

Final Report

Performance Review and Audit of Billings and Audit of Revenue Reporting for Contract Services Provided by Napa County Recycling & Waste Services



**Submitted to:
Napa County**



August 12, 2013

R3

August 12, 2013

Mr. Greg Pirie, R.E.H.S.
Solid Waste Program Manager
Napa County
Department of Planning, Building & Environmental Services
1195 Third St Suite 210
Napa, CA 94559

Subject: Final Report – Performance Review and Audit of Billings and Audit of Revenue Reporting for Contract Services Provided by Napa County Recycling & Waste Services

Dear Mr. Pirie:

R3 Consulting Group (R3) was engaged by Napa County (County) to assist it with a Performance Review and Audit of Billings and Audit of Revenue Reporting for Contract Services Provided by Napa County Recycling & Waste Services (NCRWS). The objectives of the engagement were to:

- Determine the extent to which NCRWS has materially complied with provisions of its Franchise Agreement with the County;
- Verify that NCRWS is properly billing customers and accurately remitting payments to the County; and
- Make recommendations, as appropriate, for improvement of services.

The attached Final Report presents our findings and recommendations.

We wish to thank NCRWS for its cooperation during our review. NCRWS responded to our information requests in a timely manner, provided us with access to staff and worked cooperatively with us throughout the course of our review.

* * * * *

We appreciate the opportunity to be of service to the County. Please feel free to contact me at (916) 576-0306, or e-mail at wschoen@r3cgi.com if you have any questions or comments regarding this submittal.

Sincerely,

R3 CONSULTING GROUP



William Schoen
Principal

Table of Contents

1.0	Executive Summary	1
1.1	Introduction	1
1.2	Objectives	1
1.3	Summary of Methodology	2
1.4	Summary of Status of 2009 Audit Recommendations.....	3
1.5	Summary of Current Findings	5
	1.5.1 Performance Review	5
	1.5.2 Audit of Billings and Revenue Reporting	9
	1.5.3 Audit of Work Orders	10
	1.5.4 Audit of Purchased Materials.....	10
1.6	Recommendations	11
2.0	Performance Review	13
2.1	Compliance with Franchise Agreement and Applicable Laws and.....	13
2.2	Overall Organizational Structure and Management Systems and Procedures	14
	2.2.1 Organizational Structure and Functions.....	15
	2.2.2 Data Tracking and Reporting Procedures.....	16
	2.2.3 Employee Management Policies and Procedures.....	16
	2.2.4 Employee Feedback Programs.....	17
2.3	Efficiency of Collection Operations	17
	2.3.1 Vehicle Routes, Routing Approach and Route Structure	17
	2.3.2 Work Schedule.....	18
	2.3.3 Schedule and Collection of Missed Pickups	18
	2.3.4 Collection Productivity.....	19
	2.3.5 Age and Condition of Vehicles.....	21
	2.3.6 Route-to-Supervisor Ratio	21
2.4	Compliance with Public Education and Diversion Plans ..	22
2.5	Staffing Practices	23
2.6	Employee Job and Safety Training, and Management of Hazardous Waste.....	24
	2.6.1 Policies and Procedures	24
	2.6.2 Management of Overloaded Vehicles	26

R3

Table of Contents

2.6.3	Vehicle Hydraulic Fluid Spills – Spill Log	27
2.6.4	Management of Hazardous Waste	28
2.6.5	Safety Record	29
2.7	Procedures for Receiving and Resolving Customer Complaints and Concerns	30
2.8	Procedures for Acquisition, Maintenance, Safety Check and Replacement of Equipment	31
2.8.1	Vehicle Inventory, Fleet Age and Vehicle Spare Ratio	32
2.8.2	Vehicle to Mechanic Ratio	32
2.8.3	Maintenance Procedures	33
2.8.4	Pre- and Post-Trip Inspection Practices	34
2.8.5	Historical BIT Results	34
2.9	Utilization and Management of NCRWS Facilities, Equipment and Personnel	35
2.10	Management of Roll-Off Box Service by NCRWS under Franchise Agreement	37
2.10.1	General	37
2.10.2	Review of Vehicle and Load Tracking	37
3.0	Audit of Billings and Audit of Revenue Reporting	39
3.1	Audit of Billings	39
3.1.1	Customer Billing Records Review	39
3.1.2	Field Audit	40
3.2	Audit of Revenue Reporting	42
3.2.1	Test of Annual Rate Adjustments	42
3.2.2	Calculation of Gross Rate Revenues	43
3.2.3	Test of Franchise Fee Transactions	45
3.2.4	Test of Liquidated Damages Transactions	45
3.2.5	Examination of Other Gross Rate Revenues Reporting	48
4.0	Audit of Work Orders	49
4.1	Work Order Generation and Assignment	49
4.2	Findings	51

R3

Table of Contents

5.0	Audit of Purchased Materials.....	53
5.1	Tracking and Reporting of Purchased Materials	53
5.2	Accuracy of NCRWS's Reported Diversion Rate	54
5.3	County's MDF Preferred Rate	55
5.4	Findings.....	56

Tables

Table 1	Route Productivity Data.....	20
Table 2	Historical Diversion Rates	22

Appendices

Appendix A	Contact Compliance Checklist
Appendix B	Organizational Charts
Appendix C	Vehicle List
Appendix D	Status of R3 (2009) Audit Recommendations
Appendix E	Modification Factors / OSHA Data
Appendix F	Summary of Methodology used to Calculate Monthly Report Diversion Rates

R3

1.0 Executive Summary

1.1 Introduction

Napa County (County) contracted with Napa County Recycling and Waste Services (NCRWS) to provide all commercial and residential solid waste, recycling, and green waste collection services in the unincorporated area of Southern Napa County as set forth in County Agreement No. 6431 (Franchise Agreement) and all subsequent amendments. NCRWS provides service to approximately 4,300 single-family households and 230 commercial accounts on bin and cart service, and 50-70 roll-off accounts using eight (8) routes and thirteen (13) employees. The contract term is from October 1, 2005 to November 30, 2015, with a discretionary granting of up to four (4) one-year extensions by the County.

The County is tasked with the oversight of the Franchise Agreement on behalf of the ratepayers. The Franchise Agreement allows the County to conduct a "Performance Review" of NCRWS up to three times during the base term of the agreement and two times during any extensions. An initial Performance Review was conducted in 2009. This current Performance Review is being undertaken as part of the County's diligent oversight of the Franchise Agreement to determine if NCRWS is satisfactorily performing its duties and responsibilities and functioning in accordance with the Agreement.

1.2 Objectives

The major objectives of the Performance Review and Audit of Billings and Revenue Reporting included the following:

- To conduct a comprehensive review of NCRWS' performance specific to its contractual requirements as specified in Article 8.7 (Performance Review) of the Franchise Agreement;
- To audit NCRWS' billings and revenues to assess, among other things the accuracy of:
 - The rates billed to residential and commercial customers;
 - Gross revenue calculations;
 - Franchise fee payments; and
 - Required liquidated damage payments.
- To audit work orders to assure that only those loads that pertain to NCRWS' franchised services are included in the

R3

Performance Review & Audit of Billings & Revenue Reporting

franchised tonnages reported to the County and do not include loads associated with non-franchised entities; and

- To audit “purchased materials” to assure that only franchised loads receive the County’s preferred rate and only franchised tonnages are included in the County’s diversion calculation; and
- To provide the County with recommendations:
 - For improvement in each of the areas covered by the review, as well as suggested changes to the terms and conditions of the Franchise Agreement in support of those recommendations and the County’s consideration of any future extension of its franchise with NCRWS; and
 - To increase the ease and effectiveness of the County’s administration of the Franchise Agreement.

1.3 Summary of Methodology

The methodology used by R3 to meet the project objectives was designed to build upon the knowledge and information gained from R3’s 2009 Performance Review of NCRWS, and included, but was not limited to the following:

- Reviewing and analyzing documents and data provided by the County and NCRWS;
- Reviewing NCRWS’ management systems;
- Interviewing NCRWS management and administrative staff; and
- Conducting field audits and observing operations.

Documents requested and reviewed, as made available, included the following:

From the County:

- Current solid waste ordinances and resolutions;
- Current Franchise Agreement and all amendments;
- Correspondence between the County and NCRWS regarding relevant contractual matters including NCRWS’ use of subcontractors;
- Monthly statements submitted by NCRWS as required by Section 6.4 of the Franchise Agreement;
- Monthly and Annual Reports as required by Article 8 of the Franchise Agreement; and

R3

Performance Review & Audit of Billings & Revenue Reporting

- Recent annual rate adjustment calculations and supporting documentation.

From NCRWS:

- Organizational charts and reporting relationships;
- Job descriptions;
- Employee manuals and/or work rules;
- Audited financial statements;
- Records of franchise fees paid to the County;
- Records of liquidated damages payments to the County;
- Most recent billing register;
- Customer complaint log;
- Public education and outreach materials;
- Annual waste audits and recycling plans;
- Tonnage records;
- Customer subscription levels;
- Route maps, route lists and collection schedules;
- Vehicle list and vehicle replacement schedule;
- Vehicle weight data;
- Vehicle maintenance records;
- Vehicle spill log and spill response procedures;
- Copies of Biennial Inspection of Terminals (BIT) inspections;
- Experience modification factors; and
- Worker's compensation and on-the-job injury summaries (OSHA Form 300 and Form 300A).

1.4 Summary of Status of 2009 Audit Recommendations

NCRWS appears to have effectively addressed the majority of the following R3 recommendations from the 2009 Performance Review (Refer to Appendix D (Status of R3 (2009) Audit Recommendations) for more details):

1. **Controlling Overweight Vehicles** – NCRWS has instituted new procedures that include reviewing vehicle weights daily and adjusting routes as necessary to maintain legal loads. Instances of overloaded vehicles have decreased significantly since the 2009 review.

R3

Performance Review & Audit of Billings & Revenue Reporting

2. **Proper Placement of Containers after Collection** - Proper placement of containers was addressed as a tailgate training topic on May 24, 2011 and October 6, 2011 and our field audits found only a handful of containers knocked over after collection (and fewer than our 2009 route audits). With that said, if the route audit findings are representative of typical conditions NCRWS would be subject to liquidated damages for this item, which apply for each occurrence over ten (10) per calendar year.
3. **Emptying Curotto Can** – Required training has been documented and this issue has been resolved to the County's satisfaction.
4. **English / Spanish Telephone Message** – NCRWS' phone message now offers a Spanish language option. Reference to the option, however, is in English not Spanish and the caller must listen to a variety of information before that option is offered.
5. **Spanish Website Information / English/Spanish Educational Material** – NCRWS' website now has a Google translate button that provides for a Spanish translation of the website.
6. **Minimum Diversion Requirement** - The specified methodology to determine the Minimum Diversion Requirement (MDR) has always been problematic. NCRWS' historical diversion rate, however, has significantly exceeded the MDR so from that standpoint this does not appear to be a significant issue. Going forward, however, the County may wish to consider if, and if so, how to incentivize NCRWS to increase diversion.
7. **Tracking and Reporting of Fluid Spills** – Our review found that the number of (hydraulic) fluid spills is not excessive and we do not considered it to be an issue. There was an issue, however, with the tracking of spills and the process for notifying the County identified during the 2009 review. The process for notifying the County has been effectively resolved, however, NCRWS is still using two different forms to track vehicle spills.
8. **Route Supervision** – The 2009 Performance Audit found that there was lack of sufficient route supervision (i.e., a total of not less than 50 percent of one full time equivalent route supervisor is required to be in the field on a daily basis). In response, NCRWS established a Roll-off Route Foreman position to oversee roll-off operations. This issue is discussed in more detail in Sections 2.3.6 and 2.5.
9. **Roll-off Service** – In response to the ongoing issue of NCRWS' subcontracting of roll-off service, as needed,

R3

NCRWS agreed to lease roll-off vehicles and staff from its related party 600-Tower Road / Valley Recycling (TR/RV). NCRWS and TR/RV have a verbal intercompany agreement but do not have a written lease agreement. Franchised roll-off services that are leased are tracked and reported separately from TR/RV's non-franchise roll-off services. This issue is discussed in more detail in Sections 2.10 and 4.0.

10. Billing Accuracy – In response to discrepancies between customer billings and the actual service levels provided identified during the 2009 review, NCRWS instituted an annual residential and commercial route audit process. That process involves the auditor riding every route and comparing each customer's service level as billed to the actual service level in the field to maintain billing accuracy.

11. Calculation of Gross Rate Revenues – This item has been addressed by NCRWS to the County's satisfaction.

1.5 Summary of Current Findings

Overall, we found NCRWS to be in compliance with the majority of the terms and conditions of the Franchise Agreement although there are a number of contract compliance and operational issues that NCRWS needs to address that are discussed below. We found that NCRWS is operating safely and effectively with reasonable productivity and good customer service. Our review of NCRWS' financial management practices indicated that the collection and billing system is being maintained in an appropriated manner and is able to provide complete and accurate financial information. Our Audit of Billings and Revenue Reporting and Audit of Purchased Materials did not identify any major issues. As discussed above, NCRWS has effectively addressed the majority of R3's recommendations from the 2009 Performance Review.

A summary of major contract compliance issues identified during our review that NCRWS are provided in Section 1.5.1 Performance Review (Compliance with Franchise Agreement and Applicable Laws and Regulations) below. This is followed by a more detailed summary of our findings related to each of the major aspects of NCRWS' operations covered by our review. Our recommendations, which are provided in Section 1.6 below, include specific items related to contract compliance and operations that need to be addressed by NCRWS

1.5.1 Performance Review

Compliance with Franchise Agreement and Applicable Laws and Regulations

More than 140 separate contractual requirements were identified and reviewed. NCRWS appears to be in compliance with the

R3

Performance Review & Audit of Billings & Revenue Reporting

majority of those requirements; however, we did identify a number of areas of non-compliance including:

- Notifying County of customer for whom service has been stopped (Compliance Checklist Item #31);
- Providing all insurance requirements (Compliance Checklist Items #50, #51 and #52);
- Annually auditing and preparing a “Recycling Plan” for 10 percent of commercial businesses (Compliance Checklist Items #91); and
- Conducting annual background checks on each driver (Compliance Checklist Items #126).

Overall Organizational Structure and Management Systems and Procedures

- With the exception of establishing a new Roll-off Foreman position, NCRWS’ organizational structure has not changed substantially since the 2009 Performance Review and still falls short of the requirement of one 50% FTE in the field for supervision; however, NCRWS is supervised similarly to that of other waste businesses of its size;
- NCRWS uses Soft-Pak software for billing, routing, customer service and scale operations, and tracks and reports a range of data in support of the management of its collection operations; and
- NCRWS has documented policies and procedures in place covering employee evaluation, feedback, discipline and training as well as various safety, operations and customer service functions.

Efficiency of Collection Operations

- NCRWS appears to be using an effective mix of collection vehicles to provide the required services and is achieving reasonable collection productivity;
- NCRWS’ procedures for addressing missed pickups are consistent with the requirements of the franchise agreement. From January 2010 through April 2013 a total of nine missed pickups were not collected within the required time frame; and
- NCRWS’ collection vehicles are all more than 7 years old and are approaching what is typically considered the end of their normal service life. NCRWS reported that replacement of those vehicles is dependent upon extension of the Franchise Agreement beyond 2015.

R3

Compliance with Public Education and Diversion Plans

- NCRWS is in compliance with the majority of the public education requirements of the franchise agreement, although there are a number of public education related items that need to be addressed; and
- NCRWS' 2012 franchised diversion rate was 70 percent, which compares very favorably to other jurisdictions that we know of. NCRWS attributes its high diversion rate, at least in part, to the nature of the commercial waste stream, which includes significant quantities of glass and grape pomace attributed to the wine industry and limited multi-family residences.

Staffing Practices

NCRWS' has three staff dedicating all or a portion of their time to supervising routes, which is an efficient and effective structure. The portion of those staff dedicated to supervising NCRWS routes, however, does not appear to satisfy the contractual requirements (i.e., one 50% FTE in the field). With that said the current structure appears to provide for generally effective route supervision as our review did not identify any operational or customer service issues that would lead us to believe that there is clearly a need for additional route supervisors at this time.

Employee Job and Safety Training, and Management of Hazardous Waste

- Collection staff policies and procedures are documented in NCRWS' Operations Policies and Procedures Manual;
- New drivers are subject to a range of training activities that include on-route training that results in certification to operate specific types of collection vehicles;
- Regular tailgate training sessions are conducted for all collection and maintenance staff. Since the 2009 Performance Review, that training has included addressing various contract compliance issues noted during that review;
- Vehicle and job related accidents and injuries, and customer complaints are included in the tailgate training sessions and are designed to effectively address any such issues in a timely manner;
- NCRWS has taken a number of steps to maintain legal weights and those efforts have been effective;
- Vehicle fluid spills continue to occur relatively infrequently at a level consistent with a well-maintained fleet;

R3

Performance Review & Audit of Billings & Revenue Reporting

- NCRWS reported that hazardous waste issues are infrequent and NCRWS' policy for the management of Hazardous Waste is clear and effective; and
- NCRWS' safety record based on its Experience Modification Factors for 2006 through 2013 compares favorably to the industry.

Procedures for Receiving and Resolving Customer Complaints and Concerns

There are clearly defined procedures of receiving and resolving customer complaints and the number of reported customer complaints has decreased significantly since the 2009 Performance Review, with one (1) complaint in both 2010 and 2011 and two (2) in 2012.

Procedures for Acquisition, Maintenance, Safety Check and Replacement of Equipment

- NCRWS appears to be maintaining vehicles in a safe operating condition and complying with federal regulations for required pre- and post-trip driver inspections; and
- NCRWS has received two (2) "Satisfactory" CHP BIT inspections since 2009, which supports the presence of an effective maintenance program.

Utilization and Management of NCRWS Facilities, Equipment and Personnel

NCRWS has an effective structure in place for the management of its operations, including facilities, equipment and personnel and appears to be effectively managing those operations and resources.

Management of Roll-off Box Service

- A work order, which specifies the service to be provided, is generated for all roll-off services;
- NCRWS does not have a formal protocol for assigning an NCRWS work order to TR/VR, with assignment based on the number of work orders per day and the availability of NCRWS and TR/VR equipment and employees; and
- Assuring that County roll-off services are accurately reflected in the City of Napa Materials Diversion Facility (MDF) and Devlin Road Transfer Station (DRTS) databases requires that the facility scale house attendant review the associated work order and either confirm the default information in the data base, which is tied to the truck number, or override that information to reflect the correct information in the work order;

R3

Performance Review & Audit of Billings & Revenue Reporting

- Work order numbers are reported under the “Manifest #” field of the facility databases, which is a fairly new process. Prior to the use of the Manifest # field work order numbers were entered into the “notes” area of the facility databases;¹ and
- MDR and DRTS scale house attendants enter many, but not all, work order numbers into the respective facility databases.

1.5.2 Audit of Billings and Audit of Revenue Reporting

Audit of Billings

- In general, NCRWS is charging rates that are consistent with those listed on the County’s approved rate schedule. We did however find, among other things, that there are a number of rate categories/service levels that NCRWS is charging that are not listed on the County’s approved rate schedule. NCRWS reported that all such miscellaneous rates have been submitted to the County for addition to the rate schedule;² and
- Our field audit of 988 residential accounts identified nine (9) accounts where there was a discrepancy (under billing) between the billed service level and the actual service level provided (an accuracy rate of 99%). This compares to an accuracy rate of 96 percent for the 2009 Performance Review billing audit.

Audit of Revenue Reporting

- The annual rate adjustment calculations were mathematically accurate and consistent with the requirements of the Franchise Agreement;
- NCRWS is properly classifying franchise and non-franchise billings and properly calculating franchise and non-franchise gross rate revenue;

¹ The MDF scale house attendants historically entered the work order number into the “Comments” field. However, this was problematic since other comments/text were also entered into that field, and sometimes it was left blank – making it very difficult to track the loads by work order #. Starting in the spring of 2012, the scale house attendants started entering our work order number into their “Manifest #” field. They also worked back to fill it in for all 2012 loads prior to that, so the City’s system has NCRWS work order #'s in their “Manifest #” field for all loads starting January 1, 2012.

² The County reported that rates were not submitted for a Special Rate Review until May 31, 2013. Most likely due to questions raised during the Performance Review.

R3

Performance Review & Audit of Billings & Revenue Reporting

- Non-franchised adjustments and classifications appear to be reasonable and appropriate;
- Franchise fees were accurately calculated;
- The collection and billing system is being maintained in an appropriate manner and is able to provide complete and accurate financial information;
- NCRWS's bad debt policies are appropriate and effective with bad debt averaging 1.3 percent for 2010 through 2012, which is not excessive; and
- NCRWS is in compliance with the Lock Box Agreement contained in Exhibit J of the Franchise Agreement.

1.5.3 Audit of Work Orders

- NCRWS' work order system provides an effective means for tracking roll-off loads, including assigning each load to the appropriate jurisdiction, and tracking the roll-off route/truck that provided the service.
- All roll-off loads recorded to the County's account are supported by a corresponding work order from NCRWS although not all work orders are entered into the MDF and DRTS data bases by the scale house attendants;
- All loads recorded to the County's account pertain the NCRWS services under the Franchise Agreement, with the exception of purchased loads from within Zone 1 that are collected by NCRWS or TR/VR and recorded to the County's account;
- NCRWS does not have a formal protocol for assigning work orders to TR/VR, with assignments based on work load and vehicle/staff availability; and
- NCRWS and TR/VR have a verbal intercompany agreement but do not have a written lease agreement.

1.5.4 Audit of Purchased Materials

- Purchased materials were separately identified in the monthly reports to the County from October 1, 2012 to March 31, 2013;
- NCRWS removed the purchased material from the diversion calculation;
- With one small correction, that increased NCRWS's February and March 2013 reported diversion rate, NCRWS' reported diversion rates are accurate; and
- Materials that NCRWS purchases from accounts (or that TR/VR purchases from accounts within NCRWS's franchise area), are reported under the County's MDF

R3

account and receive \$34 per ton in revenue consistent with the County's "preferred rate". The County reported that tonnages sold to NCRWS are not to receive NCRWS's preferred rate at the City's MDF. This issue should be reviewed with NCRWS.

1.6 Recommendations

- Revise telephone message so that the Spanish language option is referenced in Spanish at the start of the telephone message (Contract Compliance Item # 22).
- Have NCRWS:
 - Submit list of customers for whom service has been stopped under separate cover with each Monthly Report (Contract Compliance Item # 31); and
 - Issue required residential and commercial notification of opportunity to participate in recycling in January, as required, and document in Monthly report (Contract Compliance Item #89).
- Prepare and submit a draft notice of approved rate adjustments annually to County in advance of billing insert or invoice notification (Contract Compliance Item #37).
- In support of efforts to increase diversion, have NCRWS develop a Commercial Account Subscription Profile (CASP) that is updated annually with historical data tracked, and which lists (Contract Compliance Item #91):
 - Each commercial business in order by total service volume;
 - The level of solid waste, recycling and organics service provided (i.e., the weekly cubic yards for each service);
 - The dates and results of any on-site waste audits;
 - Estimated "additional diversion potential"³; and
 - Prioritizes follow up efforts based on the above information.
- Consider focusing future NCRWS diversion efforts / diversion requirements on the commercial sector with a suggested goal of maximizing diversion from all commercial accounts starting with the top 25, with progress tracked using the CASP described above.

³ The percentage of recoverable material in the waste stream by commodity, as estimated by visual assessment.

