mitigate dust at the active landfill area when conditions are dry and hot.

Landfill Gas Management

As can be seen in the adjacent photo, some of the laterals of the gas collection system are not at a constant grade across the slope. While we were told that there have been no issues with landfill gas monitoring as a result of this, we recommend that all gas collection system laterals be inspected and adjusted to eliminate low points where condensation could collect and potentially block flow. Mr. Wyse informed us that these laterals are inspected monthly by PWS staff and quarterly by Golder Associates staff.

Drainage/Leachate

It appears that currently there are no issues in regard to drainage at the PRL. Information provided in the questionnaire outlines that if erosion does occur on an interim slope, appropriate grading and drainage control measures are implemented. As can be seen in the adjacent photo, the downdrain demonstrates good stormwater management practices.

Based on data provided in the questionnaire, the PRL is collecting 5,000 to 15,000 gallons of leachate per year, and none is migrating off-site. The PRL is approved to recirculate leachate to the upper wells and use it for dust control.

Litter

We noticed some areas with minimal amounts of blown litter, but most areas were generally clean. We observed temporary litter fences in-place, but the condition of some was deteriorating. We recommend that regular litter fence maintenance be conducted. We remind the PRL that even minimal amounts of scattered litter can have a negative impact on a customer's opinion of the site.

As the fill operation increases in height, the wind will become more of an issue, at which point we recommend the utilization of portable litter screens around the active tipping area.

Birds

We were told that bird control was not an issue, with a few crows appearing occasionally. However, the number of birds present typically increases in the winter months, so we advise that the PRL remain aware of potential issues.

Odors

During our time onsite, we did not sense any apparent odors. We also understand that there have been no issues with neighbors in regard to odor migration.

Erosion

We did not observe any evidence of erosion throughout the site, as many of the slopes appeared to be very well vegetated. We observed that in some perimeter areas, specifically the southwest and northeast areas of the site, the vegetation appeared to be very long. All vegetative areas should be kept to a manageable length to increase the facility's wildfire protection measures.

AIRSPACE UTILIZATION

As mentioned previously, we recommend that PWS calculate and update their AUF, waste density and cover ratio based on the results of the upcoming topographic mapping.

Data provided by Mr. Wyse indicates an estimated remaining refuse capacity of 3,604,869.53 tons (as of June 30, 2016). Using the annual tonnage from 2015 (38,827 tons) and assuming an annual growth rate of 2.5%, he calculated that the PRL has an estimated remaining site life of 48.5 years (as of June 30, 2016). Mr. Wyse informed us that PWS will prepare detailed soil management and fill sequence plans in the 2017 JTD.

ANALYSIS OF IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS

As requested by PWS, we analyzed to what degree the recommendations that were made during the 2011 Operational Assessment (conducted by BRS) were implemented. We have broken these recommendations down by general category and provided the 2011 recommendation for reference.

Facility

2011 Recommendation: The paved road leading to the entrance facility will need some attention at some point – some cracking is evident, although this does not require immediate attention.

During our site visit, we noticed that the paved road leading to the entrance facility was in good condition. While a small amount of cracking was evident in some areas, there were no areas containing large structural failures. We do, however, recommend that special attention be given to the large bump that is located close to the scalehouse. As a traffic control device used to reduce vehicle speeds, reflective paint and advisory signage should be implemented to alert drivers of its presence.

2011 Recommendation: The entrance signs should be repainted or replaced. They do not set forth the professional image normally associated with a well-run landfill.

It has been noted that since our previous analysis, a new entrance sign was installed at the Highway 46 entrance and new disposal rate signs were installed at the scalehouse. As can be seen from the images below, the two signs at the entrance gate of the facility set forth an unprofessional image that could be unappealing to landfill customers. Mr. Wyse informed us that the white sign will be repaired and the blue sign will be removed.

2011 Recommendation: We recommend additional signs be erected to provide clearer direction for the various landfill users. These include both directional and warning signs.

Directional signs leading from the scalehouse to the landfill area are necessary due to the turnaround that occurs for vehicles heading to the active fill area. We observed several signs and verbal instructions to assist in guiding drivers along this route, and feel that signage for this application is sufficient.

Planning

2011 Recommendation: In regard to long-range planning, we suggest a more detailed phase development and soil management plan be prepared. We are concerned that the soil removal is not focused on the next area to be excavated and lined. We also recommend a detailed review of the operational sequencing be conducted.

As mentioned previously, there appears to be a good idea of how excavation and development are going to take place over the next several years. We again offer the recommendation that this plan be translated from the minds of those in charge into technical spreadsheets, drawings and SOPs. Not only does this present a more professional and detailed fill sequence plan, it eliminates the risk of losing the plan in the absence of the current management.

We recommend that PWS develop a detailed sequence plan for each planned module. This plan will provide a list of cut/fill volumes, associated costs and important dates, which are necessary for financial and equipment planning.

Regulatory Compliance

2011 Recommendation: Wood waste pile contained some treated wood, which should be removed before grinding.

While onsite, we observed laborers and operators diligently removing clean wood waste from loads at the active face. The clean wood waste pile appeared to be free of treated wood waste.

2011 Recommendation: We noted that vegetation should be controlled in certain locations in order to allow safe access for CalFire crews, and to protect onsite improvements. Specific areas include around the leachate storage tank, along the main entrance road and adjacent to the recyclable tire pile.

It should be noted that due to recent drought conditions in the area, vegetation has largely decreased throughout the site. As the dry conditions throughout the site increase the probability of a fire, we recommend that vegetative areas be kept to a manageable length.

Equipment

2011 Recommendation: We recommend PWS track actual machine hours and correlate to inbound tonnage, while keeping construction hours separate.

From data provided to us, we observed that machine hours are being tracked and logged the first day of every month. While this is sufficient to correlate to inbound tonnage, we sustain our previous recommendation to keep any construction hours separate for landfill analysis purposes, as PWS is currently doing.

Operation

2011 Recommendation: We suggest commercial vehicles be separated from self-haul vehicles at the tipping pad by the use of cones, large tires or other means.

During our site visit, it was clear that this recommendation has yet to be implemented. At the active tipping area, there was no organization of vehicles by type, nor was there any clear tipping pattern. Not only does separation of commercial from self-haul vehicles provide for a safer tipping environment, the site's JTD requires it.

