

## Exhibit No. 2

August 21, 2007

Mr. Mike Penn, Foreperson  
Orange County Grand Jury  
700 Civic Center Drive West  
Santa Ana, CA 92701

Subject: Response to 2006-2007 Orange County Grand Jury Report – “Assembly Bill 939 Waste Diversion: Are We Finally Making Progress”

Dear Mr. Penn:

Thank you for opportunity to respond to the 2006-2007 Orange County Grand Jury Report – “Assembly Bill 939 Waste Diversion: Are We Finally Making Progress.” The City of Fountain Valley appreciates the notable effort of the Orange County Grand Jury towards identifying obstacles that have hindered other communities from achieving their waste reduction goals mandated under Assembly Bill 939.

The City's response to the Grand Jury's Report is as follows:

**Item F-6: The presence of non-franchised haulers and so-called “Ghost Haulers” bins, in cities which bypass the recycling system, needs to be corrected in order to establish the waste hauler's confidence that their municipalities are looking out for their best interest.**

**Response:** In order to minimize illegal waste hauling within the City of Fountain Valley, City staff, in conjunction with the City's authorized waste hauler, Rainbow Disposal, promptly respond to all observed illegal waste hauling operations. When observed, the illegal waste hauling company is notified via phone that the only authorized waste hauler is Rainbow Disposal and provided 24-hours in which to remove their waste container(s). By using only Rainbow Disposal, all material can be processed for recycling at their Material Recovery Facility (MRF) prior to transfer to local landfills.

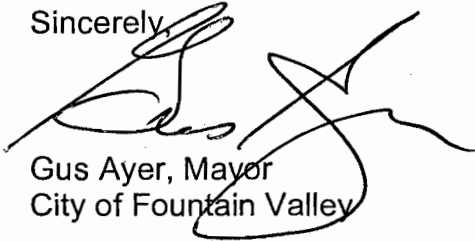
**Item R-6: Municipalities need to solve their unauthorized waste bin problems by enacting city ordinances forbidding these practices, imposing fines, including stepped-up fines for additional violations, and impounding unauthorized bins.**

**Response:** Fountain Valley Municipal Code Section 6.08.030(c) - Solid Waste Franchise or Agreement, prohibits unauthorized waste hauling. Violation of Section 6.08.030(c) is a misdemeanor, punishable with fines up to \$500. To further prevent unauthorized waste hauling, the City has authorized Rainbow Disposal, following the City's 24-hour notification, to remove the container from within the City limits and impound the container at Rainbow Disposal's facility in the City of Huntington Beach. The impounded container is released to the offending company following payment of impound fees and waste disposal cost.

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Once again, thank you for the opportunity to respond to the Grand Jury's report. If you require additional information regarding this correspondence, please phone Environmental Services Administrator Steven M. Hauerwaas at (714) 593-4441.

Sincerely,



Gus Ayer, Mayor  
City of Fountain Valley