Performance Review & Audit of Billings & Revenue Reporting

- Require NCRWS to identify and report any overweight vehicles in the Monthly Reports (Contract Compliance Item #110).
- Consider having NCRWS track and pro-actively report other key liquidated damage performance standards in the Monthly Reports (e.g., Failure to correct a missed pickup within the required times set forth in Article 5.3C).
- Institute and enforce a 100 percent Proper Container Replacement Policy, which establishes a standard for 100 percent of the containers returned upright after collection with lids closed (Contract Compliance Item #116).
- Determine need / ability and approach for requiring annual background testing of all employees as part of any new union agreement (Contract Compliance Item #126).
- Develop a single Spill Log form that incorporates additional information as specified in Section 2.6.3.
- Include the reconciliation of the receipts per the Cash Receipts journal to the Gross Rate Revenue and the receipts per the bank statement to the Gross Rate Revenue on all Gross Rate Revenue Schedules (Section 3.2.2).
- Work with the City and scale house attendants to implement a policy that requires all roll-off drivers to provide the scale house attendant with a work order and results in 100 percent entry of those work orders into the appropriate field of the County's account database (Section 4).

R3

2.0 Performance Review

The objective of the Performance Review was to determine the extent to which NCRWS has materially complied with the provisions of its Franchise Agreement. That review involved evaluation of the following aspects of NCRWS' operations:

- Compliance with Franchise Agreement and Applicable Laws and Regulations (Task 2.1);
- Overall Organizational Structure and Management Systems and Procedures (Task 2.2);
- Efficiency of Collection Operations (Task 2.3);
- Compliance with Public Education and Diversion Plans (Task 2.4);
- Staffing Practices (Task 2.5);
- Personnel Management Practices (Task 2.6);
- Employee Job and Safety Training and Management of Hazardous Waste (Task 2.7);
- Procedures for Receiving and Resolving Customer Complaints and Concerns (Task 2.8);
- Procedures for Acquisition, Maintenance, Safety Check and Replacement of Equipment (Task 2.9);
- Utilization and Management of NCRWS Facilities, Equipment and Personnel (Task 2.10); and
- Management of Roll-off Box Service by NCRWS under Franchise Agreement (Task 2.11).

2.1 Compliance with Franchise Agreement and Applicable Laws and Regulations

The purpose of this review was to determine NCRWS' compliance with the terms of the Franchise Agreement and with applicable laws and regulations governing the provision of services under that agreement.

R3 reviewed and documented various items in the Franchise Agreement that require NCRWS to meet specific performance standards, submit information or reports, perform specific services, and document operating procedures, among other things. More than 140 separate contractual requirements were identified and reviewed. A copy of the Contract Compliance Checklist and R3's assessment of NCRWS' compliance with each of the identified requirements is provided in Appendix A.

Our review found that NCRWS appears to comply with the majority of the terms and conditions of the Franchise Agreement that were reviewed. However, we did identify the following areas

R3

Performance Review & Audit of Billings & Revenue Reporting

where NCRWS is not, or may not be, in full compliance with the stated terms and conditions:

- Notifying County of customer for whom service has been stopped (Franchise Agreement Article 6.5); (Compliance Checklist Item #31)
- Notifying customers with advanced notice of approved rate adjustment at least 30 days prior to effective date of adjustment (Compliance Checklist #37);
- Submittal of Annual Reports by February 1st (Compliance Checklist Item #42);
- Submittal of Monthly Reports 15 days after end of month / Provision of all required information (Compliance Checklist Item #44);
- Providing all insurance requirements (Compliance Checklist Items #50, #51 and #52);
- Annually notifying customers in January of opportunity to participate in recycling (Contract Compliance Checklist #89);
- Annually auditing and preparing a “Recycling Plan” for 10 percent of commercial businesses (Compliance Checklist Item #91);
- Mixing of wastes from other jurisdictional origin (Compliance Checklist Item #115);
- All containers returned upright within 5 feet of location picked up (Contract Compliance Item #116); and
- Annual background checks on each driver (Compliance Checklist Item #126).

2.2 Overall Organizational Structure and Management Systems and Procedures

R3’s review and assessment of NCRWS’ organizational structure, management systems and procedures included the following items:

- Review of organizational structure and functions, including the ratio of supervisors to routes, mechanics to vehicles, and customers to customer service and billing representatives;
- Review of data tracking and reporting procedures, including what data are continually tracked and how those data are used to manage the collection operations;

R3

Performance Review & Audit of Billings & Revenue Reporting

- Review of employee management policies and procedures, including those for employee evaluation, discipline, and training, etc.; and
- Review of employee feedback programs that provide a forum for employees to make suggestions on system improvements.

2.2.1 Organizational Structure and Functions

With the exception of establishing a new Roll-off Route Foreman position, NCRWS' reported that its organizational and management structure has not changed substantially since the 2009 performance review. A copy of Napa Recycling & Waste Services (NRWS) and NCRWS' organizational charts are provided in Appendix B.

The general organizational structure of NCRWS and its related parties is similar to that of other solid waste businesses of its size. The General Manager is supported by a Director of Operations / Operations Manager , Chief Financial Officer) Office Manager , and Public Education Coordinator . The Residential Route Supervisor and Roll-off Route Foreman, report directly to the Operations Manager, who oversees the commercial routes. The Shop Manager/Maintenance Supervisor, who has direct responsibility for the mechanics, also reports directly to the Operations Manager, as do the Compost Supervisor and MDF Supervisor. The Office Manager oversees the Customer Service Representatives (CSRs), A/R Manager, Dispatcher, and Roll-off Coordinator. The Chief Financial Officer oversees the Controller, Inventory/Accounts Payable Manager, and Payroll Manager.

With the possible exception of the Residential Route Supervisor and the Director of Operations, the span of control of management staff appears reasonable. Prior to establishing the Roll-off Route Foreman position, the Residential Route Supervisor, had direct oversight responsibilities for a total of 36 drivers and two (2) container delivery staff; about twice the number of staff we would consider a reasonable span of control. With the shifting of direct oversight of roll-off routes to the Roll-off Route Foreman, the Residential Route Foreman now has direct responsibility for 23 drivers, which is more manageable, but at the upper limits of what we consider a reasonable span of control.

As was also noted during our 2009 Performance Review, the Director of Operations has a wide range of responsibilities in addition to his management of commercial collection operations, vehicle maintenance, MDF, and composting operations, including early morning dispatch responsibilities and serving as the de facto Safety Manager. There have been no changes to the management responsibilities of this position since that time, and this staff member appears to be overextended.

R3

Performance Review & Audit of Billings & Revenue Reporting

2.2.2 Data Tracking and Reporting Procedures

NCRWS data tracking is largely accomplished with its Soft-Pak software, which is widely used within the solid waste industry and which supports billing, routing, customer service, maintenance and scale operations. All work orders are generated within the Soft-Pak system, customer complaints are tracked and logged and operational data is tracked and reported in NCRWS' productivity reports. NCRWS is currently using Soft-Pak routing capabilities for its commercial routes, which provides real time interface between the drivers and customer service representatives and is considering incorporating that technology on its residential routes.

2.2.3 Employee Management Policies and Procedures

NCRWS maintains various documents that contain management policies and procedures as well as work rules including:

- Employee Handbook;
- Collective Bargaining Agreements;
- Operations Policies and Procedures;
- Customer Service Policies and Procedures;
- Safety / Work Rules & Disciplinary Program; and
- Route Audit Procedures.

Key policies and procedures include the following:

- Per the Employee Handbook *Performance Evaluations*, each employee is to receive periodic reviews conducted by his or her supervisor with the first evaluation to take place after an employee's introductory period. Subsequent evaluations are to be conducted annually.
- NCRWS' disciplinary program is documented in the Safety / Work Rules & Disciplinary Program document and entails four progressive steps: (1) a verbal warning, (2) a written warning, (3) a suspension, and (4) termination.
- Article 12 (Discipline and Discharge) and Appendix A (NCRWS Rules and Standards of Conduct) of the Collective Bargaining Agreements also address employee discipline.
- NCRWS' training program includes training for new hires, as well as ongoing staff training that takes place largely through regular tailgate meetings.

An additional discussion of employee and NCRWS policies, procedures and training is provided in Section 2.6 (Employee Job and Safety Training and Management of Hazardous Waste).

R3

2.2.4 Employee Feedback Programs

NCRWS' Employee Handbook, "Open-Door" policy states that suggestions for improving NCRWS are always welcome. It also recognizes, "At some time, you may have a complaint, suggestion or question about your job, your working conditions or the treatment you are receiving. Your good-faith complaints, questions and suggestions are also of concern to NCRWS."

The Open Door policy provides a specific series of steps to follow for employees to have their issue addressed starting with first discussing concerns with their supervisor. NCRWS' Collective Bargaining Agreements also specify Grievance Procedures (Article 15) covering any dispute concerning the interpretation of that agreement or its application or any associated dispute regarding wages, hours and working conditions.

2.3 Efficiency of Collection Operations

R3's review of the efficiency of NCRWS' collection operations included the following items:

- The number of vehicle routes, routing approach and route structure;
- Work schedule;
- Scheduling and collection of missed pickups;
- Collection productivity;
- The age and condition of collection vehicles; and
- Route-to-supervisor ratio.

2.3.1 Vehicle Routes, Routing Approach and Route Structure

NCRWS' collection system structure and collection practices, which are described below, have not changed materially since 2009.

Residential Collection

NCRWS utilizes a "three-container" residential collection system with garbage, recyclables and yard waste all collected one time per week. NCRWS operates the following residential routes:

- One fully-automated side loader solid waste route;
- One fully-automated 12-yard backyard solid waste route servicing long driveways (Hino route);
- One fully-automated split compartment solid waste, yard waste and recycling route servicing more rural areas;
- One fully automated recycling route; and

R3

Performance Review & Audit of Billings & Revenue Reporting

- One front-loader fully automated Curotto Can yard waste route.

The fully automated solid waste side loader and recycling route along with the front-loader yard waste route service accounts in the more densely populated areas. The split compartment truck services outlying areas collecting solid waste and recyclables in one load and yard waste in a separate load. The Hino route provides service to those accounts in outlying areas that have subscribed to backyard service, typically accounts with long driveways. NCRWS maintains route maps that support efficient routing.

Commercial Collection

Commercial collection operates on a Monday through Friday schedule, with collection frequency and bin size determined by specific customer needs. Routing is based on geographic area and collection frequency. NCRWS operates one commercial front-loader route that collects solid waste three (3) days per week (Monday, Tuesday and Friday) and recyclables two (2) days per week (Wednesday and Thursday). NCRWS also operates one (1) commercial food waste route that operates Monday and Thursday.

2.3.2 Work Schedule

Commercial and roll-off drivers begin their shift (clock-in) at 5:00 a.m. and are not allowed to leave the yard until 5:30 a.m. Residential drivers begin their shift at 6:00 a.m. When a driver has completed his route and prior to returning to the facility, the driver is required to call the dispatcher on the radio to check for any outstanding work orders that need to be completed for the day. The driver is also required to notify the route supervisor that the route has been cleared (i.e., all workload requirements have been completed). At that point, the route supervisor can authorize the route to return to the yard or direct the driver to remain in the field and assist other routes with remaining workload, if necessary. Upon completion of their route and prior to clocking out for the day, all paperwork is brought to the dispatch window for review.

Commercial and residential routes are designed to ensure completion of the routes by 2:00 p.m. In the event of equipment breakdown, another route is sent to assist after it has been cleared for the day by the route supervisor.

2.3.3 Schedule and Collection of Missed Pickups

Article 5.3.C of the Franchise Agreement (Resolution of Complaints) states:

If a complaint involves a missed pick-up of Solid Waste, Recyclables or Green Waste provided by the Customer for Collection in accordance with County ordinances, Contractor

R3

shall Collect the Solid Waste, Recyclables or Green Waste in question by the same day if the complaint is received by 12 Noon, or by 12 Noon the following Work Day if the complaint is received after 12 Noon.

NCRWS' Customer Service Policy and Procedures manual lists specific policies and procedures for the "Missed Pick-up Recovery Process". NCRWS' policy, which is consistent with the requirements of the Franchise Agreement, is that missed pickups are to be corrected the same day if NCRWS is notified by noon on the service day. Otherwise, collection is to occur by noon of the following day. In all cases, calls for missed pickups are recorded in the account's file (note pad code MPU) and a work order is generated (work order code MISS).

When collections are made on the same day, the dispatcher generates the work order, which is placed in the driver's box, and calls the driver to notify him of the missed pickup. When completed, the driver is required to inform dispatch and sign off on the work order as part of the daily "check-out" process.

For collections that happen the following day, dispatch creates a work order for the driver, which is placed in the driver's inbox and picked up by the driver in the morning. As with same-day collection, the driver calls in when the account has been collected and the signed work order is turned into dispatch when the route is completed. At the end of the day, the customer service representative (CSR) calls the customer to ensure that the collection occurred.

NCRWS has a "No Toter Out Policy" that requires drivers to call into the CSR's to inform them that a cart was not placed out for collection in the event that the customer calls to report their cart was not collected. However, NCRWS' general policy is to collect a cart reported as a "miss" by the customer, regardless of the circumstances.

Carts are required to be placed out for collection by 6:00 am. If a customer calls in for a missed collection, the CSR will ask the customer if the cart was placed out by 6:00 am. If the customer acknowledges that they did in fact set the cart out late, NCRWS provides one (1) courtesy pickup annually at no charge.

2.3.4 Collection Productivity

NCRWS generates monthly Route Productivity Reports through its Soft-Pak system for the following lines of business:

- Residential Municipal solid waste (MSW);
- Residential single stream recycling;
- Residential yard waste;
- Commercial food waste;

R3

Performance Review & Audit of Billings & Revenue Reporting

- Commercial MSW;
- Commercial single stream recycling; and
- Roll Off.

For each line of business, NCRWS tracks stops, lifts, tons collected, daily mileage, fuel gallons, route revenue, operating costs, and net revenue, among other items, by vehicle and route.

A summary of NCRWS' April 2013 Productivity Report is provided in Table 1 below.

**Table 1
Route Productivity Data**

Route Code	Average April Values (Per Day)			
	Stops ⁽¹⁾	Lifts	Tons Collected	Daily Mileage
Residential MSW				
G006	596	604	9.4	72.9
G007	147	202	3.7	79.1
Residential Single Stream Recycling				
RC04	535	804	7.6	74.8
RC05	135	258	6.2	87.5
Residential Yard Waste				
Y005	607	529	20.6	92.0
Commercial Food Waste				
CF01	13	50	3.8	38.9
Commercial MSW				
C005	99	177	11.7	91.8
Commercial Single Stream Recycling				
C005	135	465	10.5	88.4

(1) The number of "stops" was reported as "0" for a number of days on the April report for both G007 and RC05, which affects the averages shown.

Route Code / Vehicle ID No.	Average April Values (Per Day)		
	No. of Pulls	Tons Collected	Daily Mileage
Roll Off			
101	7	43.9	46.4
103	11	80.1	73.2
104	11	48.0	121.3
105	5	8.9	9.0
106	6	27.3	179.5
107	8	17.7	90.6

R3

The productivity of NCRWS' collection routes is impacted by both the variable account density within the service area and the total number of accounts. The relatively rural nature of certain accounts and/or the difficulty servicing those accounts (e.g., long driveways) requires different types of collection vehicles and longer drive time as compared to more densely populated areas. Additionally, the relatively few number of total accounts and the requirement that there be no mixing of material from other jurisdictions limits routing economies of scale. With that said, the routing strategy NCRWS employs and the types of vehicles it utilizes appear well suited to the service area and its needs. The general productivity of the routes also falls within what we consider a reasonable range, given the conditions of the service area.

Based on our review, NCRWS appears to be using an effective mix of collection vehicles to provide the required services and is achieving reasonable collection productivity.

2.3.5 Age and Condition of Vehicles

A list of NCRWS' vehicles is provided in Appendix C. As shown, all of the vehicles assigned to the County were manufactured in 2005, making them all more than 7 years old. Primary residential and commercial route vehicles typically have a 7 to 10 year service life, provided they are not abused and are well maintained. As such, NCRWS' primary route vehicles are approaching what is typically considered the end of their normal service life.

NCRWS' two (2) roll-off vehicles are also model year 2005, while TR/VR has three (3) roll-off vehicles of which two are model year 2002 and one is model year 2007. NCRWS plans for an operating life of 10-years for roll-off vehicles.

NCRWS reported that replacement of existing vehicles is dependent upon extension of the Franchise Agreement beyond 2015.

2.3.6 Route-to-Supervisor Ratio

As shown in NCRWS' Organization Chart (Appendix B). NCRWS has three staff with route supervision responsibilities:

- The Operations Manager, who oversees commercial operations with responsibilities for ten (10) drivers and two (2) helpers;
- The Residential Route Supervisor who has responsibility for 20 route drivers and one (1) container deliverer, one (1) Recycle More driver (City), and one (1) helper for a total of 23 staff; and
- The Roll-off Route Foreman who has responsibility for five (5) roll-off drivers.

R3

Performance Review & Audit of Billings & Revenue Reporting

Overall having three (3) supervisors oversee 35 to 40 staff is not an unreasonable span of control, however, as discussed in Section 2.2.1 (Organizational Structure and Functions), the Residential Route Supervisors chain of command, is high and the Operations Manager has significant other oversight responsibilities in addition to the commercial route drivers, and appears to be spread relatively thin. Additional discussion of NCRWS' route supervisors is provided in Section 2.5, below (Staffing Practices).

2.4 Compliance with Public Education and Diversion Plans

As part of our review of NCRWS' Compliance with Franchise Agreement and Applicable Laws and Regulations (Task 2.1), R3 assessed NCRWS' compliance with the Public Education and Diversion Plans requirements of Exhibit L Public Education and Diversion Plans and Table 1.1 (Contractor Advertised Programs) of Exhibit A (Detailed Scope of Services for Collection) of the Franchise Agreement.

That review found that NCRWS is "in compliance" or "largely in compliance" with the majority of the Public Education and Diversion Plan requirements contained in the Franchise Agreement. We did find, however, that NCRWS is not in compliance with a number of requirements including:

- Annually auditing and preparing a "Recycling Plan" for 10 percent of commercial businesses (Compliance Checklist Items #91); and
- Providing signage on collection vehicles to promote County's recycling programs (Compliance Checklist Items #94).

While there is a need for NCRWS to take action to address the above compliance issues, overall NCRWS' public education efforts appear to effectively support its collection and diversion programs, based on, at least in part its high overall diversion rate.

NCRWS' Historical diversion rates, as reported in NCRWS' Annual Reports, are provided in Table 2.

Table 2

HISTORICAL DIVERSION RATES

Category	2006	2007	2008	2009	2010	2011	2012 ⁽¹⁾
Residential	58%	61%	63%	65%	65%	66%	65%
Commercial	29%	33%	35%	41%	44%	42%	44%
Roll Off	88%	87%	91%	91%	94%	94%	79%
Total	74%	75%	77%	78%	82%	83%	70%

⁽¹⁾ The 2012 diversion rate does not include tonnages associated with purchased materials (in Roll-Off category), which are included in prior years.

In the 2012 diversion rate calculations, residue was subtracted from recycling and yard waste diverted tons and added to municipal solid waste tons, versus 2006 through 2011 diversion rate calculations which include residue in the recycling and yard waste diverted tons.

R3

Performance Review & Audit of Billings & Revenue Reporting

As shown, NCRWS' 2012 diversion rate is the lowest it has been in the past six years, due largely to the decrease in the roll-off diversion rate. This in turn is due, at least in part, to the elimination of "purchased material" tons from the diversion calculation. With that said NCRWS' 2012 franchised diversion rate of 70 percent compares very favorably to other jurisdictions that we know of.

As a point of comparison, the collective 2012 residential franchised diversion rate for the South Bayside Waste Management Authority's (SBWMA) 11 member agencies in San Mateo County was 67 percent. To our knowledge, this is one of the highest documented franchised residential diversion rates in the State. The SBWMA is serviced by Recology and has a very well established and comprehensive solid waste management system, including its own transfer station and material recovery facility. Residential services include weekly single stream recycling (including the collection of cell phones and batteries) and weekly organics collection (yard waste and food waste). The member agency jurisdictions also all have aggressive variable can rates.

NCRWS reported a number of factors that contribute to its high overall diversion rate including:

- The lack of multi-family complexes (which typically have low diversion rates); and
- The nature of the commercial waste stream, which includes significant quantities of glass and pomace associated with the wine industry.

2.5 Staffing Practices

R3's review of NCRWS' staffing practices focused on the deployment of management and route supervisory personnel. The lack of sufficient route supervision was an issue identified as part of the 2009 Performance Review and addressed in the "Status of R3 Audit Recommendations" (Item #9) (Appendix D).

Exhibit B Section 1.7.G (Provision of Field Supervision) of the Franchise Agreement states:

Contractor shall designate one qualified employee as supervisor of field operations. The field supervisor shall devote whatever time is necessary, but not less than 50 percent of his/her time in the field checking on collection operations, including responding to complaints.

Having qualified supervisory staff in the field evaluating operations, conducting account audits, reviewing driver performance, and addressing safety and customer service issues is a critical component of an effective operation and key to the ability to realize continuous improvement.

R3

Performance Review & Audit of Billings & Revenue Reporting

At the time of the 2009 Performance Review, it was noted that NCRWS was not complying with this requirement. In response, NCRWS established a new position of Roll-off Route Foreman, with responsibility for direct oversight of roll-off services. NCRWS also noted that, because of the geography of the service area, it believes that having three supervisors (residential, commercial and roll-off), devoting portions of their time to NCRWS routes is more efficient and effective than just having one supervisor dedicating 50 percent of his/her time to County routes.

Even with the addition of the Roll-off Route Foreman, it does not appear that NCRWS is fulfilling the required 50 percent FTE route supervision requirements, based on its own estimates of the time allocation of those positions to the County. With that said, R3 does not have a concern with NCRWS having three supervisors devoting a portion of their time to NCRWS routes rather than one dedicated supervisor, and generally agrees with NCRWS' position that this is more efficient and effective supervisory structure. The fact that NCRWS' own time allocation estimates do not appear to fulfill the 50 percent FTE requirement also does not necessarily raise a major concern provided that both the Residential Supervisor and Roll-off Route Foreman spend the majority of their time in the field checking on collection operations and are available to respond to NCRWS issues as needed. Additionally, our review did not identify any operational or customer service issues that would lead us to believe that there is a need for an additional route supervisor at this time.

2.6 Employee Job and Safety Training and Management of Hazardous Waste

Our review of Job and Safety Training and Management of Hazardous Waste focused on the following items:

- NCRWS policies and procedures;
- Management of overloaded vehicles;
- Vehicle hydraulic fluid spills; and
- Management of hazardous waste.

We also reviewed NCRWS' experience modification rates and workers compensation and on-the-job-summaries (OSHA Forms 300 and 300A) to assess the effectiveness of employee safety training provided by NCRWS.

2.6.1 Policies and Procedures

NCRWS provided copies of its Employee Handbook, Collective Bargaining Agreements (for both waste service and recycling), Operations Policy and Procedures Manual, Safety/Work Rules and Disciplinary Program, and Customer Service Policies and Procedures. The Employee Handbook provides a detailed

R3

Performance Review & Audit of Billings & Revenue Reporting

explanation of the terms and conditions of employment and various policies and practices. The Collective Bargaining Agreements specify the terms and conditions of the agreement between NCRWS and Teamsters Union Local 315. The Operations Policies and Procedures Manual addresses the following items:

- Collection hours;
- Driver route completion;
- Routing changes;
- Securing material in collection vehicles;
- Site clean-up;
- Excessive noise;
- Collection vehicle cleaning; and
- Maintenance.