2011 Recommendation: We recommend PWS track scraper loads of soil used.

PWS began tracking soil usage data shortly after the submittal of the 2011 report. Records also show that continued tracking of load counts has occurred consistently over the past several years. With this information, we recommend volume estimating every 1-2 years using aerial topographic mapping to provide a more accurate estimate of cover soil usage. This information is also useful for long-term planning of future excavation areas.

2011 Recommendation: We recommend PWS experiment with a pancake cell construction system, while recognizing that their current method of operation is well within the contract requirements and industry standard.

Mr. Wyse advised that typically pancake cell construction is used. While onsite, we observed the PRL using advancing face cell construction for the purpose of getting the wet weather tipping pad access road up to grade. While continuing to acknowledge that this method is well within the contract requirements and industry standard, we again recommend that PWS fully implement a pancake cell construction system.

CONCLUSION

It is our understanding that PWS has agreed to prepare soil management and fill sequence plans, monitor equipment maintenance and update all health and safety documents.

As mentioned previously, we conclude that the PRL is operating at a level that generally meets or exceeds industry standard. PWS is providing good service to the City at a reasonable cost.

R3 CONSULTING GROUP, INC.
RESOURCES · RESPECT · RESPONSIBILITY

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Tel: 916-782-7821 | Fax: 916-782-7824

2600 Tenth Street, Suite 411, Berkeley, CA 94710
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627 S. Highland Avenue, Suite 300, Los Angeles, CA 90036
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November 14, 2016

Mr. Dick McKinley
Public Works Director
City of Paso Robles
100 Spring Street
Paso Robles, CA 93446

Subject: PWS Contract Extension Negotiations – Blue Ridge Services Operational Assessment

Dear Mr. McKinley:

R3 Consulting Group, Inc. (R3) was engaged by the City of Paso Robles to assist it with the negotiation of a contract extension with Pacific Waste Services (PWS) for the operation of the City's landfill. As part of that process Blue Ridge Services (BRS) conducted an assessment of PWS's landfill operations, the results of which were presented in BRS's City of Paso Robles Landfill Operational Assessment, Final Report, September 30, 2016. This letter report summarizes the results of that assessment and documents recommended tasks identified in that assessment that PWS should be required to complete as a condition of any contract extension.

Summary Findings

Overall Blue Ridge Services found that the landfill is operating at a level that generally meets or exceeds industry standards and is doing so at a reasonable cost. R3's review of historical LEA inspections found that for the period from January 2011 through June 2016, PWS did not receive any "violations" and received a total of 6 "areas of concern" (~1.1 per year average), which was a significant improvement over the prior six-year period (2005 through 2010).[1] These operational and regulatory findings provide a solid foundation for the City's negotiation of a contract extension with PWS.

Conditions of Contract Extension – Term Sheet Items

It is BRS's understanding that PWS has agreed to:

1. Prepare a soil management plan;
2. Prepare a fill sequencing plan;
3. Monitor equipment maintenance (and track equipment hours); and
4. Update all health and safety documents.

We recommend that completion of the above items be a condition of any contract extension. We also recommend that PWS address the following BRS recommendations, which are discussed in more detail in the Recommendations section of this document below, as a condition of any contract extension:

[1] July 5, 2016 email to Dick McKinley

1. Upgrade Traffic Control devices in the scalehouse area (#1);[2]
2. Add reflective paint to the large bump located near the scalehouse and provide advisory signage (#14);
3. Upgrade signage at landfill entrance as recommended (#15);
4. Analyze, track and report annually, as applicable, airspace utilization using: the airspace utilization factor (AUF); waste density; and cover soil ratio (#3, #13);
5. Fully implement a pancake cell construction system (#4, #21);
6. Periodically inspect all gas collection system laterals and adjust as necessary to eliminate low points where condensation could collect and block flow (#11);
7. Conduct regular litter fence inspection and maintenance (#12);
8. Implement a system to separate self-haul vehicles from commercial vehicles at the working face (#19);
9. Document weekly "tailgate" meetings (#9); and
10. Conduct aerial topographic mapping of the facility no less than every two years (#20).

Findings

Traffic Management

- ✓ (page 1) The landfill is operating at a level that generally meets or exceeds industry standards, and is doing so at a reasonable cost.

Waste Handling at the Landfill

- ✓ (page 3) As part of our assessment, we also reviewed the waste handling and covering operations at the landfill. We commend PWS for keeping the active fill area clean and organized.
- ✓ **Waste Density** (page 3) - ...the current waste density at the PRL is approximately 1,450-1,500 pounds per cubic yard (pcy), which is at or above industry standard. A Technical Memorandum contained as an appendix in the 2012 Joint Technical Document (JTD) also reported that the waste airspace utilization factor (AUF)[3] was determined to be 0.775 and the waste to soil ratio was determined to be 6.5:1.
- ✓ **Cell Finishing** (page 5) – Cell finishing operations appear to be in line with industry standard. A sufficient amount of cover soil appears to be utilized on landfill cells.
- ✓ **Conservation of Soil** (page 5) –
    - Currently the PRL is utilizing tarps as a method of alternative daily cover (ADC).
    - We also observed that PRL is stripping soil prior to development of a new cell, which is a practice that conserves large amounts of soil for reuse.

---

2 (#) = Recommendation # as listed in Recommendations section of this document.

3 Airspace utilization factor (tons of waste per cubic yard of landfill airspace). The airspace utilization factor (AUF) is the effective density of waste material in the landfill. The AUF is recorded as the total weight of waste material passing over the landfill scales that is placed in a known volume of landfill airspace in a given period of time. The waste portion of the AUF should include only waste material for which payment of fees to CalRecycle is reported.

- ✓ (page 4) The PRL is effectively managing diverted concrete material for use on access roads and tipping pads.
- ✓ **Cover Soil Budget** (page 6) – Data provided by Mr. Wyse indicates that there could be 100,000 to 120,000 cubic yards of excess soil onsite. Mr. Wyse informed us that a comprehensive soil management plan is going to be developed after the upcoming topographic mapping to determine the actual amount of available soil.
- ✓ **Safety** (page 8)
    - All permits appeared up to date, and it is our understanding that PWS regularly submits permit status reports to the City.
    - PWS safety training records show past inadequacies but appear to be improving.

