offs in the prior year due to operating losses and overstated income since 1991. Prior to 1998, USA had been an aggressive purchaser of smaller waste companies around the nation and was now in a position to acquire an even larger waste company.[8] The newly merged USA/WMI owns or operates more than 300 landfills across the country and has combined revenues of approximately $12 billion.[9] The USA/WMI merger has been valued at $20 billion. USA took control of the combined companies, but retained the WMI name.[10]

Since the 1998 USA/WMI merger, the company's financial performance has been dismal. Waste News reported on July 12, 1999, "Waste Management Inc.'s shocking announcement it would fall $250 million short of second-quarter revenue projections." The news came as a surprise to USA/WMI investors as the company's value fell nearly $12 billion in one day in what one financial analyst referred to as a "bloodbath."[11] On August 12, 1999, Waste News reported as follows:

> A second earnings jolt sent Waste Management Inc. stock on a nose dive again and top executives out into the field in an attempt to get a handle on financial numbers that so far this year have proven utterly unreliable.[12]

The Waste News article further quoted Douglas Augenthaler, analyst for CIBC World Markets, as follows:

> [T]he problem stems from joining the old Waste Management, a giant company that was about to break, and USA Waste Services Inc. which was not as healthy as it appeared to be. The deal allowed management to hide the companies' flaws and real post-merger results. It gives me concern they are throwing a blanket over this again, like the old Waste Management.[13]

The consolidation of the waste industry continued in 1999 as the third largest solid waste hauler, Allied Waste Industries, announced its planned acquisition of the second largest solid waste hauler, Browning–Ferris Industries (BFI) in an acquisition estimated at approximately $9 billion. The new company will retain the BFI name in certain markets and is expected to generate revenues of $6.6 billion per year.[14] Further consolidations continue the trend toward the monopolization of the waste management industry.

THE SAN LUIS OBISPO COUNTY EXPERIENCE

San Luis Obispo County is located between Los Angeles and San Francisco along the California coastline. At the beginning of the southernmost point of the Big Sur coastline, the County is a major tourist-destination resort area known for its Mediterranean climate, spectacular coastline, wine production, Morro Rock, Cal Poly State University–San Luis Obispo and Hearst Castle. San Luis Obispo County is a pastoral setting in every sense of the word.

San Luis Obispo County is one of California's ten fastest growing counties. In the past 25 years the population has doubled. As of 1994, the population was approximately 232,400 people. The incorporated cities contained over half of the population, with the balance distributed throughout the unincorporated areas. By the year 2000, the population is expected to grow to 301,850 people.[15] The County is comprised of the unincorporated county and seven incorporated cities: Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo. Historically, the economy of San Luis Obispo County has been oriented toward agriculture, services and tourism. The majority of the population is under the age of 44, with the average age at 33 years. As of 1994, the median income for San Luis Obispo County was $42,300, the average property value was $215,300, and a majority of

[8] According to the 1997 USA Waste Annual Report: "The solid waste industry is a very localized and highly fragmented business. In addition to the public companies, there are thousands of small, privately-owned companies and government entities providing solid waste services to a wide range of customers. In recent years, increasing regulatory and capital intensity has caused many smaller companies to seek exit strategies and has nudged many municipalities toward privatization. Further, the economies of scale offered by larger, integrated operations often enable them to compete more effectively in the market place. All these industry trends favor the consolidation of small operations into larger ones. In fact, we are experiencing the greatest period of consolidation activity ever in our industry."

[9] Staff Report from Ellen Sturtz via Timothy P. Nanson, County Engineer, to the San Luis Obispo County Board of Supervisors, January 5, 1999, page F-1-7.

[10] Waste News, "WMI Takes Nosedive," July 12, 1999, p. 45.

[11] *Id*, at p. 1.

[12] Waste News, "WMI Stock, Execs Hit Hard Times," August 2, 1999, p. 1.

[13] *Id*, at p. 21.

[14] Center for Health, Environment and Justice, *supra*, at fn. 6.

[15] San Luis Obispo County Integrated Waste Management Plan, "County Profile and Plan Administration," Chapter 3, p. VII-3-1, (1995).