NCRWS' training program consists of a new hire training program as well as regular "Tailgate" training meetings for all drivers.

New Hire Training

All new drivers are subject to a range of training activities designed to assure they are capable of operating the required equipment and understand NCRWS' operating and safety policies and procedures. These training activities include, but are not limited to:

- Pre-trip and post-trip inspections;
- Safety;
- Operation of hydraulic and air controls;
- Loading and unloading;
- Lock out/tag out procedures;
- Hazardous waste; and
- Incident and accident procedures.

New hire training also includes operating required equipment in the field as part of an established route with a trainer. As an example, the most recent hire for NCRWS completed 121 hours of field training with an experienced driver to be "certified" to operate a front loader with the Curotto Can. Both the Route Supervisor and Operations Manager then spent four hours each on route with the driver before he was allowed to operate the equipment independently. Similar successful field training is required for each new type of vehicle before the driver can operate that equipment independently.

R3

Performance Review & Audit of Billings & Revenue Reporting

Tailgate Training

NCRWS holds regular monthly tailgate meetings for all drivers, designed to address new or specific relevant issues as well as provide “refresher” training related to established practices, policies and procedures. Our review of NCRWS’ tailgate meeting documentation found that many of the relevant issues identified during the 2009 Performance Review were addressed in subsequent tailgate meetings, including managing vehicle weights, controlling fluid spills and container placement requirements. Recent vehicle accidents and customer complaints are also specifically addressed as part of the tailgate training process.

2.6.2 Management of Overloaded Vehicles

Exhibit B Section 1.2C of the Franchise Agreement states, “Contractor shall not load Collection or transfer vehicles in excess of the manufacturer’s recommendations or limitations imposed by state or local weight restrictions on vehicles”. The County has informed NCRWS that beginning January 1, 2010, liquidated damages will be assessed at \$1,000 for each instance the Gross Vehicle Weight is exceeded.

Overloaded vehicles represent a safety issue and exert significantly greater impacts on streets than legally loaded vehicles. During the 2009 Performance Review a sample of weight tickets found that overloading vehicles appeared to occur on a regular basis. It was recommended at that time that NCRWS review its internal controls and institute a system for regularly tracking of vehicle load weights to assure vehicles are not overloaded.

In response to that recommendation, NCRWS has taken the following actions:

- NCRWS’ Operations Manager now reviews all load weights for route vehicles daily. As appropriate, or during times of heavy material generation or wet weather, routes are adjusted so that trucks are dumped earlier than normal to maintain legal load weights;
- The Roll-off Dispatcher also monitors roll-off weights daily. In addition, the roll-off lease agreements include weight limits and customers are reminded of the limits by customer service staff when the boxes are ordered; and
- All drivers receive training related to overloaded vehicles and have been provided with a list of gross vehicle weights for all vehicles. Maintaining legal vehicle weights was addressed in tailgate meetings on March 3, 2011 and July 22, 2012.

R3

NCRWS' efforts to maintain legal vehicle weights appears to have been effective, with only one (1) roll-off load identified as overweight by the County during the past several years.

While NCRWS reviews all weight tags daily as part of its efforts to eliminate overweight vehicles, it does not have a method or set reporting system for overweight vehicles established with the County. We recommend that such a reporting system be established with NCRWS proactively reporting any overweight vehicles to the County in its Monthly Reports.

2.6.3 Vehicle Hydraulic Fluid Spills – Spill Log

Spills from refuse vehicle hydraulic lines can and do happen, particularly with fully automated fleets, and can result in both safety and environmental issues. While such spills are to be expected, the number and severity of such spills can be controlled through effective vehicle maintenance and inspection, and proper response when such spills do occur.

Drivers are trained to respond to a spill as follows:

- Notify dispatch;
- Secure the area of the spill; and
- Contain the spill.

If a driver reports a spill, dispatch notifies a supervisor who is then responsible for responding to the spill. Based on the supervisor's assessment of the situation the supervisor and driver will complete the cleanup or call maintenance staff to handle larger clean-ups. The supervisor is also responsible for completing the vehicle spill log, which is then filed with the maintenance department. Training related to spills was included as a tailgate topic on July 9, 2010, August 11, 2011 and February 23, 2012.

Our 2009 review of NCRWS' spill log found that vehicle spills occurred relatively infrequently, at a level generally consistent with a well-maintained fleet. Similarly, a review of NCRWS' spill logs conducted during this review found that there have been relatively infrequent spills since 2009.

The 2009 Performance Review recommended developing a single standard form for tracking and reporting vehicle fluid spills that includes the signature of the responding manager or supervisor. In the "Status of R3 Audit Recommendations" (No. 6)(Appendix D) NCRWS reported that NCRWS already tracks major spills and will begin keeping a log of all vehicle spills and that the log will be included in the monthly reports to the County. Our current review of NCRWS' spill log, however, found that NCRWS is still using two different tracking forms that do not provide for the reporting of the same information. We again recommend that NCRWS develop a

R3

Performance Review & Audit of Billings & Revenue Reporting

single tracking form that is used consistently that includes, at a minimum:

- Date;
- Vehicle number;
- Driver name;
- Location of spill;
- Material spilled and cause of spill;
- Quantity of material spilled;
- Responding supervisor;
- Whether or not material was discharged to a storm drain or other storm water conveyance, or water body and, if so, identification of the conveyance or water body and quantity; and
- Disposition (describe cleanup method, disposal and groups and individuals involved).

The County has directed NCRWS to notify it within a day of a major spill with a spill of five (5) gallons or more representing a “major spill”. NCRWS reported several spills during the review period but no major spills.

2.6.4 Management of Hazardous Waste

Hazardous waste occasionally makes its way into the waste stream posing a potential environmental and health threat. Under the terms of the Franchise Agreement (Exhibit B Section 1.5.D Load Checking), the Contractor is responsible for inspecting all materials prior to collection for hazardous waste or other unacceptable materials. NCRWS’ policy for the management of Hazardous Waste is as follows:

When unauthorized waste is observed in the collection container:

- Tag the material indicating the reason for leaving the material; and
- Notify dispatch (follow Haul or Call procedure in Operations Policies and Procedures Manual).

If hazardous materials are noticed in the load (smells, smoke, dusts/powders, unusual leaking liquids etc.), do the following:

- Stop the truck immediately;
- Move all personnel upwind to fresh air;
- Notify dispatch of the situation; and
- Wait for further instructions.

NCRWS stated that there are infrequent reported hazardous waste issues.

R3

2.6.5 Safety Record

The consideration of “Safety First” is central to effective operations. As with other aspects of operations, there need to be clear standards for safety performance, and policies and procedures supporting those standards that are regularly communicated to staff at all levels. Safety performance measures (benchmarks) should be established and tracked to enable management to effectively monitor, assess and improve performance through, among other things, effective and routine diagnostic review in support of efforts for continuous improvement.

While not universal, a company’s safety record is often a good indication of the overall effectiveness of its management and operations.

Experience Modification Factors

One way of assessing the safety record of NCRWS is by reviewing its experience modification factor. The Compensation Insurance Rating Board (CIRB) develops experience modification factors for employers who have workers compensation annual premiums of \$5,000 or more. An experience modification factor adjusts an employer's premium to reflect the difference between the employer's loss experience and the average experience that is expected for its classification(s) and size.

The Experience Rating Plan places an emphasis on the number (frequency) of claims and (to a lesser extent) the severity of workplace accidents. If an employer has better experience than is expected for an average employer in the same industry with similar payroll, the employer receives a premium credit. On the other hand, if the employer's experience is worse than the comparable average, the employer receives a premium debit. The ability of the employer to directly affect his/her premium in this manner serves as an incentive to control or eliminate workplace injuries.

Appendix E documents the Experience Modifications (experience modification factors) for 2006 through 2013 for NCRWS and related party entities including NRWS, Northern Recycling, 600 Tower Road and Valley Recycling and Disposal. As shown, during that period the modification factors have ranged from 69 (2011) to 97 (2008) with a 2013 modification factor of 84, and in all cases, compare favorably to the industry standard of 100.

OSHA Reportable Accidents

For purposes of assessing the NCRWS’ safety performance we also requested and received copies of Occupational Safety and Health Administration (OSHA) 300A Forms (Summary of Work-Related Injuries and Illnesses) for 2009 through 2012 which reflects data for both NCRWS and NRWS employees. We then calculated the following historical incident rates:

R3

Performance Review & Audit of Billings & Revenue Reporting

- Total OSHA Total Recordable Case Rate (TRCR);
- Recordable cases involving days away from work, days of restricted work activity or job transfer (DART) Incident Rate; and
- Days Away from work per case (Severity Rate).

Appendix E provides a summary of reported OSHA safety data along with the calculated incident rates listed above. Data for the years 2005 through 2008, as reported in the 2009 Performance Review is also provided. As shown:

- Compared to the previous four year period (2005 through 2008), both the TRCR and DART Incident Rate remained relatively stable between 2009 and 2012;
- The TRCR was lower during the period 2009 through 2012 than the prior four years with the exception of 2008;
- The DART Incident Rate was lower in 2009 than any other year and on average was less for the period 2009 through 2012 than the prior four years;
- The Severity Rate has fluctuated widely over the past eight years with little, if any, discernible trend; and
- In all cases, with the exception of the TRCR in 2008, NRWS's TRCR and DART Incident Rates were higher (worse than) than industry standard.

2.7 Procedures for Receiving and Resolving Customer Complaints

Article 5.3.C of the Franchise Agreement (Resolution of Complaints) states:

Contractor shall respond to all Customer complaints within twenty-four (24) hours, Saturdays, Sundays and holidays (as specified in Exhibit A) excluded. Contractor shall make best efforts to resolve all complaints within ten (10) Working Days, with the exception of missed Customer pickups. If a complaint involves a missed pick-up of Solid Waste, Recyclables or Green Waste provided by the Customer for Collection in accordance with County ordinances, Contractor shall Collect the Solid Waste, Recyclables or Green Waste in question by the same day if the complaint is received by 12 Noon, or by 12 Noon the following Work Day if the complaint is received after 12 Noon.

If a customer calls with a complaint, the issue is noted in NCRWS' electronic complaint log, which is reviewed and maintained by the Office Manager and Public Outreach Coordinator. The information is reported monthly and annually to the County. From 2006

R3

through 2008, there were 33 complaints with significantly less occurring in 2008. Per NCRWS' complaint log, there was one (1) complaint in both 2010 and 2011 and two (2) in 2012.

NCRWS' Customer Service Policy and Procedures manual includes policies and procedures for Complaint Log and Issue Resolution. NCRWS maintains a Complaint Log in the main office of the customer service center, which is reviewed and maintained by the Office Manager and Public Outreach Coordinator.

If a CSR is unable to respond to a call to the customer's satisfaction, the following procedures are to be followed:

- The CSR will communicate to the customer that further research is necessary to resolve the issue;
- The CSR will agree with the customer on an acceptable time and date to complete the resolution;
- The CRS creates a work order for the agreed upon date to contact the customer with the solution. The work order will be a TM (telephone message) to themselves as a reminder for the date set to contact the customer and to the appropriate supervisor, if needed;
- In the note pad the COMPL code will be used to document the issue and date of call;
- The dispatcher will distribute the work order to the appropriate CSR/Manager when they are printed;
- The CSR is responsible for the research and acquiring the information needed to resolve the issue;
- The CSR is then required to contact the customer to advise them of the resolution and to ensure that it was resolved to their satisfaction;
- The CSR will document in the F9 note pad the resolution and satisfaction of the issue; and
- If the customer was not satisfied, the CSR will escalate the issue and create another work order to a manager or the appropriate person that will be able to address the issue.

2.8 Procedures for Acquisition, Maintenance, Safety Check and Replacement of Equipment

The maintenance of the fleet is a critical function of any collection system, and evaluating the effectiveness and interaction of that function with collection operations is a critical component of the overall assessment of collection system performance. Our review of NCRWS' vehicle maintenance, repair and replacement procedures included the following tasks:

R3

Performance Review & Audit of Billings & Revenue Reporting

- Review of the current vehicle list, average fleet age and vehicle spare ratio;
- Review of routine maintenance procedures and schedules for residential and commercial collection vehicles;
- Review of pre-trip and post-trip inspection practices and communication between drivers, dispatchers and maintenance personnel; and
- Review of historical BIT results.

The primary objective of this task was to determine if NCRWS is maintaining vehicles in a safe operating condition. Based on our review, NCRWS appears to be maintaining vehicles in a safe operating condition.

2.8.1 Vehicle Inventory, Fleet Age and Vehicle Spare Ratio

NCRWS has a total of ten vehicles assigned to the County's collection operations, As discussed in Section 2.3.5 above (Age and Condition of Vehicles), NCRWS vehicles are all 2005 model year and, as such, will likely be reaching the end of their useful lives over the next several years.

Methods of vehicle coverage for open routes include:

- There is a single dedicated spare for the hard to service (Hino) route;
- The spare Hino vehicle can be used to cover the fully-automated routes, although its capacity requires more frequent trips to the DRTS/MDF;
- The fully-automated solid waste route, recycling route and split compartment vehicles can be used interchangeably; and
- The commercial front-loader route vehicle and residential front-loader yard waste route vehicle can be used to cover either front-loader route, after their daily workloads are completed.

As discussed above, NCRWS also uses TR/VR roll-off trucks to service NCRWS roll-off accounts, as necessary, through its verbal lease agreement with TR/VR. NRWS vehicles are also used as spares to cover NCRWS routes and NRWS vehicles are used as spares to cover NRWS routes, as necessary.

2.8.2 Vehicle to Mechanic Ratio

NCRWS and NRWS have a Maintenance Supervisor who oversees six (6) mechanics. With a total of approximately 37 total daily routes and 43 vehicles for the two companies, this is

R3

equivalent to approximately seven (7) vehicles per mechanic, which is consistent with industry standards.

2.8.3 Maintenance Procedures

NCRWS reported that maintenance operations (including staff and vehicle maintenance schedules), maintenance software and data tracking procedures are not materially different from what they were at the time of the 2009 Performance Review.

NCRWS' and NRWS' collection vehicles are maintained at NRWS' maintenance facility at 820 Levitin Way by a staff of six (6) mechanics. One (1) mechanic begins work at 5:00 a.m. while the remaining crew clocks-in at 10:00 a.m. (8:00 a.m. on Fridays).

Maintenance records are maintained for each vehicle, which are tracked in an electronic "Repair History" database. That database tracks individual work orders by vehicle and includes the service date, vehicle operating hours, maintenance function performed, parts installed or replaced, mechanic(s) responsible for the repair, and parts costs.

Preventative maintenance (PM) functions are completed by the PM mechanic. The PM schedule is triggered by the total vehicle operating hours that are tracked and reported daily by the route driver and maintenance staff. NCRWS uses a 150 hour (A) and 300 hour (B) PM schedule. In addition, companies are required to inspect each vehicle every 90 days as part of the California Highway Patrol's (CHP) Biennial Inspection of Terminals (or BIT Program) requirements. The BIT Program inspection requirements are coordinated with NCRWS' (A) and (B) preventative maintenance schedule when possible.

A PM Inspection form is completed each time a vehicle undergoes PM services. Routine maintenance includes the following:

- Lubricating chassis;
- Changing engine oil and filters;
- Changing hydraulic fluid and filters;
- Changing coolant, hydraulic and fuel filters;
- Checking tire air pressure and tread depth;
- Checking breaks;
- Checking safety equipment, back-up alarm and horn; and
- A wide range of other items.

Non-scheduled repairs are also performed on-site with the exception of major repairs (e.g., engine rebuilds, etc.), which are handled by an off-site subcontractor.

R3

Performance Review & Audit of Billings & Revenue Reporting

2.8.4 Pre- and Post-Trip Inspection Practices

Federal regulations require pre-trip and post-trip inspections of vehicles by drivers or operators of commercial motor vehicles and a written inspection report. The regulations require that the driver verify that the vehicle is in safe operating condition and review the last driver vehicle inspection report (DVIR). If defects or deficiencies were noted by the driver who prepared the DVIR, the driver is required to sign the DVIR to acknowledge that the driver has reviewed it and that there is a certification that the required repairs have been performed.

NCRWS' pre- and post-trip inspection practices are designed to satisfy federal regulations. All route drivers are required to perform pre- and post-trip vehicle inspections and file a DVIR. One (1) copy of each DVIR is filed with maintenance and the other copy is kept and filed in the truck. If the driver notes items related to safety or performance, the vehicle is not put into service until maintenance personnel have declared it road worthy. If the driver notes an item not related to safety or performance, such as the radio not functioning properly, the problem is corrected by maintenance crews as time permits.

Any required repairs are noted on the DVIR report. After a repair is completed, maintenance staff are required to sign off on the repair. The driver then verifies that the repair was made and signs off on the repair. The Shop Manager/Maintenance Supervisor files and maintains copies of all DVIRs. Pre- and post-trip inspections were addressed in tailgate meetings on June 30, 2011 and September 27, 2012.

2.8.5 Historical BIT Results

California Vehicle Code requires any person or organization directing the operation of certain trucks or trailers to participate in an inspection program conducted by the CHP. The law, which is known as the Biennial Inspection of Terminals (BIT) program, requires the CHP to inspect California truck terminals (the location where the vehicles are garaged and maintained) every 25 months.

The BIT program covers three sections of an operation:

- Equipment (including condition, registration and insurance);
- Maintenance Program (including programs, documentation and record keeping); and
- Driver administration (including qualification files, training, drug testing programs, and logbook compliance).

During the inspection, CHP inspectors (non-uniformed staff) check the physical condition of a sample of the trucks and trailers in a given terminal. They also review vehicle maintenance and driver

R3

records (including vehicle inspection reports, repair records, and time cards for drivers) to ensure compliance with state laws and regulations. Terminals that pass inspection are issued a “satisfactory” safety compliance report, while those that fail are required to be re-inspected every 120 days until safety compliance is achieved. Carriers that attain two successive satisfactory inspections can be exempted from the onsite inspection and instead be subjected to only an Administrative Review. In the Administrative Review, CHP examines the motor carrier’s collision and citation history.

NCRWS reported that it has had two BIT Inspections since 2010, one in December 2010 and December 2012. Copies of the BIT inspection reports provided by NCRWS documented that it received a “satisfactory” rating for each of those inspections.

2.9 Utilization and Management of NCRWS Facilities, Equipment and Personnel

Appendix B provides the organizational chart for NRWS and NCRWS. As discussed in Section 2.2.1, the NRWS/NCRWS’ general organizational structure used to manage its facilities, equipment and personnel is similar to that of other solid waste businesses of its size.

Management of Personnel

With respect to the span of control, having the Operations Manager responsible for overseeing facility, shop and route supervisors is typical and appropriate. However, the Operations Manager also has direct responsibility for overseeing ten commercial route drivers and two helpers, which at that level of oversight responsibility (workload) could be, and often is assigned to a separate and distinct route supervisor position.

With that said, our review found that NCRWS appears to have an effective management structure in place with qualified management and supervisory staff. While a case could be made for an additional route supervisor based on the oversight responsibilities of the Operations Manager and the high number of staff that report to the Residential Route Supervisor, NCRWS’ safety record compares favorably to the industry and customer service is high, with few documented customer complaints. As such, and as noted in Section 2.5 above, there are no operational or customer service issues that would lead us to recommend an additional route supervisor at this time based on NCRWS’ performance. Should significant safety and/or customer service issues arise in the future, however, such a recommendation may be appropriate.

R3

Performance Review & Audit of Billings & Revenue Reporting

Management of Equipment

In terms of the management of NCRWS' equipment, vehicle maintenance appears to be effective as supported in part by NCRWS' historical "satisfactory" BIT inspections. We found the maintenance shop to be clean and organized and vehicles were clean and appeared to be well maintained. While NCRWS has back up equipment for all primary vehicles, the percentage of spare vehicles is not excessive (i.e., ~ 15%), which given the aging fleet also supports effective maintenance and management of equipment by NCRWS.

Management of Facilities

To assess the effectiveness of NCRWS' (or its related parties) management of its facilities in addition to our performance review of NCRWS personnel and equipment, we also reviewed monthly facility inspection records for the DRTS, the City of Napa Composting Facility, and the MDF operated by related parties to NCRWS. The following table shows the number of Areas of Concern and Notices of Violation for each facility that were recorded during CalRecycle inspections between 2010 and March 2013.

Year	Devlin Road Transfer Station		City of Napa Composting Facility		City of Napa Materials Diversion Facility	
	Areas of Concern	Notice of Violation	Areas of Concern	Notice of Violation	Areas of Concern	Notice of Violation
2010	2	4	1	3	3	7
2011	6	0	0	3	3	4
2012	10	0	1	2	0	8
Jan-Mar 2013	1	1	0	0	0	0
Total	19	5	2	8	6	19

While many these Areas of Concern and/or Violations were one-time occurrences, the following items were recurring since 2010:

- DRTS – Nine of the ten Areas of Concern noted in 2012 (and three in 2011) were regarding the Maintenance Program of the facility. In each of the inspector's comments, it was recorded that "deteriorated or defective conditions" must be repaired. In addition, two Violations and five Areas of Concern have been related to Vector, Bird and Animal Control;
- City of Napa Composting Facility – One Notice of Violation and four Areas of Concern were pertaining to Vectors/Odor/Litter/Hazard/Nuisance/Noise/Dust, several of which noted the odor specifically; and
- MDF– The facility has had 19 Notices of Violation, almost all of which were related to excessive truck traffic beyond the permitted 60-vehicle maximum.

R3

Each of the above facilities has had recurring issues arise during CalRecycle inspections since 2010, however, we are not in a position to render an opinion as to the significance of those issues or the effectiveness of the company's response to those issues. With that limitation, overall NCRWS appears to be effectively utilizing and managing its facility, equipment and personnel resources.

2.10 Management of Roll-Off Box Service

2.10.1 General

Roll-off customers must complete a roll-off service agreement prior to receiving service. Roll-off billing is generated through the associated work order that lists the billing information, service address and service description (Refer to Section 4.0 for information on roll-off work order generation and assignment). The billing information includes the customer account number, which includes the notation designating a County franchise account (13), City of Napa account (02) or non-franchised account. NCRWS assigns revenues and tonnages for roll-off accounts based on the physical address of the account rather than the billing address.

Dispatch assigns work orders to routes on a daily basis and has direct radio contact with all NCRWS, NRWS and TR/VR roll-off vehicles. NCRWS's assignment of work orders to TR/VR is determined based on the number of work orders per day and the availability of NCRWS and TR/VR equipment and employees.

2.10.2 Review of Vehicle and Load Tracking

The City operates the MDF and a related party of NCRWS operates the DRTS scale house. The scale house databases have tare weights, and company information that is tied to (defaults to) the truck number. When a vehicle arrives at the facility, the scale house attendant enters the vehicle number, which generates the associated default information for that vehicle. For roll-off loads, the driver provides the scale house attendant with the work order. The scale house attendant then either confirms that the default information in the system is correct for that load, or overrides that information to be consistent with the work order (e.g., reflect that a TR/VR or NRWS roll-off vehicle is hauling an NCRWS load that is to be charged to the County's account).⁴

Loads that NCRWS (or TR/VR) pays a customer for (purchased materials) are not identified in the NCRWS work order, but are

⁴ Route trucks and loads of material that are collected by the flat bed or bin truck (which are coded as roll-off loads in NCRWS's system) do not have work orders. The drivers of those vehicles verbally report the company/origin of the load to the scale house attendant.