Environmental Controls

- ✓ (page 9) – In general, the PRL displayed effective environmental control methods. Aesthetically, the PRL facility was adequate. The site was well kept and offered a positive impression and sense of pride.
- ✓ (page 9) During our time onsite we noted few issues with dust control.
- ✓ **Drainage / Leachate** (page 9)
    - It appears that currently there are no issues in regard to drainage at the PRL.
    - The PRL is approved to recirculate leachate to the upper wells and use it for dust control.
- ✓ **Birds** (page 10) – We were told bird control is not an issue.
- ✓ **Odors** (page 10) – During our time onsite, we did not sense any apparent odors. We also understand that there have been no issues with neighbors in regard to odor mitigation.
- ✓ **Erosion** (page 10) – We did not observe any evidence of erosion throughout the site, as many of the slopes appeared to be very well vegetated.

Airspace Utilization

- ✓ (page 10) Data provided by Mr. Wyse indicates an estimated remaining refuse capacity of 3,604,869 tons (as of 6/30/2016), with an estimated remaining life of 48.5 years (as of 6/30/2016)

Recommendations

Traffic Management

1. **Traffic Safety** (page 2) – We recommend that special attention be given to the traffic control devices in the area of the scalehouse.

Waste Handling at the Landfill

2. **Compactor Operations** (page 3) – We recommend that PRL continue to operate the compactor on the horizontal surface of the waste cell.
3. **Waste Density** (page 3) – We recommend that PWS analyze and track both of these airspace utilization methods to develop a good cross-check mechanism (i.e., AUF and cover ratio).

4. **Cell Geometry** (page 5) – We recommend that PWS fully implement a pancake cell construction system.
5. **Cover Ratio** (page 5) - We recommend that the cover ration of waste to soil be calculated and updated based on data collected during the upcoming topographic mapping, which is planned for the 4th quarter of 2016. The development of a complete **soil management plan** will allow PWS to calculate the current cover ratio, track how much soil is remaining onsite and when large amounts of soil will be used.
6. **Sequencing** (page 6) – There appears to be a good idea of how excavation and development sequencing is going to take place over the next several years. While we acknowledge the validity of this sequencing, we strongly recommend that this plan be translated from the minds of those in charge to technical spreadsheets, drawing and standard operating procedures... **It is our understanding that a formal sequencing plan will be prepared** from the upcoming topographic mapping.
7. **Equipment Utilization** (page 6) – We recommend that PWS continue to track equipment hours and ensure that all equipment is being used efficiently for essential landfill activities.
8. **Maintenance** (page 7) – **It is our understanding that PWS is going to begin monitoring equipment maintenance**...We also recommend that all maintenance, including inspections, be documented in a more standardized manner so that records can be produced and handled more effectively...We recommend that this data be stationed in a facility structure where all employees can access it.
9. **Safety** (page 8)
    - While PWS currently has the framework safety documents and training in place, we recommend a thorough review and updated to all safety documents at the PRL...Most importantly, the critical safety plans and programs need to be updated. These documents include the JTD, the Emergency Response Plan, the Injury and Illness Prevention Plan (IIPP) and the PWS Company Policies binder. **It is our understanding that PWS is going to consolidate and update all health and safety documents.**
    - We recommend that weekly "tailgate" safety meetings be documented in a formalized manner.

Environmental Controls

10. (page 9) – We recommend that in addition to the morning and midday roadway waterings, the water truck be available to mitigate dust at the active landfill area when conditions are hot and dry.
11. **Landfill Gas Management** (page 9) – We recommend that all gas collection system laterals be inspected and adjusted to eliminate low points where condensation could collect and potentially block flow.
12. **Litter** (page 10)
    - We recommend that regular litter fence maintenance be conducted.
    - As the fill operation increases in height, the wind will become more of an issue, at which point we recommend the utilization of portable litter screens around the active tipping area.

Airspace Utilization

13. (page 10) – As mentioned previously, we recommend that PWS calculate and update their AUF, waste density and cover ratio based on the results of the upcoming topographic mapping.

Analysis of Implementation of Previous Recommendations

Facility

14. (page 11) We recommend that special attention be given to the large bump that is located close to the scalehouse. As a traffic control device used to reduce vehicle speeds, reflective paint and advisory signage should be implemented to alert drivers of its presence.
15. (page 11) The two signs at the entrance gate of the facility set forth an unprofessional image...Mr. Wyse informed us that the white sign will be repaired and the blue sign will be removed.

Planning

16. (page 12) We again offer the recommendation that this plan (soil management plan) be translated from the minds of those in charge to technical spreadsheets, drawings and standard operating procedures.
17. (page 12) We recommend that PWS develop a detailed sequence plan for each planned module. This plan will provide a list of cut/fill volumes, associated costs and important dates, which are necessary for financial and equipment planning.

Regulatory Compliance

18. (Page 12) As dry conditions throughout the site increase the probability of a fire we recommend that vegetative areas be kept to a manageable length.

Operation

19. *(page 13) 2011 Recommendation: We suggest commercial vehicles be separated from self-haul vehicles at the tipping pad by the use of cones, large tires or other means.* – It is clear that this recommendation has yet to be implemented. Not only does the separation of commercial from self-haul vehicles provide for a safer tipping environment, the site's JTD (Joint Technical Document) requires it.
20. (page 13) We recommend volume estimating every 1-2 years using aerial topographic mapping to provide a more accurate estimate of cover soil usage. This information is also useful for long-term planning of future excavation areas.
21. (page 13) While we continue to acknowledge that this method (advanced face cell construction for purpose of getting the wet weather tipping pad access road up to grad) is well within the contract requirements and industry standard, we again recommend that PWS fully implement a pancake cell construction system.

* * * * * * *

We appreciate the opportunity to be of service to the City. Should you have any questions regarding this letter or need any additional information please contact me by phone at (916) 782-7821 or by email at wschoen@r3cgi.com.

Sincerely,

R3 CONSULTING GROUP

William Schoen | Principal

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11/14/2016 2:48 PM

MEMORANDUM

TO: JIM WYSE
FROM: NEAL BOLTON
SUBJECT: REVIEW OF PROPOSED CONTRACT EXTENSION
DATE: OCTOBER 7, 2016

Jim,

Here are my comments regarding the proposed contract extension. My comments are numbered to follow your numbered changes and amendments.

