

**Mayor Dwain Morrison Presentation to San Angelo Rotary Club
Zentner's Daughter Steak House
August 1, 2014, 12:00 pm**

Jim Hughes: I've known Dwain for a number of years. I can say anything I want to about him, 'cause he'll throw it right back to me. We've had grandkids that played ball together. We've been on committees, we've been on trips. And like a number of people in this room, several of us have the distinction of serving on some Board, on the City Council, and it's a no win situation. But I think that we all owe a big gratitude to any of those people that would take their time to try to make our city a better place, because, and for some of them they're just doing it for the money. In this case, that's what Dwain's doing. I think they've given him a raise. Are you up to \$50 yet? He's a little overpaid at \$50 a month, but at any rate, Dwain's been very active in this community for a long time, in his own business. The best thing that he did today, no matter what those sheets say, no matter what he says, is he did bring an awful nice lady; Ms. Morrison is a great person, and she's the reserved part of this family, cuz you know, Dwain's not bashful. And we're gonna learn about them, but at any rate, we thank Dwain for what he's doing and at this time I'm gonna quit talking because I might say the wrong thing. Anyway, I'll let Dwain come up here. Thank you, Dwain.

Dwain Morrison: I've got some handouts, here. I made 40 of them, so this is all I've got. I appreciate y'all having me here today, and it's good to be able to meet with my fellow Rotarians and talk to you a little bit about the things that are happening in San Angelo. I see a couple of men who were here last week when I was here on the 21st with the other Rotary so forgive me, you're gonna get the same thing again. There will be a test. But I appreciate the opportunity to speak to y'all today. There's been a lot of misinformation that's been spread about this trash contract over the last couple of three months since we've been negotiating. To give you an example of what misinformation does, I'll tell you about the old man and the old woman that was celebrating their 60th wedding anniversary and the kids threw them a big party, and it was a wonderful day, but about sundown they were worn out and they go to their bedroom. And as they lay there before going to sleep the old man turns to the old woman and he said, "I am so proud of you." She was quiet, and a little bit she turns back around and she said, "I am so tired of you, too." Misinformation has the ability to change things to the point that they're not even recognizable from what they were built. And that is a lot of the problem that we've had with this trash contract. I remember the great trash wars of 2003 and Monte Mahon is here, you remember those as well. But this one in two-14 was even worse and there's been a lot of harmful and hateful things that have been said on the internet, primarily by these people that do not put their names to the things that they say. There have been some injurious things that've been said about Council, and also about our City staff. And we were gagged; we could not speak back. We were on the defense, we could not say anything. But the contract has been signed; the gags are off, and we're now able to play offense. And when I think of offense, I think of the John Riggins and the McMahon offense of the Chicago Bears when they won the Super Bowl, I believe it was 1985. Where you line up and give the ball to Riggins, it's four yards and a cloud of dust. Second play's the same as the first, third play's the same as the second. And you march down the road. It's taking it to 'em offense. So we've got the muzzle off now, and now we're able to tell you a few of the things about this contract that we were not able to talk about before.

In 2003 when we brought this up, Mayor Lown was the Mayor then, and he found out right quick that trash in San Angelo was big business. He had an option, though, that we don't have today. And that option was there was 10 years left on the existing contract with Republic and we were able to go ahead and sign a contract with them again and extend this contract. So we were able to avoid this inevitable fight that we knew we were going to have. But unfortunately in 2014 this is not the case because we didn't have the option of going forward with another contract for another 10 years that would have

given us what we have had. And we have honestly had the best trash pick-up and service for the cheapest price that you can find anywhere in the world with two men on the back of a truck, but that contract ended yesterday. And had we not signed a contract with Republic last week, today we would have three options. The first option is: No trash pickup in the City of San Angelo; and that's not an option. The other option was Republic. The other option was Texas Disposal.

Trash has become very, very complex over the last 10 to 15 years. And I remember as a child going to the dump out on Red Creek Road, out north of town. It was about a 10 acres hole in the ground that burned 365 days a year. And that was the landfill, the dump for the City of San Angelo. And then in the 70's they moved it up on 50th Street, and although a different location, it was the same principal. It was a hole in the ground, but we covered it with dirt instead of burning it. But about 10 to 15 years ago, dumps ceased to exist, and now we have landfills, and they are an entirely different animal. Now they cost millions to open, they cost millions to maintain, they cost millions to operate, and they cost millions to close. And there's a lot of people in this country that have their finger in that pie that compete in this landfill business.

