



Press Release

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THE CITY OF MAYWOOD FILES LAWSUIT AGAINST ITS CONTRACTED WASTE HAULER CONSOLIDATED DISPOSAL SERVICE, LLC AND REPUBLIC SERVICES, INC.

*Maywood alleges massive multimillion dollar frauds perpetrated by
Consolidated Disposal Service against the City, its citizens and commercial interests*

MAYWOOD, Calif. – The City of Maywood (City) mayor and city council have taken the unprecedented step of filing two lawsuits against its contracted waste hauler, Consolidated Disposal Service LLC (CDS) and parent company Republic Services, Inc., alleging massive multimillion dollar frauds perpetrated by the disposal service company against the City, its citizens and commercial interests. The City has also moved to terminate the contact with CDS and has begun the process of issuing a Request for Proposals (RFP) from other waste haulers. The lawsuits were filed by Pacheco and Neach, P.C. on behalf of the City and its city council.

“The massive fraud perpetrated by Consolidated Disposal Services is unconscionable,” said Mayor Ramon Medina. “The recent forensic audit and investigation uncovered a pattern of deceit and fraud committed on the City and its citizens in a substantial manner and that resulted in millions of dollars in overcharges to the residents and businesses in Maywood. We intend to recover all of the funds illegally extracted by this company from the City and its residents.”

The issue was first brought to the city’s attention during a 2016 audit of the City by the State Auditor’s office. The state auditors noticed unusual and potentially fraudulent behavior by CDS, which it conveyed to Maywood officials. Auditor officials then referred a waste industry consultant to Maywood for further investigation.

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Following up on the tip from the State auditor, the City retained the services of two professionals, one a waste industry consultant and the other a forensic a certified public accountant. The purpose of these retentions was to investigate concerns passed on from the California State Auditor regarding CDS and the City's Utility User's Tax (UUT) during its earlier audit.

The lawsuits, one a class action filed on behalf of Mayor Ramon Medina and others, allege among other things, fraud, breach of contract, negligent misrepresentation, breach of fiduciary duty, conversion and violation of the municipal codes. The City alleges that CDS misrepresented the bases for its rate increase requests to Maywood and/or misrepresented the mathematical calculations that the company provided as the alleged basis for its rate increase requests. In addition, CDS concealed information from the City that also resulted in fraud. These fraudulent rate increases were compounded over the years, each fraudulent increase serving as a foundation for the ones that followed, thus allowing CDS to reap an exponential windfall at the tremendous expense of Maywood and its citizens.

One such item addressed in the lawsuits include the lack of payment to the City from CDS for the UUT collected. The total loss of UUT monies collected by CDS and not remitted to the City over a period of time is estimated to be \$2 million, including interest. The total fraudulent overcharges to Maywood's citizens and commercial interests by CDS from 2005 was estimated to be an additional \$2.2 million. The total economic damage to the City, its residents and businesses was \$4.2 million.

This forensic investigation also expanded to other items discovered during the initial review, including rate increase requests made by CDS in 2017. A comparison of those requests, made in writing, to the specific language of the City's agreement with CDS resulted in the discovery of significant irregularities that were subsequently determined to be violations of the agreement.

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“The results of the meticulous and painstaking work of our experts is the basis of our lawsuit against Consolidated Disposal Services,” said Rod Pacheco, an attorney representing the City. “We intend to fully recover all of the fees that this company fraudulently collected over the past two decades and refused to remit to the city. This is not the first time this company has perpetrated a crime against one of its municipal clients.”

A summary of the demands of the City to CDS include:

- That CDS cure and correct its deficiency by remitting \$1,295,487 in UUT taxes it collected and \$788,927 in interest for a total of \$2,084,414 to the City immediately.
- That CDS cure and correct its deficiency by remitting \$2,209,101 in fraudulent rate overcharges to the City immediately for proper and lawful distribution back to the commercial and residential customers CDS unlawfully overcharged.

“With the unremitted UUT tax funds added, the total of monetary deficiency by CDS is \$4,298,865,” Pacheco continued. “The City expects and demands that CDS correct its fraudulent schemes, and violation of the agreement by remitting this amount to the City immediately.”

“Further, the City demands that CDS reverse and return every fraudulent rate increase against commercial and residential customers in the City of Maywood and that the company do so immediately so that no further fraudulent rate charges are requested or received.”

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About the City of Maywood

Maywood is a small city in southeast Los Angeles County, California. At 1.18 square miles Maywood is the third-smallest incorporated city in Los Angeles County. It is bordered by the cities of Bell on the south, Vernon on the north and west, Huntington Park on the southwest, and Commerce on the east. It is the most densely-populated city in California and has the highest proportion of Latinos in the county. The City of Maywood is committed to transparency and accountability and providing quality municipal services that are responsive to the needs of its community.