



Trash audit, negotiations continue | Video

Manager calls contract details complex

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SAN ANGELO, Texas —Answers to questions surrounding the city's trash service contract with Republic Services are expected in the next couple of weeks.

For now, city staff are working to finalize an internal audit concerning customer fees and continuing negotiations on a new contract.

"For us it's complex," City Manager Daniel Valenzuela said. "It's not just one issue we've been dealing with."

Staff will present their findings to the City Council, and once the city awards the contract, they will release the proposals from Republic and Texas Disposal Systems, the only other company to turn in a bid.

"Frankly, we look forward to that so the public can see and know what we have seen and known," said Shane Kelton, the city's director of operations.

Valenzuela, at a media briefing Wednesday morning, said that until then, city staff will work simultaneously on the audit and negotiations.

"Who knows what (council members) decide moving forward?" Valenzuela said. "Yes, we secure this agreement, or maybe no. We don't know at this point."

On April 1 the City Council voted 6-0 to authorize staff to begin negotiations with Republic, following a selection committee's recommendation.

Of the seven companies the city sent a request for proposal to, it received only those two proposals for the contract.

A seven-member selection committee evaluated the proposals, scoring them on a 1 to 100 scale. Kelton said Republic outscored TDS by 400 points when it came to waste collection services and by 247 points for landfill operation.

He explained in broad terms why the selection committee chose Republic's proposal, saying one reason was that TDS' rate for collecting waste was 64 percent higher than Republic's.

Additionally, Republic offered a six-figure annual lease as well as a seven-figure upfront payment, which TDS did not.

Another major consideration was liability for the landfill, he said, something TDS did not want to assume and which Republic agreed to take on.

Shortly after the April 1 council meeting, TDS began negotiating contracts to haul construction debris and solid waste for commercial customers in San Angelo.

Bob Gregory, TDS president and chief executive officer, has said Republic has been charging San Angelo's commercial customers 32 to 35 percent of their bills for a fuel and environmental recovery fee, which is not authorized by the city.

When the complaint was made, it was turned over to the auditor to investigate.

Valenzuela said he wouldn't sit and "cast stones" at whomever agreed to the previous waste management contract.

"I knew there were some shortcomings we could really make up," Valenzuela said. "I know we addressed a lot of those shortcomings."

If the audit finds that customers were incorrectly charged, he said that it would be remedied right away and that those accounts would be compensated.

City officials said they have been working closely with Republic for several months to assess those fees.

The city's internal auditor has narrowed its search for those fees to a time period encompassing 2003 to about 2007.

The auditor's position was created about six months ago and will review city contracts on a regular basis to make sure agreements are being followed.

Had the two RFP scores been comparable, Kelton said, the committee could have requested interviews with each company. Because of the "wide gap" between the two, the council ultimately felt it was most efficient to go with the highest-scoring vendor.

Republic offered a plan to align with existing recycling collectors the council had expressed an interest in partnering with, to ensure they don't go out of business, Kelton said. They also proposed picking up bulk items on a quarterly basis, without defining specific quantities.

"Rates will likely change during negotiations, though not drastically," Kelton said.

Another area that impressed city staff was that Republic "tightly mirrored" what the city asked for on the RFP in regard to the landfill.

The city sought three key components from companies submitting RFPs: the vendor assuming liabilities for the existing landfill, the vendor making a proposal for the landfill's lease and operation, and the city receiving compensation for allowing the vendor to operate the landfill.

Republic filled all three, Kelton said.

Republic also was willing to take on past and future liabilities — including about \$8.4 million in closure and post closure liabilities, Kelton said. Republic offered to set up a trust fund in the city's name to help defray those liabilities. Such a move would free up \$3.3 million of city funds set aside for such liabilities and allow that money to be used for other needs.

TDS, on the other hand, declined to accept liabilities. Instead, it offered three options for landfill operations.

In the first, TDS would operate the existing landfill without assuming liability. In return, the city would pay TDS the cost of operation plus 20 percent. TDS would then turn receipts over to the city.

That option may have benefited the city financially, but there were too many unknown variables that could be a financial risk for the city, Kelton said.

The second option was moving to the site of the future landfill, which the city would build and own the permit to. The city would be responsible for construction and permit costs, and TDS would operate at cost plus 20 percent. Under this proposal, city staff believes they could lose 14 years' capacity, plus liability and post closure costs.

The third option was for TDS to obtain a permit for a new landfill, for which it would assume liability. However, if business relationships with the city "disintegrated," city staff worried about continued use of the landfill.





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