



## Trash deal remains opaque

### Some want city to hold off on new contract

By Monique Ching

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SAN ANGELO, Texas —San Angelo officials are poised to decide whether to sign a new contract with Republic Services for the city's waste disposal, but circumstances leading up to this point, like the subject matter itself, have been somewhat messy.

"We're just saying put on the brakes until you get a full understanding of what happened," said Rick Fraumann, director of sales for Texas Disposal Systems, the only other respondent to San Angelo's request for proposals for the trash collection contract. "We're not asking (the city) to award TDS anything."

The City Council gave the green light in April for city staff to begin negotiations with Republic, the current solid waste contractor and front-runner in the bid, over Texas Disposal. Officials hope to sign a new contract with Republic before the current one expires July 31. For the winning bidder, the contract is worth millions of dollars.

A host of unanswered questions linger over the contract, including the transparency of the bidding and award process and allegations that Republic has been overcharging commercial customers for years.

Representatives from Texas Disposal are calling for the city to put a pause on the contract — a decision that can be made only by the council, said city staff — in light of allegations by Texas Disposal that Republic had for years been collecting fuel surcharges and "environmental recovery fees" in excess of charges allowed by city ordinance.

An item for the council to consider Tuesday is authorizing the city manager to execute a special contract between the city and Republic for solid waste services.

Texas Disposal has continued an aggressive campaign seeking disclosure about the legality of the charges even after the city announced its preference for the contract proposal from Republic.

Republic released a statement Friday afternoon, saying that the company will work with the city and with a third-party accounting firm to conduct a comprehensive review of commercial billing statements so the company can identify any incorrect fees charged in the past.

"Commercial customers will receive a full refund for any fees incorrectly charged to their accounts," said Kenny Ramzinski, general manager at Republic. " ... We expect to

complete this review in approximately 90 days, at which time we will notify affected commercial customers about the amount and date they can expect a refund.”

## TRASH SKEPTICISM

When the city chose to negotiate a contract with Republic, some San Angelo residents balked at how quickly the city made a decision on a contract that had not been bid upon for at least 30 years.

“I’m disappointed in the execution of the contract,” said Stanley Mayfield, owner of Mayfield Paper Co. in San Angelo.

Because requirements under the request for proposals do not allow public disclosure of details on negotiations and pricing of the bids, San Angelo officials have been sparse with the details.

Council members and city staff, however, have expressed a desire to move forward with the new contract despite a petition being circulated by Texas Disposal calling for the city to delay its decision on the contract, to open up the market for commercial trash pickup and calling on county and district attorneys to review the current contract between Republic and the city.

The council will have to make the final decision as a body, but city staff and officials have expressed confidence that the parties can come to terms before the deadline.

“The negotiations have been going great,” said Shane Kelton, director of operations for the city, saying that city staff and Republic are close to an agreement. “There’s final touches and stuff like that.” The item will be presented to the council at Tuesday’s meeting

Republic’s statement that it will review commercial accounts came shortly after local business Acme Iron and Metal, which is owned by Texas Disposal President Bobby Gregory, announced it will file a class-action lawsuit against Republic for thousands of customers who may have been overcharged.

Republic’s audit may not affect Acme’s decision to file the lawsuit.

“It will not take away the need for a suit,” said Gary Newton, the Austin attorney representing Acme, who said the lawsuit likely will be filed next week.

The lawsuit names Republic as the defendant but does not name the city of San Angelo.

Having examined Acme’s solid waste bills since 2000 and combining that with San Angelo’s commercial services market data, Fraumann said TDS calculated an estimate of up to \$9.2 million in overcharges.

“There are lots of folks that are really upset,” Fraumann said. “They understand they’re owed money and they can’t figure out why (Republic) wants to hide it.”

Texas Disposal has not directly discussed the issue with the city. Because of a no-communications clause in the RFP requirements, Texas Disposal is not permitted to

speak with the council and city staff until after the process has been finalized, Kelton said.

The city had initiated a review by its internal auditor, responding to some concerns that were raised by the company and local residents, but internal auditor Steve Mahaffey said that any report will not be released publicly.

"They're continuing not to comment," Fraumann said. "And in the city's defense, they may have nothing to audit if Republic doesn't give them the information."

Fraumann noted that his company had requested records of complaint reports that, under the current contract, Republic should have filed with the city.

"There is a provision in the (current) contract to report complaints," Kelton said. "We do not have copies of the report."

Without copies of the complaint reports, Fraumann said, it would have made it difficult for the city to monitor whether Republic is abiding by good standards for its customers.

"That's very troubling," Mayfield said. "Apparently the city has not monitored the execution of this contract."

#### EXCLUSIVE WASTE

San Angelo has had an exclusive contractor for its garbage collections since the city acquired the landfill permit in 1984.

The city originally contracted with Duncan Disposal Inc., which was bought out by Trashaway Services, which in turn was purchased by Republic Services. The city never put the contract out for bids and has always simply renegotiated the contracts, until this year.

"State law allows for municipalities to enter exclusive contracts or go to the open market system. There are trade-offs either way," Kelton said.

Typically, the open market system is more effective in a more concentrated, populated city, Kelton said, because a larger offering of services can help prices remain competitive.

"When you have an open market, the companies regulate the charges," Kelton said. "When you have an exclusive contract, the pricing structure is negotiated and set by the council."

San Angelo always has maintained an exclusive contract so it can have more control of the pricing structure, Kelton said.

Until last year, however, Republic also was the only provider for trash services to the surrounding communities, giving the company the benefits of a monopoly.

"Before, we just had to take what they had," said Charles Hale, a resident of Carlsbad whose waste from his ranch and farmland is collected by Republic.

Communities outside San Angelo city limits, like Carlsbad, do not fall under the city's purview and therefore are not part of the contract. Hale said many rural customers found that their bills have gradually been increasing over the years.

Hale said his trash bill fluctuated somewhat over 2013, with prices ranging from \$107 a month to \$132 a month.

At the beginning of the year, after TDS began offering pickup services to rural customers, Hale got a visit from a Republic representative and his bill has dropped significantly since, going as low as \$22 a month.

"A lady came out and said, 'I need to talk to you. We will make you an offer on your trash,'" Hale said. "They never had before."

Republic offered to charge Hale \$80 a month, which he accepted, but has since seen statements at a far lower price, not exceeding \$38 so far this year.

"They decided to put a nice price on it," he said. "... They really came down on that price once they got the competition."

One of the requests on TDS' petition asks that the city put commercial trash pickup on the open market.

"I would definitely suggest that as an option for businesses," Mayfield said.

In Republic's news release Friday, Ramzinski said the company values its relationship with the community.

"We apologize for any inconvenience that this situation may have caused for our commercial customers," he said. "We appreciate the opportunity to correct this matter in a responsible and timely fashion, and we remain deeply committed to providing this community with a customer experience that exceeds all expectations."

Republic also has invited commercial customers with questions on their invoice during this review to contact the company at 855-823-6901 or [sanangelo\\_inquiries@republicservices.com](mailto:sanangelo_inquiries@republicservices.com).

The City Council will make a decision on whether to execute the contract with Republic during its Tuesday meeting.

"I see no reason to slow down. I think that Republic bid in good faith," said Mayor Dwain Morrison. "Each company put their best proposals forward. That was the point of the RFP."