R3

Performance Review & Audit of Billings & Revenue Reporting

tracked in NCRWS' accounting system. Additionally, the MDF scale house database does not differentiate a "purchased" load from any other load. Loads that NCRWS purchases from a customer (or from TR/VR that are purchased from a customer within NCRWS' franchise area), are tracked with a work order, similar to any other roll-off load, and are reported under the County's MDF account. The MDF pays NCRWS the County's "preferred rate" (\$34 per ton) for those purchased loads.

Note: The County reported that tonnages sold to NCRWS are not to receive NCRWS's preferred rate at the City's MDF. As discussed above, this issue should be reviewed with NCRWS.

Roll-off weight tickets include the work order number and a vehicle ID including the vehicle number and vehicle description. Roll-off loads hauled by TR/VR vehicles are identified as "600 Tower Rd. LLC" or "Valley Rec & Disp" in the vehicle description on the weight ticket. Roll-off drivers complete a "Route Productivity and Check-In Sheet" each day that tracks each load by work order and customer name and address.

R3

3.0 Audit of Billings and Audit of Revenue Reporting

As part of the Audit of Billings and Audit of Revenue Reporting, R3 reviewed the following items:

- Customer billing records and field audit (Tasks 3.1.1 and 3.1.2);
- Annual rate adjustments (Task 3.2.1);
- Examination of the total Gross Rate Revenue reported monthly (Task 3.2.2);
- Franchise fee payments (Task 3.2.3);
- Liquidated damage transactions (Task 3.2.4) and
- Status of delinquent accounts and collection (Task 3.2.5);
- Financial management practices (Task 3.2.5); and
- Examination of material classification between franchise and non-franchise materials on the Monthly Gross Rate Revenue reports (Task 3.2.5).

3.1 Audit of Billings

The intent of the Audit of Billings is to verify that customers are receiving the type and level of service for which they are billed.

Our approach to this Task involved two separate but related tasks:

- **Customer Billing Records Review** - Verifying that NCRWS is charging rates consistent with the approved rate schedule for the various service levels; and
- **Field Audit** - Verifying that the rates that NCRWS is charging are consistent with the actual level of service provided.

Task 3.1.1 Customer Billing Records Review

The purpose of this test was to determine if the rates NCRWS is charging residential and commercial customers are consistent with the approved rate schedule. The Billing Review involved the following tasks:

- NCRWS provided an electronic copy of its April 2013 Sales Journal, which lists, among other things, service levels/billing codes and billed amounts for NCRWS' residential, commercial and roll-off services;
- The billed rates for the various service levels/billing codes were compared to the County's October 2012 approved rate schedule. Billed rates and/or charges that could not be

R3

Performance Review & Audit of Billings & Revenue Reporting

... tied to the approved rate schedule were identified and forwarded to NCRWS for review; and

- NCRWS reviewed the items that were identified and provided explanations.

Our Billing Review found, in general, that NCRWS was charging rates that were consistent with those listed on the County's approved rate schedule. We did however identify the following issues and/or discrepancies:

- Debris box overweight fees are based on a rate of \$38 per ton vs. \$76.25 per cubic yard in excess of 400 pounds per cubic yard per the rate schedule;
- Compost sales and delivery fees are regulated by the City;
- Rates listed on NCRWS' website for various debris box service levels were not correct. NCRWS reported that those rates would be corrected; and
- We identified a number of rate categories/service levels that were not listed on the County's approved rate schedule.⁵ NCRWS reported that all such miscellaneous rates have been submitted to the County for addition to the rate schedule.⁶

3.1.2 Field Audit

The purpose of the Field Audit was to verify that the rates that NCRWS is charging are consistent with the actual level of service provided.

The route audit involved the following tasks:

- NCRWS provided a master list of residential accounts and service levels, which were sorted by collection day and street address; and
- Field Audits were conducted on May 13th and May 20th covering multiple routes on each of those days. The audits compared NCRWS' billed service level to the actual service level provided.

Apparent discrepancies were reported to NCRWS for review and comment. R3 also reviewed the billing and route audit procedures NCRWS employs to verify service levels and correct any billing errors.

⁵ Including \$18/ton for Rock; 20-yard Sawdust Box (\$129.06); 30-yard Wood Box (\$161.32); 30-yard Treated Wood Box (\$1,000); 34-yard compactor (\$1,274.61); Extra yard waste toter charge (\$7.39).

⁶ As noted previously, the County reported that rates were not submitted for a Special Rate Review until May 31, 2013. Most likely due to questions raised during the Performance Review.

R3

Residential Route Audit

The residential route audit yielded the following results:

- A total of 988 accounts were audited (~ 23% of the total residential accounts).
- Of those 988 accounts, we confirmed the service level provided matched the service level that was billed for 979 of those accounts, an accuracy rate of 99 percent. This compares to a residential accuracy rate of 96 percent for the 2009 Performance Review Residential Billing Audit.
- A total of nine (9) accounts were identified where there was a discrepancy between the service level that the account was being billed and the actual service level provided. Of those nine accounts, all appear to be undercharged for the level of service being provided.
- All residential carts appeared to be in good condition and with few exceptions were returned upright with lids closed after being serviced (auditors observed two (2) carts that were knocked over and less than 10 carts with lids not closed after being serviced). This compares favorably to the 2009 Performance Review findings.
- Graffiti was observed on one-yard waste cart.

Commercial Route Audit

The commercial route audit yielded the following results:

- A total of 79 accounts were audited (~34% of the total commercial accounts).
- Of the 79 accounts that were audited, we confirmed the service level provided (container capacity) matched the service level that the account was being billed for all of those accounts, an accuracy rate of 100 percent. This compares to an accuracy rate of 93 percent for the 2009 Performance Review Commercial Billing Audit.
- The quality of commercial containers varied, with some bins dented and/or having faded signage; overall, however, commercial bins appear to be in good condition.

Route Audit Procedures

The 2009 Performance Review identified a relatively high number of apparent billing discrepancies and it was suggested that NCRWS review its route driver, route audit and customer service procedures to verify that internal controls are functioning as intended with respect to assuring the accuracy of account billing. It was also recommended that NCRWS conduct a comprehensive residential and commercial route audit to identify and correct any billing discrepancies.

R3

Performance Review & Audit of Billings & Revenue Reporting

NCRWS provided R3 with a copy of its Operations Annual Route Audit Policy and Procedure document that it developed after the 2009 Performance Review. That document specifies, among other things, that NCRWS will conduct a thorough audit of all residential and commercial accounts within the County annually during the months of June and July. The audits are to be performed by a route auditor who will ride with the route driver and cover each route in its entirety Monday through Friday. Upon completion of each route audit, findings are to be reviewed against daily route sheets and customer billing records to ensure proper and accurate information is consistent within NCRWS' system.

R3 found NCRWS' documented route audit policies and procedures to be clear and reasonable and should provide an effective process for maintaining the accuracy of its customer billing if implemented as intended.

3.2 Audit of Revenue Reporting

The objective of the Audit of Revenue Reporting was to review relevant financial reports and data submitted by NCRWS pursuant to Article 8 of the Franchise Agreement, and verify that NCRWS is correctly calculating Gross Rate Revenues, and is properly remitting Franchise Fees and Liquidated Damages.

3.2.1 Testing of Annual Rate Adjustments

R3 reviewed the documentation supporting NCRWS' annual rate adjustment calculations for mathematical accuracy and consistency with the requirements of the Franchise Agreement to determine if the annual rate adjustments have been calculated correctly. Our review found that the rate adjustment calculations were mathematically accurate and consistent with the requirements of the Franchise Agreement.

Rate Adjustment Methodology

Article 7 of the Franchise Agreement states that the Contractor may adjust rates annually, beginning on October 1, 2007. The rates are adjusted based on:

- The twelve month (February to February) percentage change in the Consumer Price Index (CPI) multiplied by the Contractor Compensation Fee Adjustment Factor (set at 75%); and
- Changes in any of the pass-through components of the respective rate (i.e., the Solid Waste Tip Fee Component, Net Recycling Processing Component, Green Waste Tip Fee Component, Food Waste Component and Carpet Tip Fee Component).

R3

In addition, the rates are adjusted to include the 10 percent Franchise Fee as a pass-through component in the rate adjustment calculation.⁷

Assessment of Contractor's 2012 Rate Adjustment Calculations

R3 verified the mathematical accuracy the Contractor's calculation of the rate adjustment that went into effect on October 1, 2012 and its consistency with the rate adjustment methodology. Per the Franchise Agreement, the Contractor used the percent change in the CPI from February 2011 to February 2012, and multiplied that value by the Contractor Compensation Fee Adjustment Factor of 75 percent. In addition, each pass-through component was correctly applied based on changes in the respective tip fees. The sum of all components was then divided by one minus the 10 percent Franchise Fee to obtain the total adjusted rates. R3 also confirmed the mathematical accuracy of the 2009 and 2011 rate adjustments.

Commercial Carpet Drop Box Rates

In 2009, the County approved the addition of Commercial Carpet Drop Box Service fees (Carpet Rate), inclusive of the Contractor's compensation and a Tip Fee Component. The Carpet Rate has been subsequently incorporated into the annual rate adjustments.

3.2.2 Calculation of Gross Rate Revenues

The purpose of this Task was to determine if rate revenues are properly recorded in the NCRWS' accounting system. Gross Rate Revenue represents all the activity to be considered in the calculation of the franchise and surcharge fee. This figure is calculated monthly by NCRWS and includes lockbox deposits, cash walk-in payments, payments mailed directly to NCRWS and online payments. Regardless of the source of the payment, all payments received are deposited into the lock box bank and are accounted for as part of the monthly Gross Rate Revenue reconciliation performed by NCRWS. The monthly Gross Rate Revenue calculation process includes reconciling monthly billings as recorded in the Sales journal, cash receipts as recorded in the Cash Receipts journal and cash receipts from the monthly bank statement to the monthly Gross Rate Revenue figure.

To perform the test of Gross Rate Revenues, a four (4) month sample of the Gross Rate Revenue Schedule (May 2010, March 2011, June 2012 and November 2012) was randomly selected from the review period April 2010 through March 2013 and subjected to the following review:

⁷ The first year of the Agreement included a 4.5% Surcharge Fee (calculated on Gross Rate Revenues) that was also allowable as a pass-through component.

R3

Performance Review & Audit of Billings & Revenue Reporting

- Agreed Beginning Balance, Total Credits, Total Debits and Ending Balance to the Bank Lockbox Records & Bank Statement;
- Traced Bank debit and credit adjustments to the source data and reviewed for reasonableness;
- Reviewed account deposit activity for reasonableness;
- Agreed Billed Revenue from the Gross Rate Revenue Schedule to the monthly Sales journal;
- Agreed Cash Receipts from the Gross Rate Revenue calculation to the monthly Cash Receipts journal;
- Reviewed the reconciliation between cash received per the Cash Receipts journal and the monthly bank statement;
- Reviewed Non-Franchise adjustments for reasonableness;
- Traced Franchise and Non-Franchise Cash Receipts from the Gross Rate Revenue Schedule to the Cash Receipts journal;
- Reviewed the Gross Rate Revenue Schedule for compliance with Article 6.4.A of the Franchise Agreement; and
- Recalculated the Franchise Fee and surcharge fee.

Our review found that NCRWS appears to be properly classifying Franchise and Non-Franchise billings and properly calculating Franchise and Non-Franchise Gross Rate Revenue. Non-Franchise adjustments and classifications appear to be reasonable and appropriate. We found that Franchise Fees were accurately calculated.

Our review found that NCRWS is providing the required documentation in support of the reported Gross Rate Revenues as part of its monthly Gross Rate Revenue Schedule per Article 6.4 A of the Franchise Agreement.

As part of the Gross Rate Revenue Schedule, NCRWS normally includes a monthly reconciliation between the Cash Receipts journal and Gross Rate Revenue and the receipts per the bank statement and Gross Rate Revenue. These reconciliation schedules allow the preparer of the Schedule or a reviewer of the Schedule to determine that all appropriate adjustments have been properly included. We noted that the November 2012 Gross Rate Revenue Schedule did not include a reconciliation between the bank statement receipts and the Gross Rate Revenue. We were able to review a different schedule that reconciled the beginning balance per the bank statement to the Gross Rate Revenue per the Gross Rate Revenue Schedule.

R3

We recommend that the reconciliation of the receipts per the Cash Receipts journal to the Gross Rate Revenue and the receipts per the bank statement to the Gross Rate Revenue be included on all Gross Rate Revenue Schedules.

3.2.3 Test of Franchise Fee Transactions

The Franchise Agreement specifies a Franchise Fee amount of 10 percent of Gross Rate Revenues. The payment is to be remitted within 15 days after the end of the month. The purpose of this test was to determine if the Franchise Fees were properly calculated in accordance with the terms of the Franchise Agreement.

After the review of Gross Rate Revenues, the sample selection was tested to confirm that franchise fees were calculated appropriately. The Franchise Fees were recalculated for the months selected based on the Gross Rate Revenues and no discrepancies were discovered. Based on the results of this test it appears that Franchise Fees are being correctly calculated.

3.2.4 Test of Liquidated Damages Transactions

Article 6.4C of the Franchise Agreement requires that the Contractor report any Liquidated Damages that it is obligated to pay as part of its Monthly Statement. The County determines occurrence of Liquidated Damages through observation of its employees or representatives, or by investigation of customer or resident complaints.

As part of this task, R3 reviewed the Liquidated Damages payments that have been made by NCRWS to determine if they have been properly calculated and remitted based on available supporting information.

The County assessed NCRWS liquidated damages of \$1,000 on April 19, 2011 for exceeding the limitations set forth in the State of California Vehicle Code (i.e., overweight vehicles) for a vehicle hauling "Rock" on February 8, 2011 that was 920 pounds overweight. The amount of liquidated damages assessed by the County is consistent with that specified in Exhibit E (Liquidated Damages) of the Franchise Agreement. NCRWS did not report the liquidated damage payment in its Monthly Reports, it did, however report it in the 2011 Annual Report for the month of July.

R3 also reviewed NCRWS' performance specific to the following contractual requirements that have Liquidated Damages associated with them:

- Failure to achieve the minimum diversion rate for collected materials (\$10,000 per failure during any year period);
- Failure to replace emptied containers upright with lids in-place, and in their original location (\$100 for each occurrence over ten (10) per calendar year);

R3

Performance Review & Audit of Billings & Revenue Reporting

- Receiving more than 25 valid service-related complaints in any 30-day period (\$2,500);
- Exceeding the limitations as set forth in the State of California Vehicle Code (i.e., overweight vehicles) (\$1,000 per incident); and
- Failure to correct a missed pickup within the required times as set forth in Article 5.3 (\$100 per occurrence; each additional 24-hour working day period: \$100).

Our findings are as follows:

- Failure to achieve the minimum diversion rate for collected materials - ***NCRWS in compliance***
 - NCRWS exceeded the minimum diversion rate in 2010, 2011 and 2012.
- Failure to replace emptied containers upright with lids in-place, and in their original location – ***Liquidated damages would likely apply if route audit findings typical of annual performance.***
 - As noted in Section 3.1.2 (Field Audit) during our route audits the auditors observed two carts that were knocked over and fewer than 10 carts with lids not closed. Based on these findings it would appear that liquidated damages would likely apply for this requirement over the calendar year. It is noted that while it appears that NCRWS' current performance could generate liquidated damages, that performance appears to have markedly improved since the 2009 audit and is not inconsistent with what we would consider to be a reasonable industry standard. However, with that said, we recommend NCRWS implement and enforce a 100 percent compliance policy.⁸
- Receiving more than 25 valid service-related complaints in any 30-day period – ***NCRWS in compliance***
 - Per NCRWS' complaint log there was one (1) complaint in both 2010 and 2011, two (2) in 2012 and two (2) in 2013 through April (per Monthly Reports).
- Exceeding the limitations as set forth in the State of California Vehicle Code (i.e., overweight vehicles) –

⁸ NCRWS reported that its understanding is that the requirement that containers be returned upright with "lids-in-place" was a holdover from when customers provided their own containers with detachable lids and does not apply to the existing cart lids that are all attached.

R3

Performance Review & Audit of Billings & Revenue Reporting

Applicable liquidated damages assessed by the County

- The County tracks NCRWS' vehicle weights and has assessed applicable liquidated damages.
- Failure to correct a missed pickup within the required times as set forth in Article 5.3 – **Liquidated Damages of \$900 could be applied (January 2010 – April 2013)**
 - As reported in its Monthly Reports (Missed Pickup Log) NCRWS reported a total of one (1) missed pickup in 2010, three (3) in 2011, (3) in 2012 and a total of two (2) in 2013 through April for a total of nine (9) since 2010.

Based on our review of the liquidated damages provided for in Exhibit E of the Franchise Agreement we have the following observations/recommendations:

- It is not possible to effectively determine if certain liquidated damages may apply without effective tracking and reporting by NCRWS. The Monthly Reports currently include an accounting of Missed Pickups and Complaints, which provide for effective review of any applicable liquidated damages by the County. In addition to those categories, the County may wish to consider having NCRWS report monthly results for other items for which there are associated liquidated damages, including but not necessarily limited to:
 - Failure to commence service to a new Customer within seven (7) days of receiving order;
 - Failure to provide Carts, Bins or other Collection Containers to customer within three Working Days of Customer's request for service;
 - Failure to respond to a customer complaint as provide in Article 5.3; and
 - Failure to correct a missed pickup within the required times set forth in Article 5.3C.
- We recommend that NCRWS proactively report any instances where its vehicles "Exceeding the limitations as set forth in the State of California Vehicle Code" (i.e., overweight vehicles). While the County currently audits NCRWS vehicle weights, we believe NCRWS should proactively report any cases of overweight vehicles to the County in its Monthly Report.

As part of its consideration of extending the current Franchise Agreement the County may wish to consider additional liquidated damages for key operational requirements for which such

R3

Performance Review & Audit of Billings & Revenue Reporting

damages do not currently apply (e.g., auditing 10 percent of commercial businesses, maintaining signage on collection vehicles etc.).

3.2.5 Examination of Other Gross Revenue Reporting

As part of this Task, we performed procedures in the following areas:

- Bad Debts;
- Financial Management Practices; and
- Classification of Franchise and Non-Franchise Gross Rate Revenue.

Bad Debts

We reviewed the status of delinquent accounts and collections, the reasonableness of NCRWS' bad debt percentage and the related policies.

NCRWS cancels service to customers whose accounts become more than ninety days past due. In the event the customer pays the past due balance they are allowed to request that service be restarted although the Company charges a restart fee.

Our review of NCRWS' audited statements for 2010 through 2012 showed that the provision for bad debt averaged 1.3 percent over that three year period. This falls within what we consider to be a reasonable range for bad debt (i.e., 1% to 3%).

Financial Management Practices

Our review of NCRWS' financial management practices indicated that the collection and billing system is being maintained in an appropriated manner and is able to provide complete and accurate financial information. It appears that the Company's bad debt policies are appropriate and effective and the Company is in compliance with the Lock Box Agreement contained in Exhibit J of the Franchise Agreement.

Classification of Franchise and Non-Franchise Gross Rate Revenue

As was discussed in Section 3.2.2 above, we reviewed the material classification between Franchise and Non-Franchise billed and collected revenue on the Monthly Gross Rate Revenue Schedule to verify that NCRWS is correctly classifying Gross Rate Revenue. Based on the results of our review it appears that Franchise and Non-Franchise Gross Rate Revenue is being properly classified on the monthly Gross Rate Revenue Schedule.

R3

4.0 Audit of Work Orders

The purpose of this Task, which was to:

- Review procedures for NCRWS customer work orders and assignments to NCRWS to provide service under the Franchise Agreement;
- Determine if loads are supported by corresponding work orders from NCRWS;
- Ensure that loads pertain the NCRWS services under the Franchise Agreement and do not pertain to other NCRWS clients;
- Ensure that roll-off work orders assigned to NCRWS' approved subcontractors (i.e., TR/VR) are consistent with the agreed upon terms and conditions of that relationship; and
- Determine if NCRWS was reimbursed a reasonable amount for loads that were not supported by NCRWS work orders within 60 days of the end of each month.

4.1 Work Order Generation and Assignment

Assignment and dispatching of roll-off loads are handled by the Roll-off CSR and Roll-off Dispatcher. While other CSRs can provide callers with general roll-off information, including costs, roll-off work order generation and assignment are handled exclusively by the Roll-off CSR and Roll-off Dispatcher. All roll-off services are documented through a work order. No roll-off services can be provided without a work order, which is the document that tells the driver the specific service that is to be provided.

The process for generating and assigning a work order is as follows:

- If a temporary debris box is requested, the Roll-off CSR will determine if the location is in the County or City using GIS (County GIS system or Google Map);
- The Roll-off CSR then sets up the account and sends the customer a lease agreement. If the box is in the County the account is given the "13" customer code for County accounts. If the box is in the City the account is given a "02" customer code;
- When the signed lease agreement is received with a 50 percent down payment, the Roll-off CSR creates a work order with a generic/default "Z00" route/truck code in the Soft-Pak system. The "13" customer code on the work order distinguishes a franchised account;

R3

Performance Review & Audit of Billings & Revenue Reporting

- The Roll-off CSR prepares a daily “work order list” with the name, address and service type (e.g., 20 yard debris box) listed for each work order and prints out a copy of each of the associated work orders, which is provided to the Roll-off Dispatcher;
- The Roll-off Dispatcher assigns the work orders to the individual routes at the start of each day, recording the route to which each work order is assigned on the “work order list”;⁹ and
- The “assigned” work order list is returned to the Roll-off CSR who enters the assigned truck number into the electronic Soft-Pak work order replacing the generic/default “Z00” route/truck code.

Each roll-off driver completes a Route Productivity Check-In Sheet daily that lists all work orders completed each day along with the landfill/ ticket number, type of material and tons. That sheet, along with copies of each weight ticket, is provided to CSR staff who assigns the tonnage to the corresponding work order in the Soft-Pak system along with other productivity information.

For a permanent account (on-call or scheduled) the process is the same except that the customer account already exists with the corresponding customer code “13” or “02” and does not have to be established.

The work order generation process, as reported above, effectively distinguishes a service in the County from a service in the City and tracks tonnages by material type provided the information is entered correctly. Work orders are only assigned to roll-off loads. Route trucks (i.e., front-loader and side loader vehicles), and the toter and bin trucks, which are used to haul certain materials at times, are not issued work orders.

When the roll-off vehicle arrives at the MDF or DRTS scale, the work order number needs to be manually entered into the associated database by the scale house attendant. If it is not manually entered by the attendant it will not be included on the County’s account reports. The DRTS scale house system provides a specific entry field for the work order (WO#). Until recently, the MDF work orders, when entered, were recorded in a “comments” field. The system now provides a “Manifest #” field that is used to report work orders.

Our review of County account data for the MDF and DRTS monthly scale transaction reports for May and September 2010, April and October 2011, and February and August 2012 found that

⁹ As previously discussed, NCRWS does not have a formal protocol for assigning an NCRWS work order to TR/VR, with assignment based on the number of work orders per day and the availability of NCRWS and TR/VR equipment and employees.

R3

many, but not all, work orders were recorded in the County's account database at either the MDF and DRTS, as applicable. As such, it is not possible to tie all roll-off loads attributed to the County's MDF and DRTS accounts to a work order number from the MDF and DRTS databases. That does not mean that those entries are not County accounts, only that the associated work order was not recorded by the scale house attendants at the time those loads were entered into the associated facility data bases.

