

EXHIBIT 1

BUDGET AND RATE SETTING PROCESS

The Manager, in cooperation with the Auditor-Controller, shall submit a proposed budget for the ensuing Fiscal Year to the Board of Directors at their first meeting in April. The budget shall include sufficient detail to constitute an operating guideline. It shall also include the anticipated sources of funds, and the anticipated expenditures to be made for the operations of the Authority including, but not limited to, the acquisition or construction of the Transfer Facility and any other facility owned and/or operated by the Authority and related site improvements, administration, special projects, maintenance and operating costs.

The Manager, in cooperation with the Auditor-Controller, shall also propose rates to be charged at the Transfer Facility in amounts sufficient to provide for the efficient operation of the Transfer Facility, including administrative, processing, transportation and disposal costs, to discharge all indebtedness and liabilities relating to the acquisition and construction of the Transfer Facility (including, without limitation, any Revenue Bonds issued in connection therewith) and the operation of the Transfer Facility. The Board may direct the Manager to modify the proposed budget and rates in whatever manner it deems appropriate.

The Manager shall immediately meet with the Member representatives to discuss the proposed budget and rates. Any recommendations by the Member representatives shall be reported to the Board.

During the month of May, the Board in order to establish or increase the rate, must conduct at least one public meeting. The Manager must give notice of that meeting at least fourteen (14) days in advance to persons who have requested prior notice of new and increased fees. The Manager must also make available to the public at least ten (10) days in advance the data on which the new fee or increase is based.

At the conclusion of the public meeting, the Board shall establish the rates charged at the Transfer Facility to become effective July 1, and direct the Manager to provide thirty (30) days advance written notice to its Members. The Manager shall also provide advance notice at the Transfer Facility thirty (30) days prior to the July 1 effective date.

At the conclusion of that meeting and no later than June 30, the Board shall adopt the final budget.