



TEXAS DISPOSAL SYSTEMS

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March 21, 2014

City of San Angelo
72 West College Avenue
San Angelo, Texas 76903

Dear Mayor, Council Members and City Staff,

Texas Disposal Systems, Inc. and Texas Landfill Management, LLC (TDS) are pleased to present their responses to RFP No: OP-01-14 for Lease and Operation of Sanitary Landfill and Waste Collection Services.

As you know, the services that are the subject of this RFP have not been competitively bid in over 37 years, if ever. Thank you for allowing this Request For Proposal process. TDS is now prepared to meet with the Proposal Evaluation Committee as appropriate, and to discuss all aspects of the City's solid waste services program and the options we have proposed. I encourage each of you to carefully read all of the proposals submitted and to take the time necessary to understand the issues that City staff has been challenged with addressing for years.

Much was said publicly by certain Council members during the lead up to the issuance of this RFP, to the effect that Republic Services has been an excellent partner for the City, and perhaps the City should merely review the options that might be available before automatically extending the current contract for an additional five years in a manner similar to its current requirements. TDS has discovered numerous things over the past year and through this RFP process, which form the basis for me to respectfully suggest to you that this is not an appropriate characterization of how Republic, and its predecessor, have serviced the City since the Duncan family ceased to own Trashaway, Inc.

Due to the very short, but convoluted contract between Republic and the City, and the fact that it has not previously been subjected to the scrutiny normally associated with public review and evaluation that comes with a competitive bidding process, TDS' impression is there has been very little accountability for Republic and the predecessor companies Republic purchased. In this accountability vacuum, Republic has demonstrated a willingness to conduct its business with what appears to TDS to be a strong focus on its own bottom line that is incommensurate with the fiduciary responsibility that ought to be expected of a large company that has been entrusted with control of such a large and environmentally sensitive City asset, and is relied upon for the

accurate direct billing of commercial services. As addressed more fully below and in the TDS proposal responses, it appears that there has been significant mismanagement of the landfill, as well as an apparent systematic over billing of the commercial accounts in the collection portion of the contract. One example involves the landfill permit soil balance calculation, which calls for a 297,900 cubic yard surplus of soil over the life of the site. Republic's management of the site has resulted in a soil deficit to the extent that landfill cover and closure soils appear to have been almost completely depleted a decade before Republic's most recent projected date the landfill will be filled. This creates a major hurdle for any other operator wanting to assume the operation of the existing landfill. This is a serious and very costly problem in and of itself, but perhaps indicates there may be additional unknown problems with the landfill. TDS found serious problems left by Republic at the City of Alpine landfill after TDS took over that contract from Republic on March 1, 2007. Please see the statement explaining those problems included within the TDS RFP response. As another example, it has become clear to us that Republic has billed the commercial customers in San Angelo significantly more than the amount stated in the City ordinance.

As demonstrated in our proposal, the City now has an option to select another operator and to begin addressing these problems, and finally have a contract that can be easily administrated and audited by City Staff.

TDS proposes to enter into good faith negotiations with the City, utilizing the RFP and the TDS response as a framework for a long term comprehensive agreement for TDS to provide collection, recycling, processing and disposal services to the City. Considering that the landfill entrance has to be moved and a new scale house, scale and entry roads must be built if another landfill operator is to operate the existing landfill because Republic owns those existing facilities; and because Staff has reported that Republic has buried waste on the site of the City landfill outside the authorized limits for waste disposal; and because insufficient daily, intermediate and final cover soils exist on the existing landfill site to complete the construction of the landfill; and because there are sincere questions remaining regarding the reported lack of waste compaction consuming the City's landfill capacity in recent years; and because there is a serious shortage of funds earmarked to cover the cost of landfill closure and post closure, and to address corrective action for off-site contamination migration; and because Republic apparently chose to charge San Angelo commercial customers more than the amount stated in the City ordinance which gave them exclusive service rights to those customers; and because of Republic's failure to offer a full range of container sizes and service frequency options, forcing commercial customers to subscribe to more service and in most cases pay more for that service than is necessary for their level of trash generation; we believe the time is ripe for a thorough evaluation of the past performance of Republic and the drafting of one or more contracts that meet the short term and long term needs of the City. My criticism is of Republic Services for the way they have taken advantage of the City. I am not criticizing City Staff, or the Mayor, or the

City of San Angelo
March 21, 2014
Page three

Council in their efforts to manage the Republic contract and/or to protect the City's best interests.

TDS recognizes that the final agreements may not be precisely reflective of the City's RFP or of the TDS responses to the RFP, and TDS hopes the City will realize that the ideal situation for all parties will require a degree of flexibility. However, I am confident that if the City decides to complete the process, the end result will be worth the effort.

Thank you again, Mayor, Council Members and City Staff for your thoughtful consideration of the TDS proposals.

Respectfully,

A handwritten signature in black ink, appearing to read "Bob Gregory". The signature is written in a cursive style with a large initial "B" and "G".

Bob Gregory
Chairman & CEO
Texas Disposal Systems, Inc.