As part of our review, we requested and reviewed work orders for all MDF and DRTS roll-off loads attributed to the County's account for October 2011 and February 2012 for which no work order was listed, in order to determine if an associated work order was generated.

4.2 Findings

- NCRWS' work order system provides an effective means for tracking roll-off loads, including assigning each load to the appropriate jurisdiction, and tracking the roll-off route/truck that provided the service. Assuming the data is entered correctly at the time the work order is generated and that information is then correctly entered into the MDF or DRTS scale house databases, the system should ensure that:
 - All loads that pertain to NCRWS services are accurately recorded to the County's account;
 - All roll-off loads recorded to the County's account are supported by a corresponding work orders from NCRWS (although not all work orders are entered into the MDF and DRTS data bases by the scale house attendants); and
 - All loads recorded to the County's account pertain to NCRWS services under the Franchise Agreement, with the exception of purchased loads from within Zone 1 that are collected by NCRWS or TR/VR and recorded to the County's account.
- Work orders are generated by NCRWS for all roll-off services. Our testing of MDF and DRTS loads attributed to the County's account for October 2011 and February 2012 for which no work order was listed in the facilities databases confirmed that work orders existing for all such loads;¹⁰

¹⁰ The only exception was for one (1) clean-up box of County material from the corporation yard taken to the transfer station per the Operations Manager's instructions and not a customer request and therefore the office would not have generated a work order.

R3

Performance Review & Audit of Billings & Revenue Reporting

- NCRWS reported and our review confirmed that, with the exception of purchased loads, all loads attributed to the County's account pertain to services provided under the Franchise Agreement;
- NCRWS assignment of work orders to TR/VR is based on consideration of the number of work orders per day and the availability of NCRWS and TR/VR equipment and employees;
- NCRWS and TR/VR have a verbal intercompany agreement but do not have a written lease agreement; and
- A review of sample NCRWS roll-off loads found that, in addition to NCRWS vehicles and TR/VR vehicles identified as those to be available for leasing (Unit 1, Unit 2, Unit 4, Unit 632 and Unit 111), a significant number of NCRWS roll-off work orders were collected by NRWS roll-off vehicles, which NCRWS reported were used as spare/replacement vehicles for the day/load.

R3

Task 5 Audit of Purchased Materials

As part of this task, R3 reviewed and analyzed relevant data to:

- Determine if purchased materials were separately identified in the monthly reports to the County from October 1, 2012 to March 31, 2013;
- Determine if NCRWS removed the purchased material from the diversion calculation;
- Determine if NCRWS' reported diversion rates are accurate and, if not, calculate the correct rate; and
- Verify that purchased materials did not receive the preferred rates nor were charged against NCRWS' County account at the MDF in compliance with County and City memorandum of Understanding (Exhibit P of Franchise Agreement).

5.1 Tracking and Reporting of Purchased Materials

R3 reviewed NCRWS' Monthly Reports for January 2012 through March 2013, and the process NCRWS uses to track and report purchased materials. NCRWS began tracking and reporting purchased materials as a separate and distinct category with its January 2012 Monthly Report. That category was also first reported annually in the 2012 Annual Report.

Purchased tonnages include cardboard, plastics, metals, glass, and other recyclable commodities purchased from large commercial generators, and in all cases are handled through NCRWS' roll-off operations. The process NCRWS uses to track purchased materials is as follows:

- NCRWS adds up all of the NCRWS inbound roll-off MRF materials (single-stream recycling, cardboard, paper, metals, glass, plastics, etc.) as reported on the City of Napa MDF inbound scale house report. All purchased materials are reported as NCRWS roll-off tonnage on the County's MDF account including material initially pulled by TR/VR and sold to NCRWS in an internal transaction.
- All of the roll-off loads/tonnages are tracked through work orders in NCRWS' Soft-Pak system, and are reported on a consolidated monthly spreadsheet that contains all roll-off work orders for each month. Those work orders differentiate between loads collected by NCRWS pulls and those collected by TR/VR pulls.
- The total NCRWS recycling pull tonnage is then subtracted from the total NCRWS inbound roll-off MRF material

R3

Performance Review & Audit of Billings & Revenue Reporting

tonnage to determine the total purchased materials tonnage.

TR/VR brings loads to the MDF through the MOU between the City of Napa and the County. TR/VR works as a broker for franchised and non-franchised customers who sell their source separated materials to the County with TR/VR paying the customer for those materials that it collects.

There is no formal documentation (e.g., invoice or bill of lading) of the sales transaction of the purchased material collected by TR/VR to NCRWS. TR/VR is simply paid by NCRWS through an internal transaction for purchased material that it delivers to the MDF under the City MOU. Title to that material does transfer to the City once the load is received at the MDF and the County's account is credited with the associated revenue or debited with the associated expense.

5.2 Accuracy of NCRWS' Reported Diversion Rates

R3 reviewed NCRWS' calculated diversion rates as presented in its Monthly Reports for January 2013 through March 2013. As part of that review, R3 obtained and verified support for all of the reported tonnage figures used by NCRWS to calculate its reported residential, commercial, roll-off and overall diversion rates. We tied the MSW and diversion tonnages reported by NCRWS to the MDF and DRTS records provided by the County. This included verifying that purchased materials and non-franchised tonnage were separately identified and not included as diverted tonnage in NCRWS' diversion rate calculations. The only information we were not able to tie was the following:

- NCRWS Coupons tonnage, which was not included in any of the totals reported in the Monthly Reports but was reported in the MDF records; and
- A small portion of "clean MDF" non-franchised tonnage that was included in NCRWS' purchased materials value in the February and March 2013 Monthly Reports. This error was brought to NCRWS' attention and they revised the diversion rate calculations accordingly. The correction resulted in an increase in NCRWS' diversion:
 - Franchised roll-off diversion rate from 65.6 percent to 67.8 percent in February, and from 63.1 percent to 67.8 percent in March; and
 - Overall franchised diversion rate from 61.9 percent to 62.8 percent in February, and from 61.7 percent to 63.4 percent in March.

R3 also reviewed the calendar year 2012 Monthly Reports and confirmed that the reported residential, commercial, roll-off and

R3

overall diversion rates for each month were calculated in the same manner as the January 2013 through March 2013 Monthly Reports.

Appendix F provides a summary of the methodology NCRWS uses to calculate residential, commercial, roll-off and overall diversion rates as presented in its Monthly Reports.

5.3 County's MDF Preferred Rate

The MOU between the County and City of Napa relating to the MDF established a charge for yard waste of \$26.00 per ton and revenue for Clean MDF recyclable materials of \$34.00 per ton effective 2007. Specifically, Section II.8.A of that MOU states that:

“The City will charge (or credit) the County, and the County will pay (or accept) exclusively from revenues generated from ratepayers in the Unincorporated Area of Zone 1 commencing October 1, 2005, the following amounts for Yardwaste and Clean MDF Recyclable Materials delivered to the Facility by or for the County from Zone 1.”

Section II.10 states that:

“The City will not enter into a contract with any third party allowing it to deliver Clean MDF Recyclable Materials or Yardwaste on terms more favorable than those extended to the County in Section II.8.A, taken altogether.”

As reported in R3's January 3, 2012 Final Report, “Review and Assessment of Napa County Recycling and Waste Services' Roll-Off Operations and Other Contract Components,” all roll-off loads from Zone 1 delivered to the MDF by NCRWS or TR/VR, or self-hauled by an unrelated party under agreement with NCRWS and delivered under the County's account (e.g., the Pallet Guy and Summertime Farms), were given the rate specified in the City/County MOU. City staff reported at that time that this practice was based on prior direction from the County. City staff also reported, however, that if the County wished to limit non-NCRWS franchised loads that receive the rate specified in the City/County MOU it would do so, as directed by the County.

The County has since directed NCRWS that the County's preferred rate is to only apply to loads of franchised materials hauled by NCRWS or another approved party (specifically TR/VR) and that only those parties or other approved parties (e.g., County DPW) may bring material to the MDF under the County's account. As directed by the County, NCRWS reported that only parties approved by the County will be allowed to deliver material to the MDF under the County's account. NCRWS specifically reported that: “As per the County's request, the Pallet Guy and

R3

Performance Review & Audit of Billings & Revenue Reporting

Summertime Farms were notified and have ceased bringing in any material under the NCRWS franchise.”¹¹

As part of our review, R3 reviewed the charges for loads delivered to the MDF on the MDF reports for the County’s account for May and September 2010, April and October 2011 and February and August 2012, as provided by the County. That review resulted in the following findings:

- Loads of cardboard, colored HDPE, mixed glass, mixed rigid plastic, paper mixed, PET, single stream recyclables and tin cans hauled by NCRWS or TR/VR all received the County’s preferred rate of (\$34.00/ton);
- All yard waste loads were charged \$26.00 per ton, with loads hauled by both NCRWS and TR/VR; and
- There were no loads reported under the County’s account that were attributed to parties other than NCRWS or TR/VR with the exception of loads associated with NCRWS Coupons and loads hauled by the Napa County Public Works Department.

5.4 Findings

- Purchased materials were separately identified in the monthly reports to the County from October 1, 2012 to March 31, 2013;
- NCRWS removed the purchased material from the diversion calculation;
- With the exception of the noted correction to account for the “clean MDF” non-franchised tonnage discussed above, NCRWS’ reported diversion rates are accurate; and
- Materials that NCRWS purchases from accounts (or that TR/VR purchases from accounts within NCRWS’s franchise area), are reported under the County’s MDF account and receive \$34 per ton in revenue consistent with the County’s preferred rate.

As noted above, the County reported that tonnages sold to NCRWS are not to receive NCRWS’s preferred rate at the City’s MDF.

¹¹ June 13, 2012 letter to Greg Pirie from Greg Kelly Re: Subcontracting with Tower Road/Valley Recycling, Response to April 26th letter.

R3

Appendix A

Contract Compliance Checklist

R3

Appendix A

R3

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
Article 3 - Collection Services								
1	1.) Shall collect: solid waste in carts by residential and commercial customers, solid waste in bins by MF & commercial customers, single stream recyclables in carts or bins by residential and commercial, other recyclables placed for collection by residential and commercial customers, green waste in carts or bins by residential and commercial customers, collection materials placed in debris boxes and compactors by customers, used oil and filters from residential customers, and food waste in carts or bins by residential and commercial customers	12	Article 3	3.2	A		Working toward Compliance	Company stated that residential food waste collection has been delayed as City of Napa is obtaining the required permits to compost at NCRWS. However, roll-out of the pilot program (1 route- approximately 700 customers) is expected in June.
2	Contractor shall retain 100% of gross recycling revenues from facilities other than Napa MDF	13	Article 3	3.2	B		Yes	
3	Best efforts to recycle or divert 50% of all Collection Materials	13	Article 3	3.3	A		Yes	
4	Collection shall occur between 6AM to 7PM for residential zones Collection shall occur between 5:30AM to 6PM for commercial and industrial zones	13	Article 3	3.3	B	Residential ride-along revealed that driver began collection at 5:20 AM. The first account serviced on commercial ride-along was at 5:23 AM.	Yes	
5	Remit franchise fee of 10% for duration and surcharge Fee of 4.5% for first 2 years of contract.	14	Article 3	3.5	A		Yes	
6	Franchise & Surcharge Fee based on Gross Rate Revenues (including bad debt) with interest paid on any underpayment at the rate of 10% per annum from due date.	14	Article 3	3.5	B		Yes	
7	Contractor shall provide a package of Collection Services...with attendant public education and customer service programs that should be sufficient to achieve and maintain level of Diversion for the County that is in compliance with the State's goal of 50% diversion.	15	Article 3	3.8			Yes	
8	Maintain information management systems needed to collect, store and organize operational and financial data.	15	Article 3	3.11			Yes	
Article 4 - Collection Services								
9	Collect all solid waste generated at residential placed at collection and at side-yard backyard locations by occupants eligible for such collection	18	Article 4	4.3	A		Yes	
10	Collect all solid waste generated at commercial premises placed for collection.	18	Article 4	4.4			Yes	
11	Shall collect all solid waste generated at County sites and up to two County sponsored events (See #89)	18	Article 4	4.5			Yes	
12	Collect Recyclable materials and green waste generated at residential premises set out properly curbside or side yard for those eligible	18	Article 4	4.6	A		Yes	
13	Collect recyclable materials and green waste generated at commercial premises	18	Article 4	4.6	B		Yes	
14	Collect recyclable materials and green waste from two county facilities and at up to two County-sponsored events (See #89)	18	Article 4	4.6	C		Yes	
15	Contractor shall implement Food Waste Collection and Recycling for Residential Customers	18	Article 4	4.6	D		Working toward Compliance	
16	Proper adjustment of Minimum Diversion Rate (MDR) and meeting MDR standard. MDR calculation formula available here.	19	Article 4	4.6	E		NA / Outstanding Issue	
17	Proper calculation of increase in diversion from food waste.	19	Article 4	4.6	F		NA / Outstanding Issue	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
18	Contractor shall provide following special services: - Bulky Item Collections - Collection and Recycling of Used Oil and Filters at residential premises - Holiday Greenery Collection and Recycling - Telephone Directory Collection and Recycling - Electronic Waste Collection and Recycling	20	Article 4	4.7	B		Yes	
19	All solid waste goes to Napa-Vallejo Waste Management Authority's Devlin Road TS	20	Article 4	4.8			Yes	
20	Contractor shall ensure that processing and marketing occurs in a manner that results in Residue requiring Disposal equal to no more than ten (10) percent by weight of the original weight of the collected Recyclable Materials.		Article 4	4.9			Yes	
Article 5 - Other Services								
21	All public education materials and messages shall be conveyed <u>in English and Spanish</u>	21	Article 5	5.1		No - Website does not have mat'ls in Spanish. Some of the educational materials only have English.	Yes	
22	Maintain a toll-free telephone number with services available <u>in English and Spanish</u> . CSRs available to answer calls from 8AM to 5PM Mon-Fri. Telephone message for after hours calls received.	21	Article 5	5.2	B	No - Phone Message in English Only	Yes	
23	Maintain written log of all oral and written complaints	22	Article 5	5.3	B		Yes	
24	Resolve all complaints within ten working days, missed pickups same day unless after 12PM then resolve by the next day.	22	Article 5	5.3	C		Yes	
25	All changes in collection operations, administration or schedule preceded by notice to County and notices made to cart customers with 14 days notice and bin customers 5 days notice.	22	Article 5	5.4	A/B		NA	
26	Collected hazardous waste expenses are to be assessed to customer or otherwise absorbed and reported	23	Article 5	5.6	C		Yes	
27	Change in scope resulting in a rate adjustment shall reflect % change in relative proportion of Gross Rate Revenues.	24	Article 5	5.7	C		NA	
Article 6 - Billing, Collection, and Remittance								
28	Contractor shall levy special charges as provided in Exhibit D and not bill for side yard or backyard service for eligible Customers. All commercial customers shall be billed monthly, in advance of service, except customers receiving one-time or drop box service. The Contractor may bill such customers in arrears; however, the Contractor assumes all risk and responsibility for non-payment. Residential customers may be billed in advance on a monthly or every three months basis.	25	Article 6	6.1	B		Yes	
29	Contractor shall enter into a Lock box Agreement with County and a third party agent (Exhibit J). Contractor shall deposit all Rate Revenues into the Lock Box Account according to the process specified in Exhibit J.	25	Article 6	6.2			Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
30	Monthly Distribution to County: - Gross Rate Revenues documented - Franchise Fee 10% of Gross Rate Revenues and Surcharge Fee 4.5% of Gross Rate Revenues - Liquidated Damages reported and paid in full - Other payments as necessary	25	Article 6	6.4	A-D		Yes	
31	Contractor shall solely bear all expenses and losses related to bad debt from delinquent customer accounts. Shall notify County within 10 ten days of customer for whom service has been stopped.	26	Article 6	6.5			No	Company does not routinely notify County of customers for whom service has been stopped but reported that documentation is available to County anytime upon request. <i>County requests that Company provide list to County monthly along with, but under separate cover, to Monthly Report (i.e., County does not want names / addresses of stopped service documented in Monthly Reports)</i>
32	Shall allow Customers to stop service once per year without any additional charge or compensation during the vacation stop period.	27	Article 6	6.7			Yes	
Article 7 - Contractor Compensation and Customer Rates								
33	Rates in Exhibit D are the only source of compensation to Contractor for provision of Collection Services.	28	Article 7	7.1			Yes	
34	Adjustment to be based on data from a previous 12 month period	28	Article 7	7.2	A		Yes	
35	Proper adjustment/assessment based on CPI and actual changes in any pass through costs	29	Article 7	7.2	B		Yes	
36	Cap CPI portion at 4%	29	Article 7	7.2	C		Yes	
37	Contractor shall provide all Customers with advance written notice of approved Rate adjustments in form of a bill insert or invoice notification at least 30 days prior to adjustment effective date.	29	Article 7	7.3			No	Note on invoice simply says "RATE CHANGE OCTOBER SERV." <i>Recommend more detailed explanation of rate adjustment (e.g., % change / new and old rate)</i>
Article 8 - Record Keeping, Reporting, and Performance Reviews								
38	Shall maintain full, complete and separate financial, statistical and accounting records, pertaining to cash, billing and provisions of all Collection Services, prepared on an accrual basis. Maintain records for a period of not less than 5 years.	32	Article 8	8.1	A		Yes	
39	Shall maintain records of the quantities of: Solid waste collected and disposed Recyclable materials, by type, collected, purchased, processed, sold, donated or given & residue disposed Green waste collected, received, purchased, processed, sold, donated or given & residue disposed	32	Article 8	8.1	B		Yes	
40	Shall maintain the customer complaints log pursuant to Article 5.3B	32	Article 8	8.1	C		Yes	
41	Shall maintain all other records reasonably related to provision of Collection Services	32	Article 8	8.1	D		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
42	Annual reports shall be submitted no later than February 1st for the previous calendar year	32	Article 8	8.2	A	No - 2009 and 2011 annual reports submitted after February 1st deadline	No	2009 submitted Feb 2nd; 2010 submitted Feb 1st; 2011 submitted Feb 3rd; 2012 submitted Jan 29 <i>Recommendation - Consider extending deadline</i>
43	Annual reports shall include: 1. Summary of prior year's monthly Gross Rate Revenues, Franchise Fee, Surcharge Fee and any other County fees, Liquidated Damages, payments to County and Monthly Distributions 2. Hard copy account data including number of accounts, account names and addresses per each service category, list of delinquent accounts for which service was stopped and current status 3. Public education and information activities undertaken during the year, including distribution of bill inserts, collection notification tags, community information and events, tours and other related activities. Discuss impact of activities on Recycling and Green Waste program participation and amounts collected for Commercial and Residential Customers. 4. Analysis of any Recycling and Green Waste Collection, processing and marketing issues or conditions and possible solutions, discussed separately for carts and bins. 5. Detailed review of the number and type of complaints received over the past year, including how there were resolved and the lapsed time between receipt of the first complaint and the final resolution of the complaint. County approved format for this portion. 6. Audited annual financial statement provided each year beginning in 2006, and submitted no later than 60 days following close of the Contractor's fiscal year.	32	Article 8	8.2	B	No - Received copies of 2006, 2007 and 2008 Annual Reports from County; Items #1, 2, 3 and 6 are provided satisfactorily. For item #4 NCRWS provides analysis of green waste collection through discussion of residential versus commercial not carts versus bins. Lapsed time for customer complaint resolution not provided in item #5	Yes	
44	Monthly Reports shall be due 15 days after the end of each month and include: 1. Total tons collected, diverted through recycling, diverted green waste processing and disposed. 2. Detail of previous month's distributions to all parties. 3. Gross and net Recycling revenues if not using City of Napa facility. 4. Name and address of any customer for whom service has been suspended for delinquency. 5. ID of any commercial Customers that have refused service during previous month and delivery of service to any commercial Customers that had previously refused service.	33	Article 8	8.2	C		Largely in Compliance	Received monthly report for March, 2013 dated April 17, 2013 (two days late). Name and address of any customer for whom service has been suspended for delinquency not included (see Item # 31).
45	Shall cooperate with and assist County in periodic waste characterization and waste diversion studies.	35	Article 8	8.4	A		Yes	
46	Shall monitor collection services to ID and prevent contamination of Recyclable Materials and Green Waste.	35	Article 8	8.4	B		Yes	
Article 9 - Indemnity, Insurance, Bond								
47	Maintain for duration of Agreement insurance against claims for injuries to persons or damages to property which may arise from in connection with the performance of work.	39	Article 9	9.5			Yes	
48	Coverage shall be at least as broad as: 1. Insurances Services Office form number GO 0002 covering comprehensive General Liability 2. Insurance Services Office form number CA 0001 covering Automobile Liability 3. Worker's Compensation Insurance as required by CA and Employer's Liability Insurance	40	Article 9		A		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
49	Limits of Insurance shall be maintained as no less than: 1. Commercial General Liability - \$1million per occurrence with aggregate of \$2million. 2. Automobile Liability - \$1million for owned and non-owned vehicles in connection with contract 3. Worker's Compensation - As required by CA Labor Code.	40	Article 9		B		Yes	
50	Any deductibles or self-insured retentions must be declared to and approved in writing by the County.	40	Article 9		C		No / Was not but now is in Compliance	Company was not in compliance at time of review but has issued revised Insurance Documents consistent with requirements
51	County personnel shall be listed as additional insureds with respect to automobiles of Contractor and work of Contractor.	40	Article 9		D		No / Was not but now is in Compliance	Company was not in compliance at time of review but has issued revised Insurance Documents consistent with requirements
52	The insurer shall agree to waive all rights of subrogation against the County, its officers, etc...for losses arising from work performed by the Contractor for the County.	41	9.5	D	3		No / Was not but now is in Compliance	Company was not in compliance at time of review but has issued revised Insurance Documents consistent with requirements
53	The Contractor shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.	42	9.5	G			Yes	
Article 10 - Breach, Default and Termination								
54	Contractor shall begin cure of any breach as soon as it becomes aware of the breach, whether discovered by Contractor or through notice from County.	43	Article 10	10.1	B		NA	N/A (The Company reported that this has never occurred)
Article 11 - Other Agreements of the Parties								
55	Contractor shall at all times comply with all Applicable Laws	52	Article 11	11.2			Yes	
56	Contractor shall not engage any subcontractors for performance of Collection Services without the prior written consent of County.	55	Article 11	11.8		No - The County has reported that NCRWS does not have the County's written consent to use subcontractors. Although discussions have transpired with County staff, there has been no formal approval.	Yes	
57	Contractor shall by the Effective Date designate in writing a responsible officer who shall serve as the representative of Contractor in all matters related to this agreement and shall inform County in writing of such designation and of any limitations upon his/her authority to bind contractor.	55	Article 11	11.15			Yes	
Article 12 - Miscellaneous Agreements								
58	Contractor shall strictly observe and protect the rights of privacy of Customers during provision of all Collection Services.	59	Article 12	12.8	A		Yes	
Exhibit A - Detailed Scope of Services for Collection								
59	Basic levels of service: Residential - Once weekly automated collection of Solid waste in gray carts sized at 35, 65 or 96 gallons. Once weekly collection of single-stream recyclable materials in a 65 or 96 gallon blue cart at curbside. Once weekly collection green waste in a 65 or 96 gallon brown cart at curbside. Once weekly collection of used oil and filters in a transparent container at curbside. All provided free of charge. One free replacement container annually. Solid waste will be taken to Napa-Vallejo Waste Management Authorities Devlin Road Transfer Station (DRTS).	A-1	Exhibit A	1			Yes	
60	Residential collection will be fully automated wherever feasible. Gray carts either 35, 65, or 96 gallons.	A-1	Exhibit A	1	A		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
61	Use best efforts to Inform generators of recyclability in temporary bin and roll-off services	A-2	Exhibit A	1	A		Yes	
62	Shall provide services to gated developments and gated mobile home parks as may be selected and directed by the HOA or property manager	A-3	Exhibit A	1	A		Yes	
63	Contractor shall provide backyard/side yard service to those with medical note for free and for a charge for those without a medical note. Non-curb-side footage broken into standard increments to base fee on.	A-2	Exhibit A	1	A		Yes	
64	Every effort to maximize multi-family diversion	A-3	Exhibit A	1	A		Yes	
65	Up to 5 times per year, residential customers can call ahead for extra solid waste collection to be provided for a fee to be approved by the county. Recyclable collection service to be placed out in addition to normal curbside service for no fee.	A-2	Exhibit A	1	A		Yes	
66	Work with MFD complexes to reduce contamination below 10%	A-3	Exhibit A	1	A		Yes	
67	If (Multi-Family) manager refuses recycling services a form identify that the manager has refuse is to be signed and filed with the County. Complexes of 50 or more units shall be offered separate collection for cardboard.	A-3	Exhibit A	1	A		Yes	
68	Recycling Single stream collection will be fully automated wherever feasible. Blue carts either 65 or 96 gallons. Second cart provided as requested. Up to two carts per customer.	A-3	Exhibit A	1	B		Yes	
69	Green Waste stream collection will be fully automated wherever feasible. Brown carts either 65 or 96 gallons. Customers may request up to 3 additional carts at no charge.	A-4	Exhibit A	1	C		Yes	
70	Contractor shall send a coupon in February & August allowing for free drop off of Green Waste at County designated MDF.	A-4	Exhibit A	1	C	No - NCRWS has not issued the required coupons. NCRWS has stated that "there are currently no green waste coupons. We have instead allowed 2x a year extra pickup of green waste at residences..." That program, however, requires that customers call in rather than receiving a coupon or other more proactive publicity by the company. Requiring customers to call in to find out about an offer of extra pickups does not constitute a program consistent with the requirements of the franchise agreement.	Yes	
71	Contractor shall exchange used motor oil and filter bag containers for empty containers weekly, on same day as Solid Waste collection.	A-4	Exhibit A	1	D		Yes	
72	Shall become registered Curbside Program through CIWMB.	A-4	Exhibit A	1	D		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
73	Advertise used oil program twice each year to all residents	A-4	Exhibit A	1	D		Yes	
74	E-waste event participation and promotion with notices of coupon	A-4	Exhibit A	1	E		Yes	
75	Contractor shall reimburse the franchise holder at the City of Napa Materials Diversion Facility (CNMDF) a portion of the cost for E-waste event, based on a City managed participation survey.	A-4	Exhibit A	1	E		NA	N/A per company: no cost to recycle e-waste now
76	Contractor will reimburse CNMDF for up to 9 tires in one trip customers who self-haul and present a coupon	A-5	Exhibit A	1	F		Yes	
77	Food waste pilot program implementation and costs/operations data. All food waste delivered to a County-approved facility for composting.	A-5	Exhibit A	1	G		Working toward Compliance	See #1 - Per company - commercial food waste rolled into overall rates for all customers. Full scale commercial program is in place and operating.
78	Bulky goods may be collected curbside for a fee by contractor upon call in advance from customer.	A-6	Exhibit A	1	H		Yes	
79	Contractor shall develop coupon as bill insert for free drop-off of non-hazardous bulky goods at CNMDF.	A-6	Exhibit A	1	H		Yes	
80	If coupon for non-hazardous bulky goods is used at CNMDF, contractor shall reimburse CNMDF based on the standard minimal charge to non-coupon holders.	A-6	Exhibit A	1	H		Yes	
81	Local non-profit may collect holiday greenery first Saturday following new years day. The next week, Contractor shall collect whole trees from customers on regularly scheduled solid waste day.	A-7	Exhibit A	1	J		Yes	
82	Telephone books shall be collected in curbside single-stream year round.	A-7	Exhibit A	1	K		Yes	
83	Contractor shall provide a list of commercial customers that refuse solid waste service in the monthly report.	A-8	Exhibit A	1.1	B		NA	no mandatory service
84	The Contractor shall offer pallet collection and recycling as part of the commercial service program.	A-8	Exhibit A	1.1	C		Yes	
85	Business Recycling Plans and assistance will be provide on request of customer by Contractor as outlined in Section 2.06.01.5 and 2.06.05.	A-9	Exhibit A	1.1	D		Yes	
86	Contractor shall assist contact person for special events in planning and implementation. Contractor shall handle private schools as commercial customers.	A-12	Exhibit A	1.1	I		Yes	
87	Shall provide containers for collection of all solid waste and recyclable materials generated at premises owned and/or operated by the County.	A-13	Exhibit A	1.3	A		Yes	
88	Develop and pay for the following to promote programs: 1. Billing inserts 2. Coupons for e-waste, tires and bulky-goods collections (bill inserts and/or direct mail) 3. Annual phone book recycling guide 4. Website will list all services available to residential and commercial customers. Also expanded educational and program information.	A-13	Exhibit A	1.4	A		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
89	Shall notify each residential and commercial customer in each January of the opportunity to participate, at no additional charge, in curbside recycling. Shall also provide separate notice for solid waste services and backyard service.	A-14	Exhibit A	1.4	B		No	Company represents that CSRs call every commercial customer annually using a documented script in and residential customers are notified annually through distribution of residential recycling brochure. . Per Company Commercial 2012 brochure sent in July. County directs Company to issue required notifications in January as required and document such in the Monthly Report.
90	Annually Contact 100% of commercial/industrial to notify of recycling alternatives	A-14	Exhibit A	1.4	C		Yes	See #89
91	Annual waste audit & recycling plan for 10% of commercial accounts	A-14	Exhibit A	1.4	D	No - NCRWS has not submitted a "Recycling Plan" format for County approval and has not met the requirement of preparing Recycling Plans for 10% of NCRWS businesses annually.	No	Same Compliance issue as last time. Per Company: Never had a plan with County or format however at least 10% of commercial accounts are provided the service. Per Company the audits are reported as part of the Monthly Reports in the Public Education section + Proactive CSR Outreach. Recommendation - Company provide annual Commercial Customer subscription profile and historical data
92	Shall during each October notify each HOA and property manager of each and every alternative method of recycling available to residents thereof	A-14	Exhibit A	1.4	E		Yes	
93	Submit draft brochures 90 days before commencement of residential and commercial food waste programs.	A-15	Exhibit A	1.4	F		Yes	
94	Collection vehicles shall have current signs to promote County's recycling programs.	A-15	Exhibit A	1.4	G		TBD - Confirm with County	Not all County vehicles have signage (e.g., Hino; Split Body) Per Company - #108 – the sign boards for the trucks do not fit on the split body or Hino truck – all other residential & commercial route trucks have the truck signs. The truck sign program is coordinated along with the County so they have been aware that these 2 trucks are unable to have the truck signs.
95	All containers consistently color coded and with graphics to reduce contamination	A-15	Exhibit A	1.4	H		Yes	
96	The Contractor shall add to their website information to inform citizens of all the County's solid waste and recycling programs. Contractor required to submit final phone book ad by March 1st of each year.	A-15	Exhibit A	1.4	I		Yes	
97	Contractor shall assist County to create and manage recycling awards to businesses, MFDs, etc.	A-16	Exhibit A	1.4	J		Yes	
98	Attendance of employees at local seminars, workshops, etc. as requested by County	A-16	Exhibit A	1.4	K		Yes	
99	Facilities be periodically open to public with 72 hours notice by County.	A-16	Exhibit A	1.4	L		Yes	