1. *No comment on this section.*
2. I did not review the cost estimate for the contract extension. But in general, I feel that a 1½% CPI may not adequately cover some of the wide swings we've seen with fuel in recent years. Inflation could also be an issue. Along that line, I'd recommend you include some flexibility for adjusting cost in the event of drastic change.
3. May want to leave some flexibility in case the scope of work required for a JTD, WDRs, etc. changes significantly, however, you probably have a good handle on what the future may hold.
4. I suggest you add some language to the effect of, "if required based on tonnage, airspace consumption and other variables. Estimating the dates when specific liners will be required could easily change based on changes in tonnage. To be fair to PWS and the City, I'd suggest you plan to leave the City with approximately 2 years of lined airspace at the end of the contract period.
5. I suggest leaving the specification of individual machines somewhat open-ended. PWS has historically had adequate equipment on-site, and I don't think the City would worry about that changing. Some flexibility regarding machines would benefit both PWS and the City.
   I also recommend you include a simple statement that PWS will provide safety training that is required by regulation (i.e., Cal-OSHA) and in line with industry standard.
6. Some regulatory changes will likely occur during the proposed contract period, but as noted above, you probably have good idea of the future may hold in this regard.
7. *No comment on this section*
8. *No comment on this section*
9. I did not review the cost estimate for the contract extension.
10. The level of effort required for handling green, wood and food waste is very likely going to increase. I think your reference to a "mutually agreeable amendment" is good.
11. Overall, your list of benefits provided by PWS is impressive. Clearly the City is getting more than just a contractor, they are getting someone with 40 years of experience in landfill design/operation.

12. I think your choice to subdivide the development of Module 4 makes sense in regard to improving cash flow and minimizing environmental exposure (i.e., having more liner exposed to rain/leachate than is necessary). This is in fact, what the most successful landfills do, that is: only build liner as you need it.
13. The proposal references the potential for the PR Landfill to be a resource if/when Cold Canyon and Chicago Grade Landfills close. There is always a benefit to maintaining – and carefully utilizing – landfill airspace. No doubt, having lots of landfill capacity provides the City with a good resource moving forward.
14. The section on liner construction (B.IV...) specifically references D&E. They are a good contractor, but it may be better to leave this undefined to allow flexibility if you need to go with another contractor.
15. I see that you are essentially proposing to develop a soil management plan – which has been one of our standing recommendations. Obviously I think this is a great planning tool for PWS and helps ensure good airspace management for the City.
16. No Comment on this section.

Overall, I think your proposal makes sense for PWS and the City. You know the site and the City knows you. It's always better to move forward from a place of mutual satisfaction ...than start over with and contractor.

Regards,

Neal Bolton, P.E.

Attachment 4

High Level Cost Review

Proposed Operating Costs

City of Paso Robles Landfill

Conducted by:

Blue Ridge Services, Inc.

P.O. Box 2398

Mariposa, CA 95338

February 10, 2017

Introduction

We were asked to conduct a high-level review the proposed development and operating costs for the Paso Robles Landfill submitted by Pacific Waste Systems. Our review included the following eight Excel® spreadsheets:

- Table A EXTENSION Contract Term Budget r 3 16 16.xls
- TABLE 1 SUMMARY OF LINER COSTS.xls
- Table 2 Module 3Cb Estimated LINER CONSTUCTION COSTS work by PWS r1.xls
- TABLE 3 Module 4A1 Estimated LINER CONSTRUCTION COSTS work by PWS.xls
- TABLE 4 Module 4A2 Estimated LINER CONSTURCTION COSTS work by PWS.xls
- TABLE 5 Module 4A3 Estimated LINER CONSTUCTION COSTS work by PWS.xls
- TABLE 6 PARTIAL CLOSURE SOUTH THIRD LANDFILL COSTS.xls

Blue Ridge Services, Inc.
7204 Hites Cove Road
Mariposa, CA 95338
Telephone: (209) 742-2398

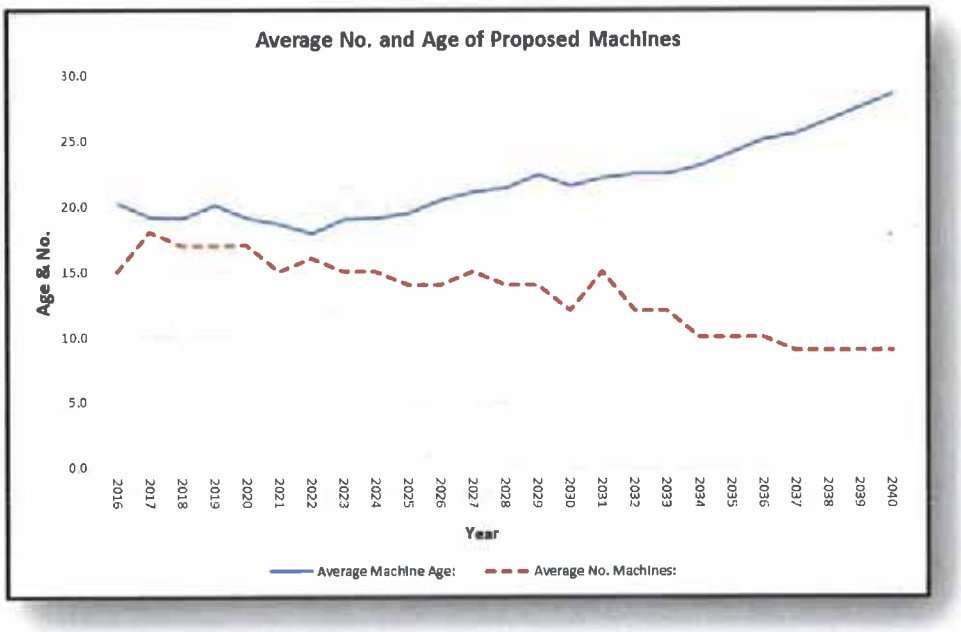
blueridgeservices.com

- Table 7 Closure Fund Deposit Earnings Withdrawal w partial closure by 2033.xls

Analysis and Comments

Our review was based on the information provided (above), our knowledge of the Paso Robles Landfill, and our experience with hundreds of other landfill clients throughout North America.

We approached this review from the standpoint that both parties (City of Paso Robles and PWS) want to continue the good relationship they've built over many years. In that regard, we suggest that the City and PWS discuss the questions and comments in this report.



Age of Fleet

We evaluated the Excel spreadsheet entitled, *"Table A EXTENSION Contract Term Budget r3 16 16"* and were able to estimate the average age of the machines currently working the landfill fleet – as well as for each year throughout the contract. It appears that the current machines (as of 7/31/2016) are on average – 20 years old. These machines are then run-out to retirement …and replaced with other similar (mostly used) machines.