Item #	Item	Franchise Agreement Citation / Page #			Assessment of Compliance		
		pg.#	Section		2009 Item of Non-Compliance	Yes/No	Notes
100	Programs Contractor is required to advertise 1. Holiday Greenery Collection 2. Home Composting 3. Xeriscaping/Grasscycling 4. Food Reuse and Collection 5. Lawn Mower Exchange 6. Earth Day Festivities 7. Napa County Fair 8. Home & Garden Show 9. Business Showcase 10. Special Event Brochure 11. E-Waste Collection 12. Cell Phone Collection 13. Ink Cartridge 14. Telephone Book Collection 15. Tire Amnesty Coupon 16. Coast Clean-Up Day	A-17	Exhibit A	Tbl 1-1		Yes	
Exhibit B - Performance Standards							
101	Litter-free, reliable, timely, courteous and high-quality service, perform duties using best industry practice for comparable operations	B-1	Exhibit B	1		Yes	
102	Clearly labeled containers in standard colors.	B-1	Exhibit B	1.1		Yes	
103	Containers clean, attractive, function, new-like. Graffiti removed immediately.	B-1	Exhibit B	1.1		Largely in Compliance	Field Audit - Graffiti identified on one GW container; Commercial drivers carry spray paint to cover graffiti on route; Graffiti policy covered in 1/13/11 Tailgate.
104	Contractor shall maintain each piece of equipment used by it in the performance of Agreement in good order and repair.	B-2	Exhibit B	1.2	A	Yes	
105	Shall have sufficient backup vehicles and qualified operations to respond to complaints and emergencies on service days.	B-2	Exhibit B	1.2	A	Yes	
106	Contractor's name, phone number, and vehicle ID number must be visibly displayed on its vehicles in letters and figures no less than three inches high.	B-2	Exhibit B	1.2	B	Yes	
107	Vehicles inspected daily, washed weekly, painted regularly and graffiti removed immediately. Shall perform all scheduled maintenance functions in accordance with manufacturer's specs/schedule.	B-2	Exhibit B	1.2	C	Yes	
108	Make all repairs necessary and maintain accurate records of repair including date/mileage, nature of repair and signature of maintenance supervisor indicating proper repair performed.	B-2	Exhibit B	1.2	C	Yes	
109	Furnish to the County a written inventory of all vehicles, including collection vehicles, used in providing service and shall update the inventory annually.	B-3	Exhibit B	1.2	C	Yes	
110	Contractor shall not load Collection or transfer vehicles in excess of the manufacturer's recommendations or limitations imposed by state/local weight restrictions on vehicles.	B-3	Exhibit B	1.2	C	No - Weight tags for June 2009 documented multiple overloaded vehicles	County identified one overloaded vehicle The Company reported that it reviews all weight tags but does not have a method or set reporting system for overweight vehicles established with the County. (See Report Write-up re: drivers having copy of all vehicle weights) Periodic Tailgates on the subject

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
111	Low Emission vehicle Requirements.	B-3	Exhibit B	1.2	C		Yes	
112	Single pickup per week for residential customers. Pickups at least once a week for bin customers. Shall not provide collection service on New Years, Thanksgiving or Christmas.	B-3	Exhibit B	1.3			Yes	
113	Uniform and efficient collection route services	B-3	Exhibit B	1.4			Yes	
114	Route plans submitted to County representative for informational purposes at beginning of Agreement.	B-3	Exhibit B	1.4			Yes	
115	No mixing of wastes from other jurisdictional origin without prior approval from County.	B-4	Exhibit B	1.4		No - Limited City accounts on boarder of County pocket appear to be serviced by County routes. County route sheets also list City (code #2) accounts	Largely in Compliance	Company reported minimal mixing may occur on certain streets in pocket areas with both County and City accounts on same block
116	All containers returned to within 5 feet of location picked up, upright with lids secured	B-4	Exhibit B	1.5	A	No - Observations in ride-along and route audits revealed that lids were often not secured during residential routes. Most containers were returned to within 5 feet, but a small percentage were knocked over.	Largely in Compliance	Route audits found only 2 instances of cans that were knocked down and relatively few with open lids - much less than 2009 Performance Review. Tailgates held on subject to provide on-going driver training and awareness; Per Company "lids secure" held over from customer containers with detaching lids. All lids on Company carts are secure. Some customers request lids be left open to "air out" containers.
117	Collection Operations shall be conducted as quietly as possible. Stationary compaction not to exceed 70 decibels.	B-4	Exhibit B	1.5	B		Yes	
118	In case of non-collection, Contractor shall place notice at least 2x6 inches with phone number and reasons for non-collection.	B-4	Exhibit B	1.5	C		Yes	
119	Contractor responsible for inspecting all materials prior to collection for Hazardous Waste or other unacceptable materials. Contractor not responsible for collecting Hazardous Waste.	B-4	Exhibit B	1.5	D		Yes	
120	Use due care to prevent materials being spilled or scattered during collection process. Each collection vehicle shall carry a broom and a shovel at all times.	B-5	Exhibit B	1.6	A		Yes	
121	Clean up all litter during transportation process and work to rectify situations.	B-5	Exhibit B	1.6	B		Yes	
122	All materials contained or covered during transportation.	B-5	Exhibit B	1.6	C			
123	Contractor must notify County of spills within 24 hours; All vehicles must carry an acceptable absorbent material; The Contractor will follow specified spill procedures.	B-5	Exhibit B	1.6	D	No - NCRWS tracks spills but its policy is only to report major spills to the County.	Yes	
124	All employees must be able to read, write and speak English with sufficient proficiency...	B-6	Exhibit B	1.7	A		Yes	

Item #	Item	Franchise Agreement Citation / Page #				Assessment of Compliance		
		pg.#	Section			2009 Item of Non-Compliance	Yes/No	Notes
125	Drivers trained and qualified with valid license of correct class and completed in-house training.	B-6	Exhibit B	1.7	B		Yes	
126	Contractor shall conduct an annual background check on each driver to ensure that the driver is not listed as a sexual predator and there is no felony record of violence or violations issued by the California DMV.	B-6	Exhibit B	1.7	B	No - There were no records of background checks in support of this requirement.	No	Only DMV Pull Notices of new employees - Company's position is that union contract does not specifically allow. <i>County and Company should discuss revisions to next CBA to address and identify what items would trigger action</i>
127	Drivers & employees in contact with public must wear clean uniform shirt with ID badge.	B-6	Exhibit B	1.7	C		Yes	Employees have ID numbers for time clock purposes only, for the public, they have their first names on their uniforms.
128	Shall provide suitable operational and safety training for all employees who utilize or operate vehicles or equipment for collection.	B-6	Exhibit B	1.7	D		Yes	
129	No gratuities accepted by employees except for small holiday gifts of nominal value from customers.	B-6	Exhibit B	1.7	E		Yes	
130	All employees present neat appearance and conduct themselves in courteous manner. Contractor shall regularly train employees in customer courtesy, prohibit loud/profane language & instruct crews to work as quietly as possible.	B-6	Exhibit B	1.7	F		Yes	
131	Contractor shall designate one qualified employee as supervisor of field operations. The field supervisor shall devote whatever time is necessary, but not less than 50% of his/her time in the field checking on collection operations, including responding to complaints.	B-7	Exhibit B	1.7	G	No - The Route Supervisor does not dedicate 50% of their time to the County contract and it is not clear that the collective route supervision provided by multiple staff satisfy the requirements of this section.	Largely in Compliance	The Company has modified its organizational structure with a new Roll-Off Supervisor position established. Company may not be meeting specific 50% requirement for County but with 50%+ for City & County there appears to be reasonable coverage
132	Shall be responsible for maintaining and renewing all necessary permits, licenses, and clearances necessary for transportation and processing of Recyclables and Green Waste.	B-7	Exhibit B	1.8	A		Yes	
133	Contractor shall maintain the facility and site in good working order and repair, including maintaining spare parts inventory and performing periodic maintenance.	B-8	Exhibit B	1.8	B		Yes	
134	Shall conduct facility operations in a safe manner	B-8	Exhibit B	1.8	C		Yes	
135	Shall engage and train qualified and competent employees	B-8	Exhibit B	1.8	F		Yes	
136	Shall transport & deliver all residue to disposal facility after its delivery within timeframes required.	B-8	Exhibit B	1.8	G		Yes	
137	Shall develop and manage a system of weighing materials received from collection vehicles and tracking recovery of incoming materials and disposal of residue. The recorded data must indicate for each delivery, haulers name, truck number, time of delivery, tonnage, vehicle license and person receiving the delivery. The contractor shall install and maintain state-certified motor vehicle scales.	B-9	Exhibit B	1.8	H		Yes	
138	If permanent scales fail, within 48 hours temporary substitute scales shall be in place.	B-9	Exhibit B	1.8	I		NA	Has not been an issue - Have separate inbound and outbound scales that can backup each other
139	Pending substitution of scales, Contractor shall estimate quantity of materials being delivered based on data obtained through historical information.	B-9	Exhibit B	1.8	J		NA	Has not been an issue - Have separate inbound and outbound scales that can backup each other
140	Shall test and calibrate all scales in accordance with applicable law, at least every 12 months.	B-9	Exhibit B	1.8	K		Yes	
141	Shall provide processing equipment in number & capacity to efficiently perform required work.	B-9	Exhibit B	1.8	L		Yes	

Item #	Item	Franchise Agreement Citation / Page #			Assessment of Compliance		
		pg.#	Section		2009 Item of Non-Compliance	Yes/No	Notes
Exhibit L - Public Education and Diversion Plans							
143	On-Going Public Education Program efforts included in NRWS' plan including: 1. School outreach services 2. Monthly Billing Inserts 3. Community Relations 4. Recycling Literature 5. Annual Customer Notification 6. Website 7. Special Events/Public Events 8. Commercial Technical Assistance 9. HOAs and Multi-family complexes 10. Promotional Signs on Collection Vehicles 11. Annual Awards 12. Non-Billing Mailing List 13. Reporting 14. AB 939 Goals	L-3	Exhibit L	2			Largely in Compliance 8. Commercial Technical Assistance - See #91 10. Promotional Signs on Collection Vehicles - See #94

Appendix B

Organizational Charts

R3

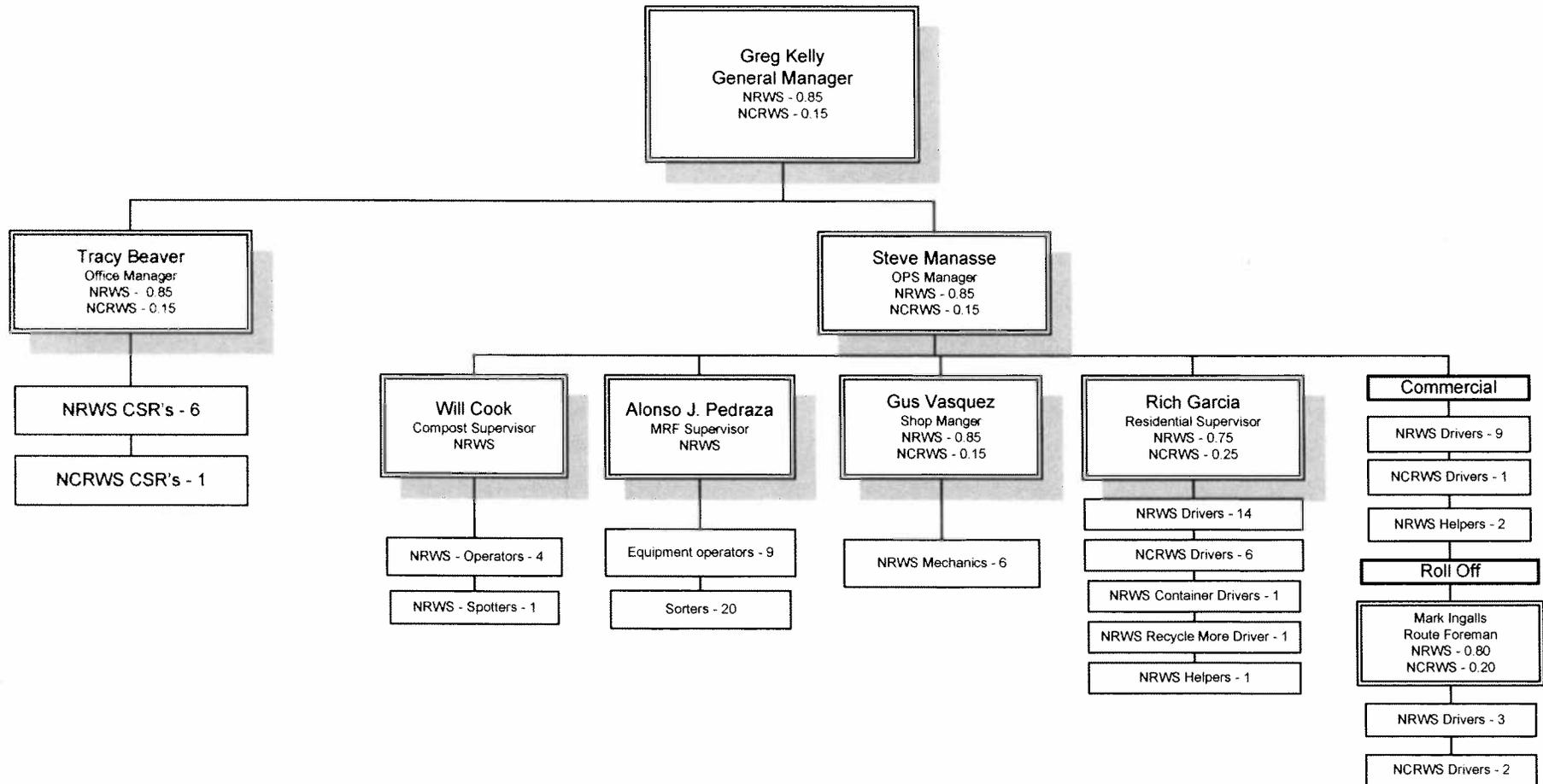
Appendix B

R3

Napa Recycling & Waste Services

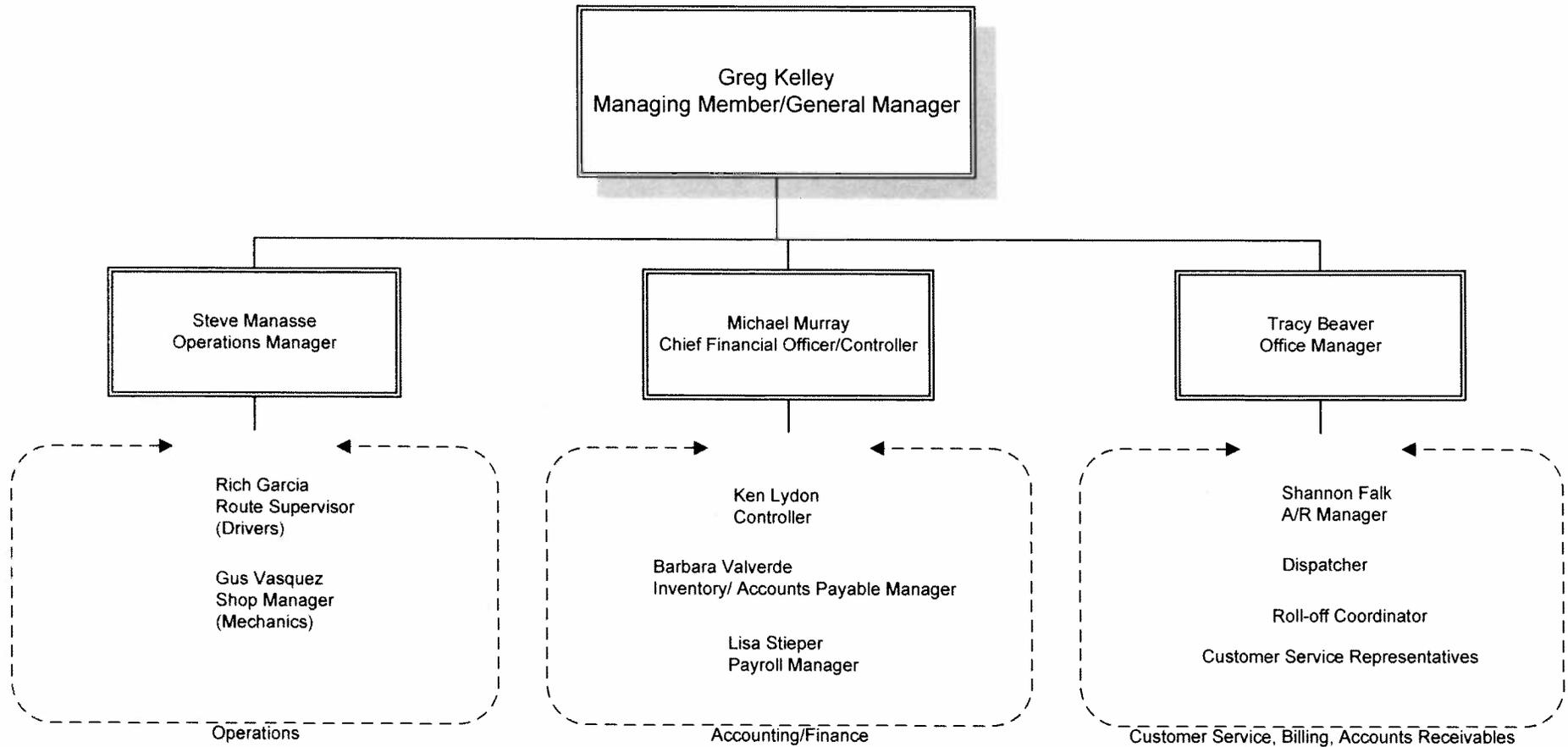
Napa County Recycling & Waste Services

6/2013

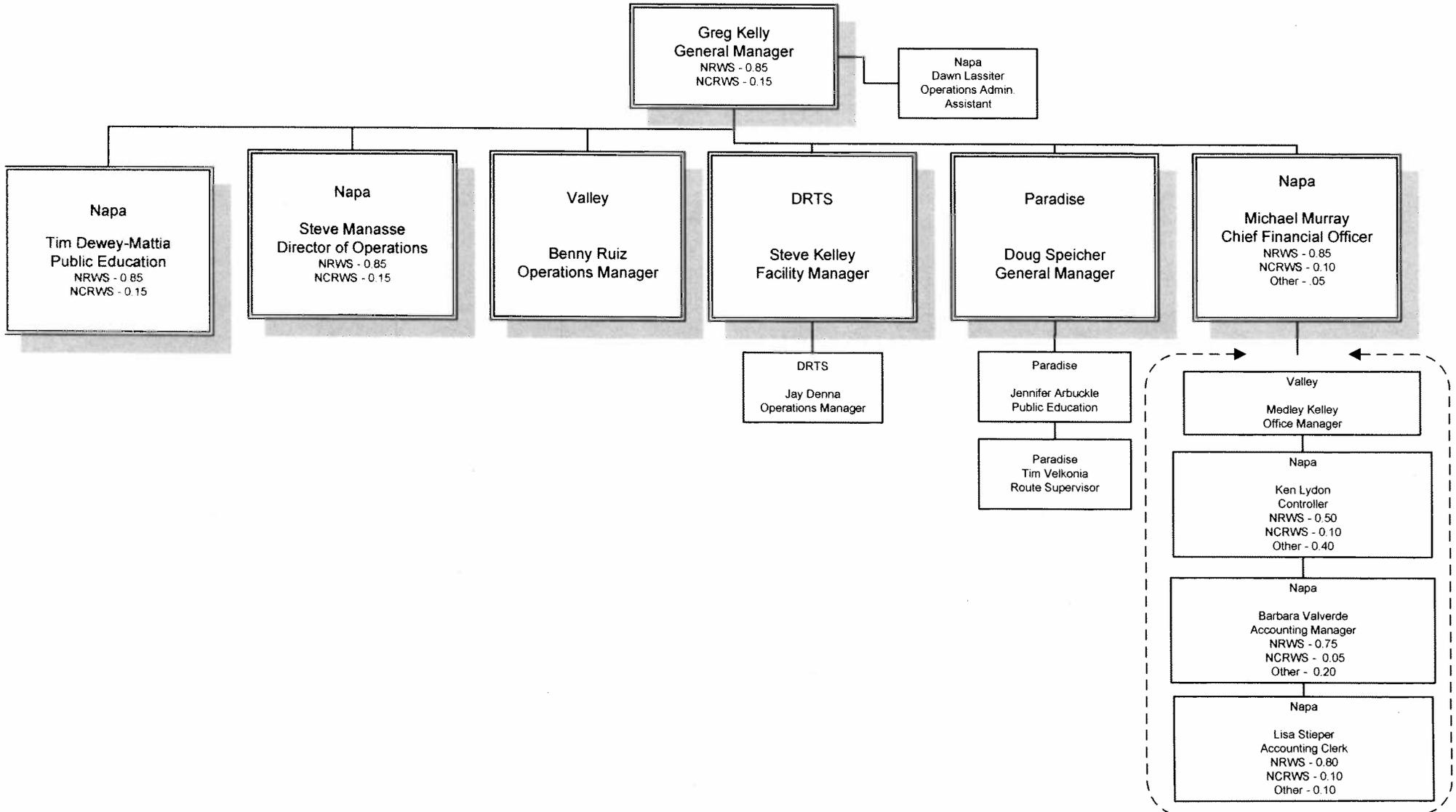


NAPA COUNTY RECYCLING & WASTE SERVICES, LLC

Organizational Chart



NAPA RECYCLING WASTE SERVICES
NAPA COUNTY RECYCLING & WASTE SERVICES
600 TOWER ROAD OPERATIONS
NORTHERN RECYCLING & WASTE SERVICES
NORTHERN RECYCLING OPERATIONS & WASTE SERVICES
6/2013



Appendix C

Vehicle List

R3

Appendix C

R3

02-Napa County Vehicles

LINE OF BUSINESS	UNIT #	TYPE	YEAR	MAKE	GVW
TRASH	103	ROLL OFF	2005	FREIGHTLINER	54,000
TRASH	104	ROLL OFF	2005	FREIGHTLINER	54,000
YARDWASTE	201	FRONT LOADER	2005	AUTOCAR	60,000
TRASH	205	FRONT LOADER	2005	AUTOCAR	60,000
SINGLE STREAM	305	SIDE LOADER	2005	AUTOCAR	54,000
TRASH	306	SIDE LOADER	2005	AUTOCAR	54,000
TRASH	410	MINI MAX	2005	FREIGHTLINER	30,000
TRASH	411	24 YARD	2005	FREIGHTLINER	44,000
TRASH	414	CAN-DEL		IZUSU	15,000
TRASH	421	INTERNATIONAL 7400		INTERNATIONAL	30,000

09- Valley Recycle Vehicles

LINE OF BUSINESS	UNIT #	TYPE	YEAR	MAKE	GVW
DEBRIS	1	ROLL OFF	2002	AUTOCAR	54000
RECYCLING	2	ROLL OFF	2002	VOLVO	80000
RECYCLING	4	ROLL OFF	2007	FREIGHTLINER	54000
COMINGLED	6	TRAILER		DORSEY TRAILER	80000
COMINGLED	7	TRAILER		STRICK CORP.	65000
COMINGLED	8	TRAILER	1992	FLAT BED TRAILER	
COMINGLED	9	TRAILER	2003	NORCAL ROLL OFF TRAILER	80000
RECYCLING	10	FORKLIFT	2005	CLARK DONKEY LIFT	
COMPOST	11	CONCRETE CRUSHER	2006	CAT	3065
RECYCLING	111	TRACTOR	2008	PETERBUILT	
RECYCLING	632	PENSKE LEASE	2009	FREIGHTLINER	80000
TRANSFER C&D	523	TRAILER	2008	PEERLESS	65000
TRANSFER C&D	525	TRAILER	2008	PEERLESS	65000

Appendix D

Status of R3 (2009) Audit Recommendations

R3

Appendix D

R3

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
Franchise Agreement Compliance				
1a.	Align future training with identified areas of contract noncompliance and establish associated Policies and Procedures and/or internal controls, as appropriate, including: Controlling overweight vehicles; And (See 1.b.)	<p>NCRWS drivers are trained to keep vehicles below their legal weight. During times of heavy material generation or wet weather, routes are adjusted so trucks are dumped earlier than normal, so the weight limits are not surpassed. In addition, the roll off lease agreements include weight limits, and customers are reminded of the limits by customer service staff when boxes are ordered. These procedures will receive additional priority and attention going forward.</p> <p>NCRWS has determined that the CHP allows vehicles to be up to 2% over the legal limit, due to variances in scale accuracy, etc. NCRWS proposes that the procedure will be to provide copies of weight tags to the County when loads exceed 2% over the legal limit.</p>	<p>The County will evaluate NCRWS’ recommendation. However, the existing language in the Franchise Agreement (Agreement) does not allow for a variation factor. The Agreement would need to be amended to allow for a variation factor. The County recommends based on their research of the California Commercial Driver Handbook under Section – CHP Uniform Weight Standard a variation factor similar to what is stated for the CHP, 200 pound variation factor.</p> <p>County requests an outline of the training that is provided to drivers and the language that the customer service staff uses to inform customers. Please describe specifically how these procedures will “receive additional priority and attention.”</p>	<p>In Progress – Pending Agreement Amendment</p> <p>Completion expected in June 2010.</p> <p>Starting on January 1, 2010 liquidated damages will be assessed at \$1,000 for each instance the Gross Vehicle Weight is exceeded.</p> <p><i>R3 Finding</i> Effectively Addressed</p>
1b.	Align future training with identified areas of contract noncompliance and establish associated Policies and Procedures and/or internal controls, as appropriate, including: Assuring proper replacement of containers after collection.	Drivers are trained on proper placement of containers after service, including replacing them in an upright position. Because of the difficulty in replacing the containers with the lids closed, and the lack of any customer complaints or other issues with open lids, NCRWS proposes the language regarding replacing containers with the lids closed be removed from the contract.	The County concurs that the Agreement language should be amended. However, the County’s recommendation is that the language requiring replacement of the containers be modified so that upright containers are still the standard for 100% compliance and that closed lids should be the protocol but not a factor in measuring compliance.	<p>In Progress – Pending Agreement Amendment</p> <p>Completion expected in June 2010.</p> <p><i>R3 Finding</i> Institute and Enforce 100% Proper Container Replacement Policy</p>

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
2	Establish policies and procedures for emptying the Curotto Can (i.e., only when vehicle is not moving and free of overhead wires)	NCRWS drivers are trained in proper Curotto Can procedures during driver training, with training information included in both the Curotto Can and commercial truck manuals.	The County recommends that key information provided during training is documented in a Policy and Procedure Manual and that a copy is provided to the County.	Completed
3	Update the telephone message to include information in Spanish	NCRWS is currently updating the phone system to include a message in Spanish that includes payment information, office hours and general service and recycling information.	No response necessary	Completed
4	Prepare Spanish website information, and prepare and distribute all public education materials in both English and Spanish.	<p>In order to provide the most effective outreach to all customers, NCRWS provides targeted information that is translated into Spanish. All service information will conveniently be available in some form to Spanish speakers.</p> <p>Currently, the following materials are available in Spanish:</p> <ul style="list-style-type: none"> • Napa County Reduce, Reuse & Recycle Guide • Residential Services brochure • Apartment Recycling brochure • Single Stream Recycling decals, posters & fliers • Motor Oil Recycling insert/brochure • Food Composting brochure, fliers & decals <p>In particular, the newly translated Recycle Guide is a “one-stop” resource for all recycling information and can be provided to Spanish Speaking customers at either office, through the mail or at an event.</p> <p>In addition, NCRWS is researching the placement of a translation utility on the website which will provide a Spanish translation of all the webpages on the site.</p>	<p>The County will retain the option to require that all public education materials be made available in both English and Spanish. The County recommends that for the website and all future public educational materials, County and NCRWS staff discuss and agree on which materials will be made available in Spanish as well as English. NCRWS is responsible for documenting that discussion/agreement for <u>all</u> materials.</p> <p>NCRWS needs to clarify what is meant by “All service information will conveniently be available in some form to Spanish speakers.”</p> <p>NCRWS needs to indicate a specific target date for the installation of a translation utility on the website and how and when you plan to make the Spanish version of the Recycling Guide available on NCRWS website.</p>	Completed

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
Minimum Diversion Requirement				
5	<p>The County may wish to consider replacing the MDR adjustment process with a methodology that would provide NCRWS with incentives to increase the current diversion rate based on comparison of future results against current and historical performance. Such a system could provide NCRWS with monetary or other incentives (e.g., contract extension) for increasing and maintaining a higher diversion rate. We suggest that any such system be focused on the diversion rates for the individual waste streams (i.e., residential, commercial and roll-off) separately, rather than an overall diversion rate which can fluctuate based on the amount of construction and demolition debris generated in the County. The basis for calculating diversion rates should also be clearly defined. As part of any such incentives we recommend that there be requirements to, at a minimum, maintain current diversion rates.</p>	<p>NCRWS does not request any changes.</p>	<p>The County will propose a MDR methodology that is realistically achievable by NCRWS and that allows Napa County to meet state and local goals and mandates. The County will confer with NCRWS on the methodology before returning to the Board by the end of the fiscal year with the revisions.</p>	<p>In Progress – Pending Agreement Amendment</p> <p>Completion expected in June 2010.</p> <p><i>R3 Finding</i> Recommend focusing diversion on commercial sector with development of Commercial Account Subscription Profile and Account specific focus and tracking</p>
Tracking and Reporting Vehicle Fluid Spills				
6	<p>Develop a single standard form for tracking and reporting vehicle fluid spills that includes the signature of the responding manager or supervisor</p>	<p>NCRWS already tracks major spills and will begin keeping a log of all vehicle spills. This log will be included in the monthly reports to the County. NCRWS requests information on who/where to send notification after a major spill.</p>	<p>The County concurs with the completed and proposed actions of NCRWS. The County has provided NCRWS with the contact information.</p>	<p>Completed</p>
7	<p>Determine if the County wishes to be notified for all spills or just major spills, as is current NCRWS policy</p>	<p>See Response #6</p>	<p>See Response #6 County to be notified within a day of major spills. There is no</p>	<p>Completed</p>

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
7 cont.			“County” amount identified in code/reg for a reportable spill, but for gas stations and similar uses the protocol for a “major spill” is a spill of 5 gal. or greater. The County recommends a similar protocol be used with NCRWS.	
8	Include a log of all vehicle fluid spills in the Monthly Reports	See Response #6	See Response #6	Completed
Route Supervision				
9	<p>Add an additional route supervisor who can:</p> <p>a. Satisfy the route supervision staffing contractual requirements; and</p> <p>b. Take over certain day-to-day supervisory requirements from the Operations Manager, freeing that position to concentrate on higher management responsibilities, such as safety.</p>	<p>NCRWS believes that the benefits of having 3 supervisors (residential, commercial & roll off) devoting portions of their time to NCRWS routes is more efficient and effective than just having one supervisor dedicated 50% of the time to County routes. Because of the geography of the service area, it is much more effective to have three supervisors available to respond, depending on what is needed where. NCRWS proposes a language change eliminating the one supervisor/50% requirement.</p>	<p>In accordance with Agreement 6431, Exhibit B, Section 1.7, G.; “Contractor shall designate one qualified employee as supervisor of field operations. The field supervisor shall devote whatever time is necessary, but not less than 50 percent of his/her time in the field checking on collection operations, including responding to complaints.</p> <p>In accordance with the information obtained by R3, NCRWS is utilizing 3 different employees; however their combined supervision of field operations equals no more than 15% of one (1) full-time employee (FTE).</p> <p>The County will require assurance and verification that a 3 way split of supervision meets the 50% requirement of one (1) FTE before considering a change to the agreement.</p>	<p>In Progress – Pending further discussion and evaluation.</p> <p>Completion expected in June 2010.</p> <p><i>R3 Finding</i> The use of 3 staff dedicating a portion of their time to supervising routes is an effective structure. While NCRWS may not be strictly meeting the requirement of no less than 50% of one FTE in the field the current structure appears to be providing for effective supervision</p>

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
Roll-Off Service				
10	<p>Require that NCRWS discontinue the use of 600 Tower Road vehicles to service franchised accounts until the following information is provided to the County and NCRWS receives written approval to do so:</p> <p>a. Documentation (e.g., a written agreement) that 600 Tower Road is in compliance with all terms and conditions of the County’s franchise agreement with NCRWS;</p> <p>b. A written protocol for the use of 600 Tower Road roll-off routes to provide franchise services; and</p> <p>b. Continued</p> <p>c. An ongoing accounting of the total number of roll off pulls provided by 600 Tower Road as part of Monthly Reports, along with documentation demonstrating the associated need</p> <p>If NCRWS does not provide the above items to the County and continues to use 600 Tower Road</p>	<p>a. A draft agreement for County review will be submitted shortly.</p> <p>b. Protocol for using of 600 Tower Road (Valley Recycling):</p> <ul style="list-style-type: none"> • NCRWS provides customers with professional and timely roll off service. 80% of NCRWS roll off service is provided on an on-call basis. • When a customer calls in for service before 12:00 PM, NCRWS will provide the service on the same day. If the call is received after 12:00 PM, the service will be scheduled for the following workday or later if requested. When a service request is received for same-day service, the roll off dispatch will print up a work order and radio out the request to the drivers. For service requests that are scheduled for other days, the work order will be created and scheduled as requested. • Roll off dispatch schedules 6 service requests per available driver so that each driver has the ability to provide daily on call service as needed • Roll off service fluctuates greatly according to day of the week and time of year. NCRWS uses Valley Recycling to provide additional roll off coverage as needed, in order to offer timely service to NCRWS customers. Valley Recycling drivers are then supervised by NCRWS personnel. Valley Recycling will receive daily scheduled service and on call service requests as needed. NCRWS supervisors and dispatch determine which service order is handled by which driver. 	<p>a. The County requests that a draft subcontractor agreement be provided by March 15, 2010 for their review. The agreement should be generic with a specific section reserved for a scope of work/services for specific subcontractors.</p> <p>b. The County requests an all inclusive draft of a subcontractor agreement between NCRWS and 600 Tower Road that includes the protocol for use of 600 Tower Rd as part of the scope of services section as noted in a. above for their review.</p> <p>In addition to the items noted in NCRWS’ response, the protocol should also address:</p> <p>-The impact of using NCRWS trucks when delivering to facilities outside of Napa County: and</p> <p>-That NCRWS trucks will be consistently used for franchise hauls and 600 Tower Road will be utilized when scheduled trips exceeds 6 service requests per NCRWS truck.</p>	<p>a. Completed Subcontractor agreement provided by NCRWS</p> <p>b. In Progress Subcontractor agreement has been submitted to County Counsel for review and will require further detailed review/analysis of previous and current use of franchise/sub-contractor vehicles by County Staff.</p> <p>Completion expected in June 2010.</p> <p><i>R3 Finding</i> NCRWS does not have a formal protocol for assigning work orders to Tower Road, with assignments based on work load and vehicle / staff availability. This appears to provide effective coverage while NCRWS’ work order system provides for effective tracking of County vs. non-County</p>

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
10 Cont.	vehicles to service franchise accounts then the County should consider taking any appropriate steps, which may include assessment of liquidated damages or notification of breach of contract.	<p>Normally if a driver has made the delivery on a temporary container, than that driver will be schedule to provide the follow up service requests.</p> <p>c. 2009 totals for NCRWS & Valley - Based on 2009 NCRWS reporting (DRTS load detail reports, MDF inbound reports & NCRWS roll off sales), there were 4,693 NCRWS roll off services in 2009. 2,711 services were performed by NCRWS trucks, and 1,982 were performed by Valley trucks. Much of this information can already be accessed in the NCRWS monthly reports. Starting March 1, 2010, NCRWS will include service counts, broken out by NCRWS and Valley, on the roll off tab of the monthly reports.</p>	<p>- How the data contained in the NCRWS Inbound Tonnage Report and detailed trip reports provide verification that 600 Tower Road is used only on an as needed basis.</p> <p>The County will further review roll-off trip data to not only understand how the franchise and subcontractor trucks have been utilized, but to obtain an accurate analysis of the past before recommending current/future use of sub-contractor vehicles.</p> <p>c. No response necessary</p>	<p>roll-off loads.</p> <p>c. Completed</p>
Billing Accuracy				
11 Cont.	Review policies and procedures related to starts and stops, service level changes, and internal controls to assure that billing changes are accurately relayed to route drivers and container delivery staff	NCRWS is reviewing our current policies and procedures related to billing transactions, and reviewing current periodic route audits procedures and developing comprehensive route auditing process and procedures. NCRWS plans to submit completed documents to the County by February 26 for comments.	No response necessary	<p>In Progress – Pending submitted documents. Completion expected April 2010</p> <p><i>R3 Finding</i> Route audit protocol provides an effective means for maintaining billing accuracy as demonstrated by relatively low number of billing discrepancies identified during Billing Audit</p>
12	Review and revise, as appropriate, periodic route audit procedures to assure that billing accuracy is effectively addressed during the route audit process	NCRWS will review and revise the route audit sheets and procedures as needed. Route audit findings are immediately passed on to office staff to make any necessary corrections to accounts and routes.	No response necessary	Completed

2009 PERFORMANCE REVIEW – STATUS OF R3 AUDIT RECOMMENDATIONS

No.	R3 RECOMMENDATION	NCRWS RESPONSE	COUNTY RESPONSE	STATUS
13	Conduct comprehensive residential and commercial route audits to identify and correct any billing discrepancies. We suggest that, at a minimum, such audits should be conducted every two years or more frequently if those audits identify major discrepancies.	In addition to ongoing route auditing by drivers, customer service staff & NCRWS managers, NCRWS will continue to conduct commercial and residential route audits of all routes on an annual basis (typically during the summer months).	The County concurs that commercial and residential route audits will be conducted on an annual basis for the remainder of the contract and that NCRWS will provide one month’s notice to County identifying the date of the audit(s) and the date for submittal of a report on the results of the audit(s).	<p>On-Going -Pending NCRWS acknowledge-ment of notice and report to county regarding the audit(s).</p> <p><i>R3 Finding</i> Route audit protocol provides an effective means for maintaining billing accuracy as demonstrated by relatively low number of billing discrepancies identified during Billing Audit</p>
Calculation of Gross Rate Revenues				
14	Provide more supporting detail and explanation when preparing the reconciliation of the Cash Received Journal and Gross Rate Revenue. This should include the detail for franchise and non-franchise revenue so that that the accuracy of the data can be effectively confirmed.	Currently, our billing software is not able to provide detailed information in regard to payments being posted directly to an invoice item. Our system uses an open balance form of accounts receivable, which shows payments posted to our customers account but does not trace it to a specific charge. If our software vendor does change the method of how payments are posted to a customer, we would be able to provide this information. At this time, our vendor does not anticipate any changes in the near-future in this area.	<p>The County currently receives monthly reports which separate revenues collected by the following key categories:</p> <ul style="list-style-type: none"> ➤ Residential ➤ Commercial ➤ Roll-Off ➤ Non-Franchise <p>Additional information would be beneficial provided that NCRWS is able to provide the information from their ERP system without the rate payers incurring additional costs for the additional information.</p>	Completed