Over the course of the contract, the average machine age increases to nearly 29 years.

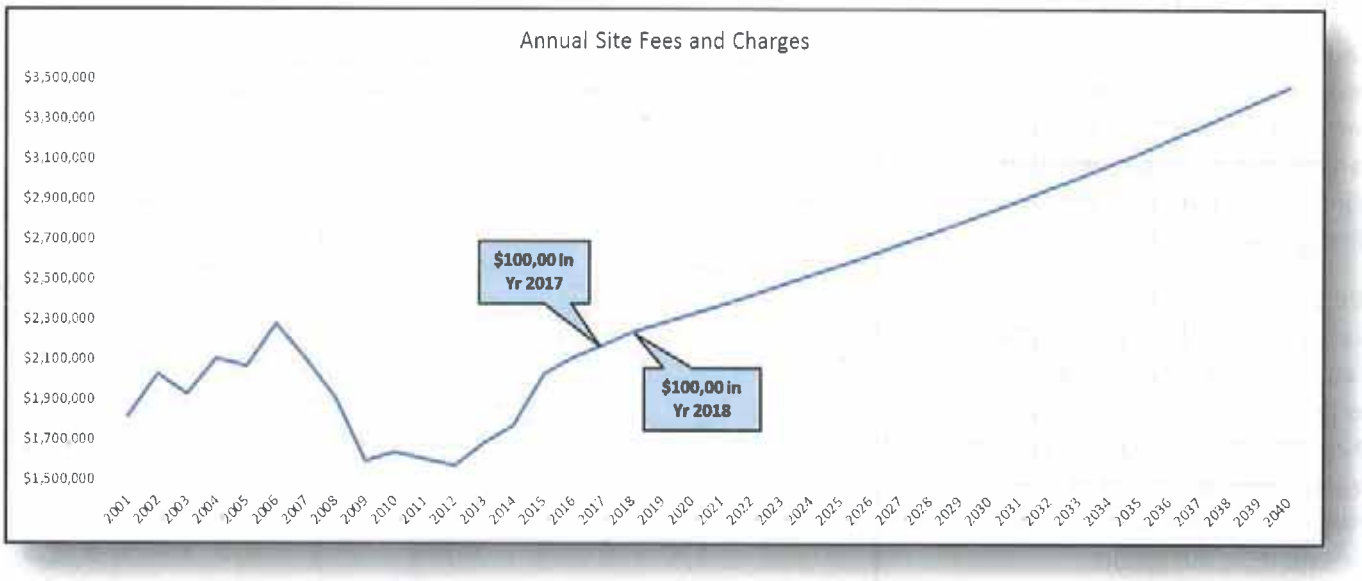
No. of Machines

Over the same time period, it appears that the number of machines is proposed to decrease from 15 machines …to 9.

We recommend you review this with PWS for an explanation of why – by the end of the contract – the number of machines in the proposed fleet is decreasing by 40%, while the average age is increasing by 45%. This is occurring while the inbound tonnage is expected to increase.

Annual $100,000 Increases

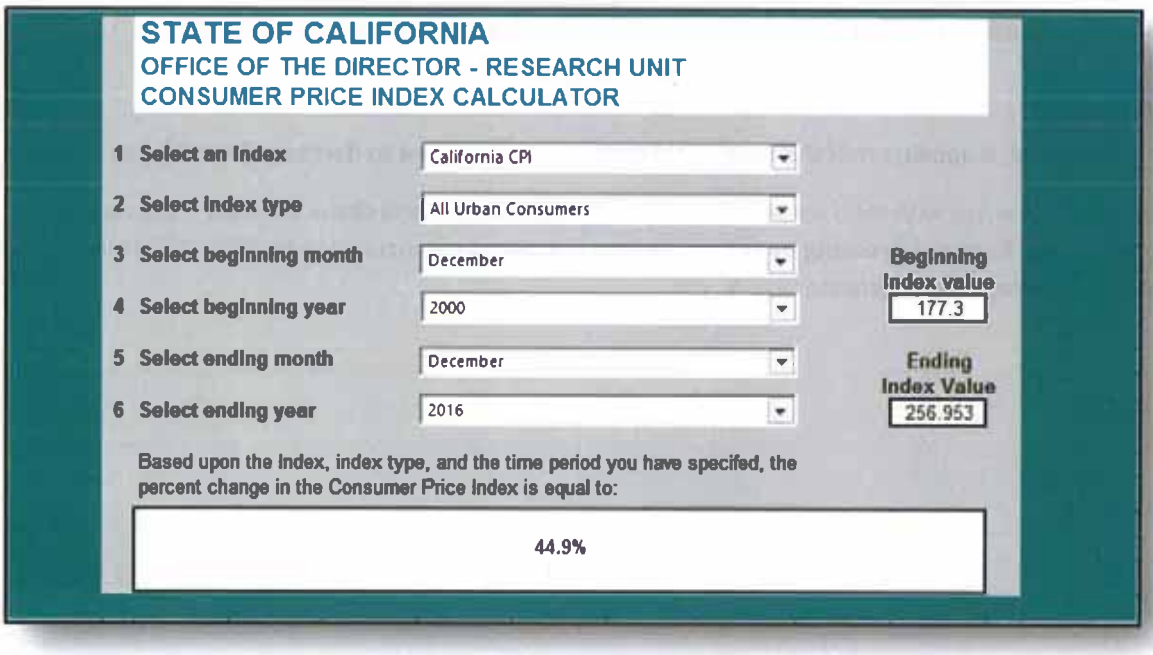
I do not know the basis for the two consecutive annual increases of $100,000 in year 2017 and 2018. We recommend asking for and reviewing the explanation.



Consumer Price Index Escalator

There is a constant escalator of 1.5% for "Future PWS Retention" starting in 2018 and continuing through 2040. There is also an escalator for the "Site Fees & Charges" that begins with 4% in 2016, then drops to 3% in 2017-2018, and finally settles at 2% from 2019 through 2040.