Appendix E

Modification Factors / OSHA Data

R3

Appendix E

R3

MODIFICATION FACTORS



BureauReport

Requesting Individual: John
Requesting Company: Malloy Imrie & Vasconi Ins.
Company Phone Number: (707) 968-4267
Date Requested: 05/30/2013
WCIRB NUMBER: 7535397

Projected Effective Dates: January, February, March

WCIRB Address: P O BOX 239, NAPA CA 945590239 , 94559
USPS Address: PO BOX 239, NAPA, CA 94559-0239
Contact: GREG KELLY
Title: OWNER
Phone Number: 707-255-5200
Facsimile: 707-253-3565
Employee Range: 100 TO 249

600 TOWER ROAD HOLDINGS LLC
 600 TOWER ROAD OPERATIONS LLC
 NAPA COUNTYRECYCLING AND WASTE SERVI
 NAPA RECYCLING AND WASTE SERVICES LLC
 NORTHERN RECYCLING AND WASTE SERVICES
 NORTHERN RECYCLING LLC
 NORTHERN RECYCLING OPERATIONS AND WASTE SERVICES
 RECOVERY PRODUCTS AND SERVICES INC
 VALLEY RECYCLING AND DISPOSAL

- *NAPA COUNTY RECYCLING AND WASTE SERVCS LLC
- *NAPA COUNTYRECYCLING AND WASTE SERVICE LLC
- *NAPA COUNTYRECYCLING AND WASTE SERVICES LLC
- *NAPA RECYCLING AND WASTE
- *NAPA RECYCLING AND WASTE SERVICES LLC
- *NAPA RECYCLING AND WASTE SVCS LLC
- *NO RECYCLING OPS AND WASTE SVCS LLC
- *NORTHERN RECYCLING AND WASTE SERVICES LLC
- *NORTHERN RECYCLING AND WASTE SVCES LLC
- *NORTHERN RECYCLING OPERATIONS AND WASTE SERVICES LLC

* Denotes Company Name maybe inactive and maybe listed in this Risk's WCIRB additional name file

Class Code	Sub Code	Class Code Description	1/13 Pure Premium Rate	Physically Surveyed By Bureau	*Date
8232	3	Fuel and Material Dealers	9.54	Y	
8264	1	PAPER STOCK DEALERS	9.53	Y	
8742	1	SALESPERSONS-OUTSIDE	0.70	Y	
8810	1	Clerical Office Employees	0.53	Y	
8847		BEVERAGE CONTAINER COLLECTION	11.98	Y	
9403	1	GARBAGE COLLECTION	9.58	Y	
9424		GARBAGE DUMP OPERATIONS	10.50	Y	
*8232	1	LUMBERYARDS	9.54	Y	12/02/2010
*8264	3	RUBBER STOCK DEALERS	9.53	Y	12/02/2010
*9403	2	STREET SWEEPING	9.58	Y	12/02/2010

* Denotes Class Codes no longer listed in this Risk's WCIRB file

Ex Mod Year	Ex Mod Calculation Date	Ex Mod	Ex Mod Status
2013	12/06/2012	084	(N) New Entry
2012	11/23/2011	086	
2011	12/02/2010	069	

MODIFICATION FACTORS



BureauReport

Requesting Individual: John
Requesting Company: Malloy Imrie & Vasconi Ins.
Company Phone Number: (707) 968-4267
Date Requested: 05/30/2013
WCIRB NUMBER: 7535397

Ex Mod Year	Ex Mod Calculation Date	Ex Mod	Ex Mod Status
2010	11/19/2009	072	
2009	12/18/2008	077	
2008	12/06/2007	097	
2007	06/14/2007	092	
2006	11/16/2006	084	

* Denotes Ex Mod no longer recognized by WCIRB

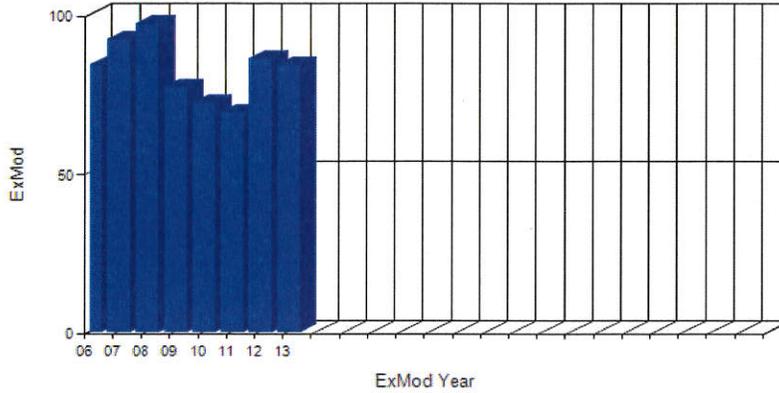
MODIFICATION FACTORS



BureauGraph

Requesting Individual: John
Requesting Company: Malloy Imrie & Vasconi Ins.
Company Phone Number: (707) 968-4267
Date Requested: 05/30/2013
WCIRB NUMBER: 7535397

Historical Graph of Employer's Experience Modifications



Legend:
Blue - Effective Ex Mods
Gray - Ex Mods no longer recognized by WCIRB

OSHA DATA

	Total Number of Injuries	NUMBER OF CASES				NUMBER OF DAYS		Average Annual Number of Employees	Total Hours Worked
		Death	Days away from work	Remained at work		Total number of days away from work	Total number of days of job transfer or restriction		
				Job transfer or restriction	Other recordable cases				
(G)	(H)	(I)	(J)	(K)	(L)				
2005	3	0	0	3	0	0	103	38	34,140
2006	10	0	1	5	4	2	204	89	200,200
2007	18	0	3	11	4	49	415	92	209,560
2008	12	0	2	3	2	121	47	99	219,960
2009	10	0	2	3	5	29	176	96	237,230
2010	14	0	2	7	0	251	118	94	262,301
2011	6	0	4	2	1	161	13	100	195,538
2012	7	0	1	5	1	1	184	97	196,198

OSHA DATA

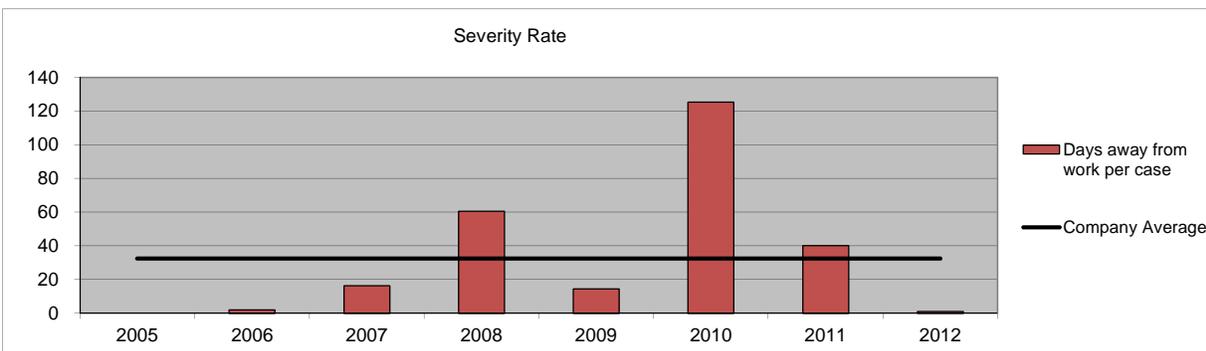
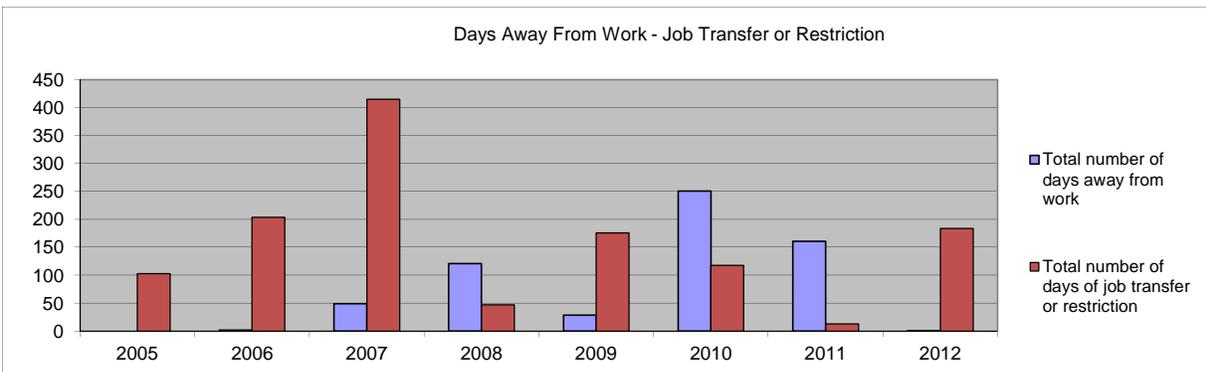
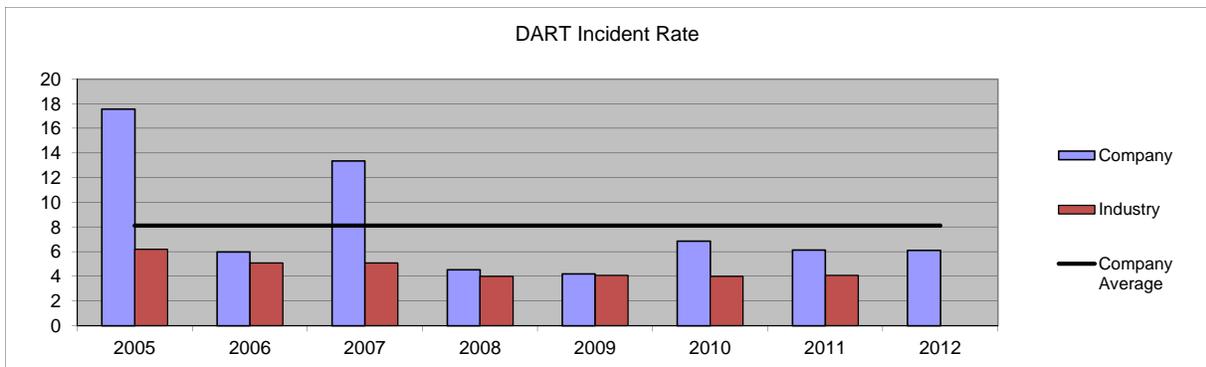
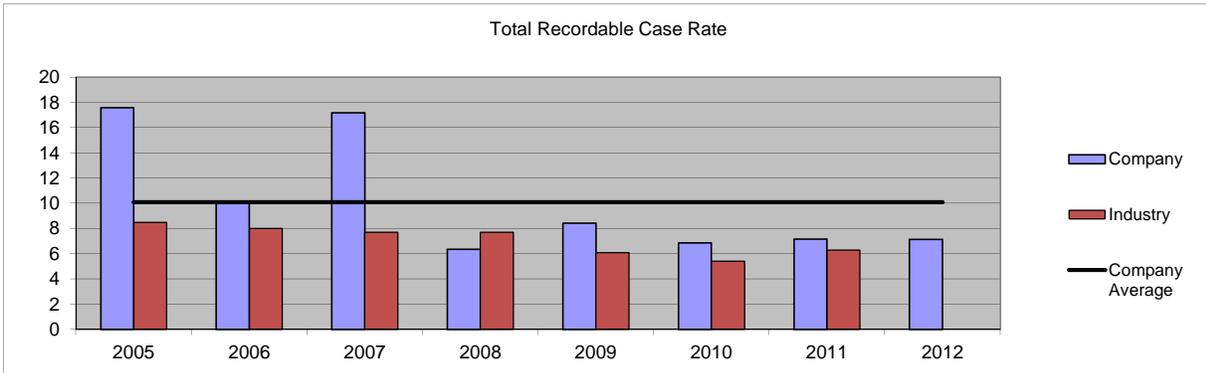
	Occupational Injury and Illness Incident Rate						Severity Rate
	Total Recordable Case Rate (1)			DART Incident Rate (2)			Days away from work per case
	Company	Industry (all sizes) (3)	Company vs. Industry	Company	Industry (all sizes) (3)	Company vs. Industry	
2005	17.6	8.5	207%	17.6	6.2	283%	0.0
2006	10.0	8.0	125%	6.0	5.1	118%	2.0
2007	17.2	7.7	223%	13.4	5.1	262%	16.3
2008	6.4	7.7	83%	4.5	4	114%	60.5
2009	8.4	6.1	138%	4.2	4.1	103%	14.5
2010	6.9	5.4	127%	6.9	4.0	172%	125.5
2011	7.2	6.3	114%	6.1	4.1	150%	40.3
2012	7.1	info. not yet available		6.1	info. not yet available		1.0
Average =	10.1	7.1		8.1	4.7		32.5

(1) Total Recordable Case Rate = (G)+(H)+(I)+(J) x 200,000/Total Hours Worked

(2) Recordable cases involving days away from work, days of restricted work activity or job transfer (DART) Rate = (H)+(I) x 200,000/Total Hours Worked

(3) 2002 industry data for "Sanitary Services"; 2003, 2004 and 2005 industry data for "Waste Collection"; and 2006, 2007, 2008, 2009, 2010, and 2011 industry data for "Solid Waste Collection" as reported in Bureau of Labor Statistics Table 1. Incident Rates of nonfatal occupational injuries and illnesses by industry and case types. <http://www.bls.gov/iif/oshsum.htm#10Summary%20News%20Release>

OSHA DATA



Appendix F

Summary of Methodology Used to Calculate
Monthly Report Diversion Rates

R3

Appendix F

R3

OVERALL DIVERSION

NCRWS's calculated Overall Diversion consists of the following line items:

1. **Recycling (Inc. Mixed C&D)** – This figure is the sum of total tons collected of residential single-stream recycling, commercial single-stream recycling, and total roll-off recycling tons, which includes Rock.
2. **Recycling (w/o Rock)** – This figure comes from the above *Recycling (Inc. Mixed C&D)* value minus 527.95 tons of reclaimed rock.
3. **Franchise Recycling** – This figure is the sum of residential and commercial Franchise recycling tons with residual material from processing removed, and total roll-off recycling tons with rock, NCRWS purchased material, and non-exclusive C&D tons removed.
4. **Composting/Wood** – This figure is the sum of total tons collected of residential yardwaste, commercial composting (which is comprised entirely of food composting program tons), and roll-off composting/wood.
5. **Franchise Composting** – This figure is the sum of total tons collected of residential Franchise yardwaste (residuals from processing removed), commercial Franchise composting (residuals from processing removed), and roll-off Franchise composting/wood (no adjustment for any residuals). [This figure represents the Composting/Wood Tons as calculated in #4 above less reported 0.2% residual for residential and 1.0% residual for commercial Franchised composting/wood tons.
6. **Total Diversion** – This figure is the sum of the *Recycling (Inc. Mixed C&D)* value and the *Composting/Wood* value.
7. **Franchise Diversion** – This figure is the sum of the *Franchise Recycling* value and the *Franchise Composting* value.
8. **Total MSW** – This figure is the sum of total collected residential, commercial, and roll-off MSW.
9. **Franchise MSW** – This figure is the sum of residential and commercial Franchise MSW tons (including residue material from processing) and roll-off MSW tons (including mixed C&D residual and not including non-Franchise area trash boxes).
10. **Total Material** – This figure is the sum of the *Total Diversion* value and the *Total MSW* value.
11. **Franchise Material** – This figure is the sum of the *Franchise Diversion* value and the *Franchise MSW* value.
12. **Zone 1 Diversion %** – This figure is obtained by dividing the *Total Diversion* value by the *Total Material* value.
13. **Zone 1 Diversion % (w/o rock)** – This figure is obtained by dividing the *Total Diversion* value (minus 527.95 tons of reclaimed rock) by the *Total Material* value (minus 527.95 tons of reclaimed rock).
14. **Franchise Diversion %** - This figure is obtained by dividing the *Franchise Diversion* value by the *Franchise Material* value.

RESIDENTIAL DIVERSION

NCRWS's calculated Franchise residential diversion rate consists of the following line items:

1. **Total tons collected of MSW** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of residential MSW collected by specific Company vehicles and delivered to DRTS as reported in the 'Sheet1' tab of the <March 2013 – Scale Transaction> spreadsheet.
2. **Total tons collected of single-stream recycling** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of residential single-stream recycling collected by the Company and delivered to the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet.
3. **Total tons collected of yardwaste** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of residential yardwaste collected by the Company and delivered to the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet.
4. **Grand total tons collected** – This figure is the sum of the *Total tons collected of MSW* value, *Total tons collected of single-stream recycling* value, and the *Total tons collected of yardwaste* value.
5. **Diversion rate for residential program** – This figure is the sum of the *Total tons collected of single-stream recycling* value and the *Total tons collected of yardwaste* value divided by the *Grand total tons collected* value.
6. **MRF residual (5%)** – This figure is obtained by multiplying the *Total tons collected of single-stream recycling* value by 5 percent.
7. **Yardwaste residual (0.2%)** – This figure is obtained by multiplying the *Total tons collected of yardwaste* value by 0.2 percent.
8. **Franchise recycling tons (residual subtracted)** – This figure is obtained by subtracting the *MRF residual (5%)* value from the *Total tons collected of single-stream recycling* value.
9. **Franchise yardwaste tons (residual subtracted)** – This figure is obtained by subtracting the *Yardwaste residual (0.2%)* value from the *Total tons collected of yardwaste* value.
10. **Franchise MSW tons (including residue)** – This figure is the sum of the *MRF residual (5%)*, *Yardwaste residual (0.2%)*, and the *Total tons collected of MSW* values.
11. **Franchise residential diversion rate** – This figure is obtained by dividing the sum of the *Franchise recycling tons (residual subtracted)* value and the *Franchise yardwaste tons (residual subtracted)* value by the sum of the *Franchise recycling tons (residual subtracted)* value, the *Franchise yardwaste tons (residual subtracted)* value, and the *Franchise MSW tons (including residue)* value.

COMMERCIAL DIVERSION

NCRWS's calculated Franchise commercial diversion rate consists of the following line items:

1. **Total tons collected of MSW** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of commercial MSW collected by specific Company vehicles and delivered to DRTS as reported in the 'Sheet1' tab of the <March 2013 – Scale Transaction> spreadsheet.
2. **Total tons collected of single-stream recycling** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of commercial single-stream recycling collected by the Company and delivered to the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet.
3. **Yardwaste (collected on residential routes)** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of commercial yardwaste collected by the Company and delivered to the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet (value of zero).
4. **Food composting program** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of commercial foodwaste collected by the Company and delivered to the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet.
5. **Total tons collected for composting** – This figure is the sum of the *Yardwaste (collected on residential routes)* value and the *Food composting program* value.
6. **Grand total tons collected** – This figure is the sum of the *Total tons collected of MSW* value, *Total tons collected of single-stream recycling* value, and the *Total tons collected for composting* value.
7. **Commercial diversion rate** – This figure is the sum of the *Total tons collected of single-stream recycling* value and the *Total tons collected of composting* value divided by the *Grand total tons collected* value.
8. **MRF residual (5%)** – This figure is obtained by multiplying the *Total tons collected of single-stream recycling* value by 5 percent.
9. **Composting residual (1%)** – This figure is obtained by multiplying the *Total tons collected for composting* value by 1 percent.
10. **Franchise recycling tons** – This figure is obtained by subtracting the *MRF residual (5%)* value from the *Total tons collected of single-stream recycling* value.
11. **Franchise composting tons** – This figure is obtained by subtracting the *Composting residual (1%)* value from the *Total tons collected for composting* value.
12. **Franchise MSW tons** – This figure is the sum of the *MRF residual (5%)*, *Composting residual (1%)*, and the *Total tons collected of MSW* values.
13. **Franchise commercial diversion rate** – This figure is obtained by dividing the sum of the *Franchise recycling tons* value and the *Franchise composting tons* value by the sum of the *Franchise recycling tons* value, the *Franchise composting tons* value, and the *Franchise MSW tons (including residue)* value.

ROLL-OFF DIVERSION

NCRWS's calculated Franchise roll-off diversion rate consists of the following line items:

- 1. Total tons collected of MSW** – This figure, which is hard-coded in the Monthly Reports, is based on the total tons of roll-off MSW collected by specific Company vehicles and delivered to DRTS as reported in the 'Sheet1' tab of the <March 2013 – Scale Transaction> spreadsheet.
- 2. Grand total – recycling tons** – This figure is the sum of the total tons of recycling by material from the MRF minus the mixed C&D residual from DRTS as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet, and the 'Sheet1' tab of the <March 2013 – Scale Transaction> spreadsheet.
- 3. Total tons collected to composting/wood** – This figure is the sum of the total tons of composting/wood from the MRF as reported in the 'Summary' tab of the <Napa County March 2013 from City of Napa> spreadsheet.
- 4. Grand total tons collected** – This figure is the sum of the *Total tons collected of MSW* value, the *Grand total – recycling tons* value, and the *Total tons collected to composting/wood* value.
- 5. Diversion rate – roll-off** – This figure is obtained by dividing the sum of the *Total tons collected of MSW* value and the *Grand total – recycling tons* value by the *Grand total tons collected* value.
- 6. Diversion rate (without rock)** – This figure is obtained by dividing the sum of the *Total tons collected of MSW* value and the *Grand total – recycling tons* value (minus 527.95 tons of reclaimed rock) by the *Grand total tons collected* value (minus 527.95 tons of reclaimed rock).
- 7. Rock** – This figure is the 527.95 tons of reclaimed rock. It is not included in the Company's Franchise recycling tons.
- 8. NCRWS purchased material** – This figure, which is hard-coded in the Monthly Reports, represents the total tons of material purchased by the Company as reported in the 'Summary' tab of the City-provided <Napa County March 2013 from City of Napa> spreadsheet, minus the non-Franchised tonnages as reported in the 'roll-off tonnages' tab of the Company-provided <County roll-off Mar13> spreadsheet.
- 9. Non-exclusive C&D** – This figure, which is hard-coded in the Monthly Reports, represents the total tons of non-exclusive C&D material collected by the Company as reported in the 'roll-off tonnages' tab of the Company-provided <County roll-off Mar13> spreadsheet.
- 10. Non-Franchise area trash boxes** – This figure, which is hard-coded in the Monthly Reports, represents the total tons of non-Franchise area trash box material collected by the Company as reported in the 'roll-off tonnages' tab of the Company-provided <County roll-off Mar13> spreadsheet.
- 11. Mixed C&D residual** – The Mixed C&D residual figure, which is hard-coded in the Monthly Reports, represents 31.7% of the reported Mixed C&D (to DRTS), which is equivalent to a Mixed C&D diversion rate of 68.3% (as reported in the 'ORIGIN C&D SUMMARY' tab of the <Template 2012 Report to NVWMA> spreadsheet).

- 12. Franchise recycling tons** – This figure is obtained by subtracting the *Rock* value, the *NCRWS purchased material* value, and the *Non-exclusive C&D* value from the *Grand total – recycling tons* value.
- 13. Franchise composting/wood tons** – This figure equals the *Total tons collected to composting/wood* value.
- 14. Franchise MSW tons** – This figure is obtained by adding the *Mixed C&D residual* value and subtracting the *Non-Franchise area trash boxes* value from the *Total tons collected of MSW* value.
- 15. Franchise total tons collected** – This figure is the sum of the *Franchise recycling tons* value, the *Franchise composting/wood tons* value, and the *Franchise MSW tons* value.
- 16. Franchise roll-off diversion rate** – This figure is obtained by dividing the sum of the *Franchise recycling tons* value and the *Franchise composting/wood tons* value by the *Franchise total tons collected* value.