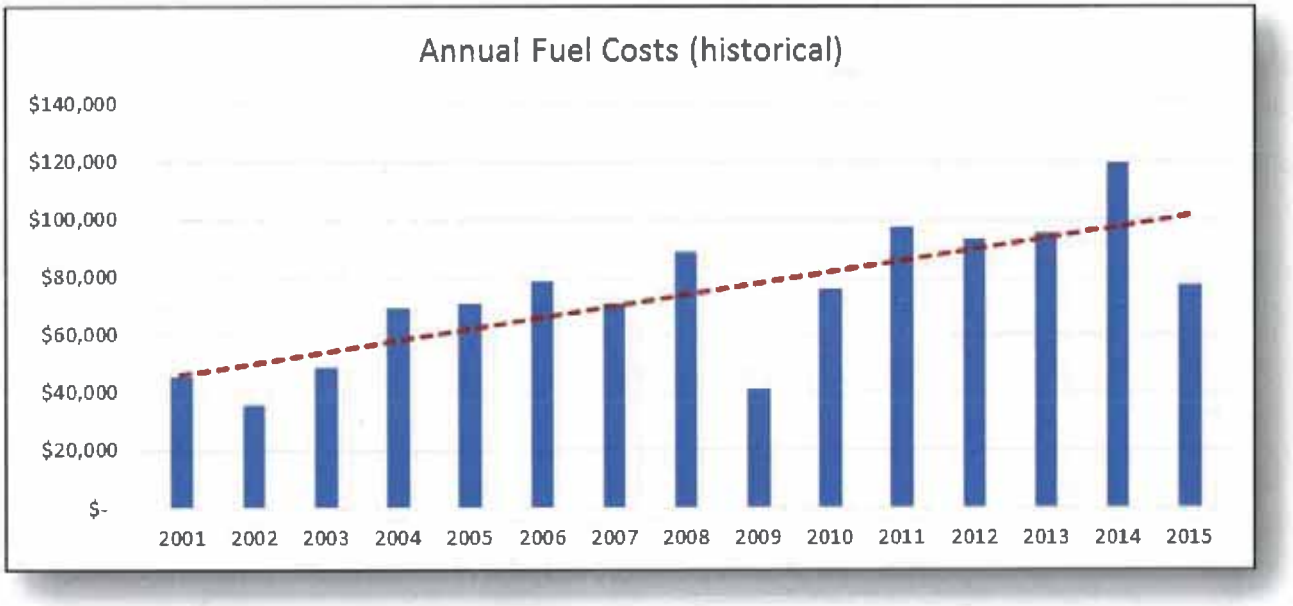
This is not unreasonable, because historically (from 2001 – 2016) the CPI increased approximately 2.25% per year.



Attachment 4

Fuel Escalator

Fuel costs have historically varied from $35,812/year in 2002 to $119,643 in 2014, with lots of variation from year-to-year. However, there is an overall trend of increase of approximately 8% per year.

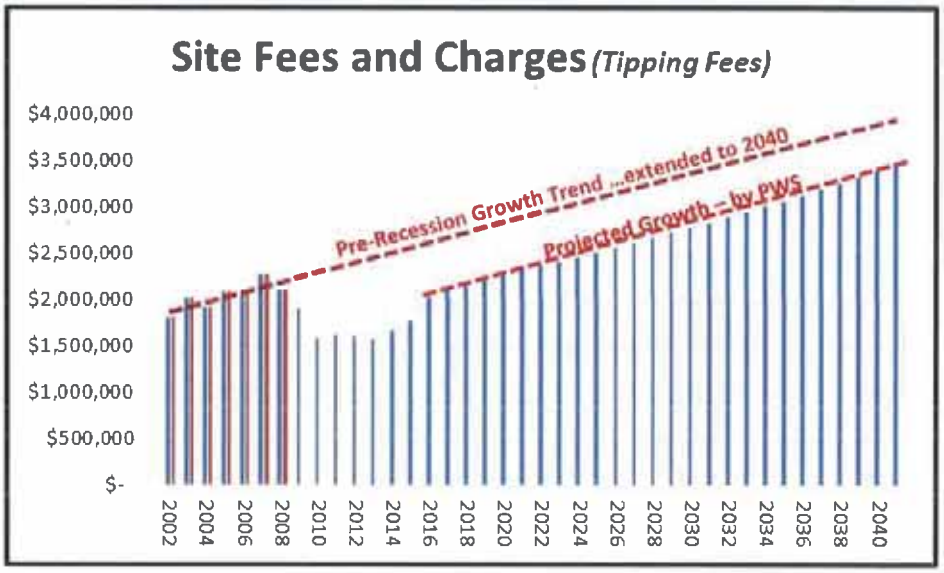


Mechanism for Price Modification

We reviewed the proposed annual increase for "Site Fees and Charges" (i.e., tipping fees), which are set to increase 2% per year. We compared this to the annual increase that was typical from 2001 – 2007 (pre-recession). By extending the pre-recession trend throughout the life of the contract, the projected (future) growth appears to be reasonable. In this regard, except for the drop in revenue caused by the recession, the future revenue is estimated to get back on that same track. Please note however: We did not evaluate census data or any other local projections for growth in the Paso Robles area.

We also caution that making 20+ year projections in regard to waste tonnage is difficult for several reasons:

1. Recycling, which has increased dramatically from both market demand and regulatory mandate is currently in flux. CalRecycle continue to push for more diversion, even while some of the largest players in the waste industry are pushing back against excessive recycling rules because so much of the recycling effort is not economically self-sustaining.
2. There has been a lot of economic volatility in the past decade or so – which is directly related to landfill disposal fee revenue.
3. The landfill industry is very competitive, so changes can and do occur in terms of where trash goes for disposal. As a general rule it follows the money, going toward the lowest disposal cost. In this regard, we should re-iterate that the City of Paso Robles is getting more than just a contractor. PWS and Jim Wyse bring decades of solid waste experience to the table – something we consider to be of great value.



Summary & Recommendations

We generally found the costs to be reasonable – in so far as a 23-year projection can be. We recommend some mechanism be integrated into the contract to review/revise the financial status – and that this be done on a 5-7 year basis.

Attachment 5

Paso Robles Landfill Statement of Income for the Year Ended July, 31

	2012	2013	2014	2015	2016	Average 2012 - 2016
Income						
Site fees and charges	$ 1,576,855	$ 1,685,875	$ 1,775,317	$ 2,031,738	$ 2,030,994	
Recycled materials	$ 86,291	$ 23,627	$ 58,600	$ 45,142	$ 9,952	
Total Income	**$ 1,663,146**	**$ 1,709,502**	**$ 1,833,917**	**$ 2,076,880**	**$ 2,040,946**	**$ 9,324,391**
Expenses						
Automobile expenses	$ 14,803	$ 21,917	$ 22,202	$ 16,866	$ 16,760	
Bank charges	$ 14	$ 39	$ 1,219	$ 2,888	$ 3,818	
Bond expense	$ -	$ -	$ -	$ -	$ -	
Contributions and donations	$ -	$ -	$ -	$ -	$ -	
Depreciation	$ 44,816	$ 74,096	$ 82,658	$ 147,681	$ 142,373	
Disposal fees	$ 320,247	$ 437,032	$ 519,845	$ 752,962	$ 737,960	
Document fees	$ -	$ -	$ -	$ 2,629	$ -	
Equipment leases and rental	$ 1,967	$ 3,692	$ 15,365	$ 15,417	$ 2,417	
Equipment repairs and maintenance	$ 49,442	$ 80,770	$ 133,489	$ 59,819	$ 34,537	
Field supplies and tools	$ 9,468	$ 17,718	$ 34,388	$ 12,164	$ 8,813	
Freight, postage and delivery	$ 3,867	$ 4,335	$ 3,868	$ 6,535	$ 2,982	
Fuel	$ 93,206	$ 95,297	$ 119,643	$ 77,145	$ 68,671	
Insurance	$ 15,133	$ 16,958	$ 12,504	$ 27,758	$ 24,765	
Interest	$ 8,829	$ 12,623	$ 10,248	$ 19,732	$ 10,016	
Job materials	$ 8,150	$ 5,886	$ 94,457	$ 47,794	$ 21,579	
Office expense and reproduction	$ 4,387	$ 5,849	$ 6,576	$ 5,241	$ 6,164	
Payroll expense, fringe benefits and education	$ 48,806	$ 61,081	$ 77,497	$ 90,831	$ 108,552	
Professional fees	$ 3,273	$ 2,960	$ 3,000	$ 9,145	$ 10,696	
Rent	$ 15,750	$ 17,430	$ -	$ 11,100	$ 12,862	
Salaries	$ 587,374	$ 512,231	$ 639,468	$ 544,921	$ 508,604	
Subcontactors	$ 105,408	$ 124,654	$ 166,100	$ 145,274	$ 127,124	
Taxes, licenses and permits	$ 36,891	$ 50,145	$ 14,911	$ 21,343	$ 49,272	
Telephone and utilities	$ 16,929	$ 16,927	$ 9,772	$ 9,498	$ 10,289	
Travel, lodging and entertainment	$ 3,594	$ 2,682	$ 20,040	$ 11,925	$ 8,295	
Total Expenses	**$ 1,392,354**	**$ 1,564,322**	**$ 1,987,250**	**$ 2,038,668**	**$ 1,916,549**	**$ 8,899,143**
Operating Income	**$ 270,792**	**$ 145,180**	**$ (153,333)**	**$ 38,212**	**$ 124,397**	**$ 425,248**
Other Income						
Excess accrual of possessory interest tax payable in prior year	$ -	$ -	$ -	$ -	$ -	
Gain on sale of asset	$ -	$ -	$ 4,925	$ 726	$ (34,058)	
Interest and miscellaneous	$ 424	$ 206	$ 14	$ 76	$ 68	
Loss of disposition of equipment	$ -	$ -	$ -	$ -	$ -	
Loss on sale of asset	$ -	$ (211)	$ -	$ -	$ -	
Revenue share payment	$ -	$ -	$ -	$ -	$ -	
	$ 424	**$ (5)**	**$ 4,939**	**$ 802**	**$ (33,990)**	**$ (27,830)**
Net Income	**$ 271,216**	**$ 145,175**	**$ (148,394)**	**$ 39,014**	**$ 90,407**	**$ 397,418**
Operating Ratio	83.7%	91.5%	108.1%	98.1%	95.5%	95.7%
Profit Percentage	19.5%	9.3%	-7.5%	1.9%	4.7%	4.5%
Requested Increase to Distribution of Revenues					$ 200,000	$ 1,000,000
Adjusted Net Income					$ 290,407	$ 1,397,418
Operating Ratio					86.8%	86.4%
Profit Percentage					15.2%	15.7%

PASO ROBLES LANDFILL, A BRANCH OF PACIFIC WASTE SERVICES, INC.

FINANCIAL STATEMENTS

JULY 31, 2016

With Independent Auditors' Report

PASO ROBLES LANDFILL, A BRANCH OF

PACIFIC WASTE SERVICES, INC.

TABLE OF CONTENTS

JULY 31, 2016

Low Accountancy
David M. Low, CPA

INDEPENDENT AUDITORS' REPORT

To the President
Pacific Waste Services, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Paso Robles Landfill, a Branch of Pacific Waste Services, Inc., which comprise the balance sheet as of July 31, 2016, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Paso Robles Landfill, a Branch of Pacific Waste Services, Inc. as of July 31, 2016, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Low Accountancy

Low Accountancy
David M. Low, CPA
San Ramon, California
January 20, 2017

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PASO ROBLES LANDFILL, A BRANCH OF
PACIFIC WASTE SERVICES, INC.
BALANCE SHEET
JULY 31, 2016

ASSETS			
Current Assets			
Cash on hand	$ 300		
Cash in checking and savings	42,780		
Cash in savings-Designated	49,350		
Total Cash and Cash Equivalents		$ 92,430	
Accounts receivable-Trade		223,034	
Total Current Assets			$ 315,464
Fixed Assets			
Heavy equipment		892,072	
Office equipment		5,384	
Leasehold improvements		13,696	
Loan fees		4,270	
Total Fixed Assets		915,422	
Less: Accumulated Depreciation		(649,864)	
Net Fixed Assets			265,558
Other Assets			
Prepaid expenses			4,756
Operating deposit			500
TOTAL ASSETS			$ 586,278
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accrued expenses		$ 203,149	
Current portion of notes payable		163,823	
Total Current Liabilities			$ 366,972
Long term portion of notes payable			
Balboa Capital		41,276	
Caterpillar		54,329	
Total Long term Liabilities			95,605
Stockholders' Equity			
Retained earnings			
Designated for Liner Improvements		49,350	
Undesignated		74,351	
Total Stockholders' Equity			123,701
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			$ 586,278

The accompanying notes are an integral part of these financial statements.

PASO ROBLES LANDFILL, A BRANCH OF
PACIFIC WASTE SERVICES, INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED JULY 31, 2016

INCOME		
Site fees and charges	$2,030,994	
Recycled materials	9,952	
TOTAL INCOME		$2,040,946
EXPENSES		
Automobile expenses	16,760	
Bank charges	3,818	
Depreciation	142,373	
Disposal fees	737,960	
Equipment leases and rental	2,417	
Equipment repairs and maintenance	34,537	
Field supplies and tools	8,813	
Freight, postage and delivery	2,982	
Fuel	68,671	
Insurance	24,765	
Interest	10,016	
Job materials	21,579	
Office expense and reproduction	6,164	
Payroll expense, fringe benefits and education	108,552	
Professional fees	10,696	
Travel, lodging and entertainment	8,295	
Rent	12,862	
Salaries	508,604	
Subcontractors	127,124	
Taxes, licenses and permits	49,272	
Telephone and utilities	10,289	
TOTAL EXPENSES		1,916,549
OPERATING INCOME (LOSS)		124,397
OTHER INCOME (EXPENSE)		
Loss on sale of asset		(34,058)
Interest and miscellaneous		68
NET INCOME (LOSS)		90,407
RETAINED EARNINGS-BEGINNING OF YEAR	103,041	
Functional Allocation of Income and Expenses	(69,747)	33,294
RETAINED EARNINGS-END OF YEAR		$ 123,701

The accompanying notes are an integral part of these financial statements.

PASO ROBLES LANDFILL, A BRANCH OF

PACIFIC WASTE SERVICES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

JULY 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	$ 90,407
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation and amortization	142,373
Loss on sale of fixed assets	34,058
Functional allocation of income & expenses	(69,747)
(Increase) decrease in:	
Accounts receivable	(6,435)
Increase (decrease) in:	
Accounts payable	(33,756)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	156,900
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(139,115)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(139,115)
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings	123,625
Payments on notes payable	(141,236)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(17,611)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174
BEGINNING CASH AND CASH EQUIVALENTS	92,256
ENDING CASH AND CASH EQUIVALENTS	$ 92,430
SUPPLEMENTAL DISCLOSURES	
Interest paid	$ 10,016

The accompanying notes are an integral part of these financial statements.

PASO ROBLES LANDFILL, A BRANCH OF
PACIFIC WASTE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of El Paso de Robles, California, is the owner of certain land in the County of San Luis Obispo, currently being used as a Class III solid waste facility for disposal by the general public of garbage, refuse, rubbish, sludge and debris. On September 4, 1999, Pacific Waste Services, Inc. (PWSI) entered into a one-year contract with the City, "Agreement For Operation of solid Waste Landfill for the Paso Robles Municipal Landfill", with subsequent "Agreement" on August 1, 2000 for a twenty-year term. Under the agreement, PWSI has exclusive right and authority to operate and maintain the Landfill for use as a Class III solid waste disposal site throughout the term of the agreement. These financial statements include only the assets, liabilities and retained earnings at July 31, 2016, and the revenues and expenses and cash flows for the year then ended, of Paso Robles Landfill, a Branch of Pacific Waste Services, Inc., in conformity with accounting principles generally accepted in the United States of America.

Revenue Recognition

In accordance with the above agreement, as amended on April 5, 2006 and November 5, 2013, PWSI (Contractor) collects all site fees and charges within the operations of the Landfill. During this period, PWSI remits to the City "Disposal fees", consisting of all revenues in excess of $1,293,385 per year.

Provision for Uncollectible Accounts Receivable

The Landfill has not written off any accounts receivable balances at July 31, 2016. The provision was based on management's estimate that all accounts receivable balances are collectible as of the report date of these financial statements.

Deferred Income Taxes

PWSI, the Landfill's parent company, applies the cash method of accounting for tax purposes. During the period covered by these statements the Landfill's parent company, PWSI, incurred a state tax liability. The Landfill's proportionate share of that tax liability is included in these statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Landfill considers all highly liquid investments available for current use with an initial maturity of less than one month to be cash equivalents.

PASO ROBLES LANDFILL, A BRANCH OF
PACIFIC WASTE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2016

Significant Accounting Policies-continued

Subsequent Events

Management has evaluated subsequent events through January 20, 2017, the date the accompanying financial statements were available to be issued.

Depreciation

The Landfill's equipment is depreciated using primarily the Federal income tax method, however cumulative differences between accepted methods for tax purposes versus book purposes is considered immaterial for these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Income and Expenses to Retained Earnings

The revenues and costs of operating the Landfill have been summarized on a functional basis in the Statement of Income and Retained Earnings. Accordingly, certain revenues and costs of the parent, PWSI, have been allocated to the operations of the Landfill. The current year increase (decrease) of allocated income and expenses is stated as a current year change in Retained Earnings.

Designated Assets/Retained Earnings

The Board of Directors has designated excess retained earnings for future Liner Improvements to the Landfill.

NOTE 2 - FIXED ASSETS

The Fixed Assets are comprised of the following categories:

Some equipment was not used at the Landfill for two and one half months, and their related depreciation and interest charges have been reduced accordingly for the year ended July 31, 2016.

	Estimated Lives	
Professional equipment	5-7 years	$ 892,072
Office equipment	5-10 years	5,384
Leasehold improvements	10-15 years	13,696
Loan fees	2-3 years	4,270
Total Fixed Assets		915,422
Less: Accumulated Depreciation and Amortization		649,864
Net Fixed Assets		$ 265,558

PASO ROBLES LANDFILL, A BRANCH OF
PACIFIC WASTE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2016

NOTE 3 - NOTE PAYABLE

The Landfill's notes payable at July 31, 2016 are comprised of the following:

Balboa Capital $80,000 equipment loan due 12/1/17, 4.695%, $7,186 quarterly principal and interest payments	$27,921
Balboa Capital $150,000 equipment loan due 4/14/18, 8.8%, $4,756 monthly principal and interest payments	92,253
Caterpillar Financial $95,875 equipment loan due 6/24/20, $1,598 monthly principal payments	73,504
Papich Construction Co., Inc. $123,625 equipment loan due 11/10/16, $16,438 monthly principal payments	65,750
Total Notes Payable	$ 259,428
Less: Current Portion	(163,823)
Long Term Portion	$ 95,605

An amortization of the above debt is comprised of the following:

July 31, 2017	$163,823
July 31, 2018	60,451
July 31, 2019	19,175
July 31, 2020	15,979
Total	$259,428

NOTE 4 – OPERATING LEASES

The Landfill paid $2,417 for as needed equipment rental charges for the year ended July 31, 2016.