Now we knew 10 years ago, when we were facing this in 2003, that landfills had changed, they had evolved from the dumps that they were. And we knew that we were leaving money on the table with our landfill as it was. We realized that there were better deals to be made than what we were making in our contract; and that is the reason that we decided this year that we would go out for proposals. We didn't have to. We didn't have to. The State gives us the authority to stay with our company. We didn't have to renegotiate, we didn't have to go out for proposals, we could have stayed with the company that we had, and we could have asked them to negotiate with us. But because we wanted to get the best service for our citizens, we went out for proposals. And we sent out seven bids for proposals, seven RFP's, Requests for Proposals. Of the seven waste companies that we sent them out to we had two of them that responded; Republic and TDS. We asked for competitive bids because this was a three pronged proposal that we sent out. But we asked for bids, that people would come in and make us the best deal that they could make us for our landfill, for its operation, and for the worth we were not receiving as citizens. We asked them to give us a price for commercial pickup. And we asked for a price for residential pickup. So these companies went out and bid and two of them sent us back a proposal that answered these three questions. We gave exclusive rights to the City of San Angelo, the city limits of our city, to whoever was able to earn the contract. A committee of city administrators and three City Council members were then chosen that would go through the contracts when we received them, the proposals, and they would pick the best proposal on its face value, and then we would negotiate with that company to get the best negotiated deal that we could for our citizens. And the City Council voted 7-0, a 7-0 vote to go with Republic after seeing the proposals. This was not a sealed bid. Now if we go out for a bid for a dozen Ford pickups, we will say "We want a dozen Ford pickups with a V8 motor, an F250...", and we'll get the specifications we want. And we send these proposals out, and they bid in exactly what we want with a price. This is a sealed bid. And when we open them up, the bids are there, we know the price, and it's done, it's over. This was not that type of a bid. This was a bid where we went out for options. We said, "We want this and this and this." And we gave them a checklist of the things that we wanted. And then we asked them for other options; things that we possibly could use because they are professionals. And they gave us options. "We can do this, in this range, for this amount of money. Or we can do this." So when we pulled these proposals it was not a sealed bid where we had the exact price, but it was a negotiated option of different things that we could receive for a price. And we couldn't let these out. We could not tell what the proposals were. You always bet your hand before you show your cards, and that's exactly what we had to do. We had to negotiate with what we had. Now, this is a new system and it's very different from what we've had. And there's going to be some growing pains, and there's going to be some problems, and we're going to have to work through all these. But I'm telling you that the City of San Angelo is very firmly committed to this and Republic is also very

committed. It was our intent to negotiate the best contract that we could for the citizens of this city, and I submit to you today, that is exactly what we did.

I want to go through, and I've given you a handout on your table, talking about the New San Angelo Trash Contract. And I want to go through this, and I'll do it quickly. But I want to go through first the proposal that we have negotiated with Republic Services. Republic Services says we will give you a one-time royalty fee for the use of your landfill. We will ... Recording interrupted... then continued:

Mayor Morrison: dollars in an account that we've been working on as citizens for the last several years. That money is now freed up because Republic said "we will take care of the trust fund. We will pay the City of San Angelo", said Republic, "\$575,000 a year as a lease payment on your landfill. We will give you \$327,000 a year as an annual host fee which is un ... Recording interrupted... then continued:

Mayor Morrison: a new cell at the landfill that is necessary. We construct it, they will reimburse up to \$1.35 million. This once-a-month trash pickup that Monte was on the Council when we established it, where we let you go to the dump, once a month, and dump with your water bill, a free dump. When we first did this it cost us something about \$80,000. This last year it's about \$170,000. Republic says we will continue the free dump, once a month with your water bill, but we will absorb the cost, and not the tax payers. Republic will establish a scholarship fund in the amount of \$10,000 a year to benefit Lake View, Central, and Wall students. This will be an annual thing. Republic will build a convenience center; a million dollar investment, where we can drive to the entrance of the landfill and unload without having to go down into the hole where all the (cough). This is also going to be done. They have also said they would absorb two payments of \$235,000 each that the City is mandated, on a methane collection system that we put in about 5 or 6 years ago. One of the results of the decomposition of garbage is methane gas so the State required us to go all the way around this landfill with a collection system and we now flare that gas. We owe two payments of \$335,000. Republic said, "We'll pay it. We'll pay it, you don't have to." And then Republic said, "We will accept responsibility for the landfill. Full responsibility: past, present and future." This is a contract that is worth literally tens of millions of dollars over the life of this contract. Now look on the right hand side of your handout here, and you will see what Texas Disposal Systems offered in their proposal. These were all equal. All seven we sent said the exact same thing, and offered the exact same thing, they were exclusive contracts. Look at the right hand side and you'll see what Texas Disposal has proposed in their proposal. Zero royalty fees, as opposed to \$3.6 that Republic offered. Zero closure and post-closure fee, as opposed to \$4.75 million plus \$184,000 to equal \$8.4 million dollars when the landfill is closed. And I'm going to read this proposal because I want it to be an exact quote, and I took this right out of their proposal, "Option 2, Tab 4, Page 2 of 9, TDS is willing to quickly negotiate on an agreement whereby it would operate the new landfill on a City approved cost plus 20 percent. Under such an agreement the City would bear the cost of design, the cost of permitting, the cost of leachate and gas migration containment, closure and post-closure care related to the landfill, and TDS would simply be a contract operator indemnified from liability." In other words, the landfill belongs to you, City of San Angelo, and it will still belong to you, you're still responsible for it, you're still gonna have to permit it, you're still gonna have to pay for everything, you're still responsible for your rent money, you're still responsible for everything you're responsible for now and we will operate it for cost, which is not defined, plus 20 percent. They will build a convenience center at the entrance of the landfill. But I want to read this next quote out of their proposal, "TDS cannot accept liability for the site (landfill) and requires a protection of an indemnified cost-plus arrangement." Republic says we take responsibility for this landfill past, present and future. TDS says we will have no responsibility for this landfill and we want you to indemnify us of any problems past, present or future. These are the things that we looked at in the two proposals that we got, and this is the reason that we said Republic has got the best deal. I believe Republic is trying to work with us, and TDS is not. And this is the reason we couldn't show you these things. When we're negotiating with Republic who's paying us tens of millions

of dollars, and the next guy is paying us nothing, we don't want Republic to know that because the options have changed. We could not let this information out until a contract had been negotiated, had been finalized, and had been signed. Now let's go to the next page. Republic has proposed to pick up our garbage twice a week. The first time they pick up, they will pick up with a can that they will provide and they will pick up waste. They will pick up a second time that week in a can that they will provide and they will pick up recycling. Put everything you recycle in the recycling can. Newspapers, cans, aluminum, steel, plastics, anything, newspapers, anything that's recyclable, throw them in the second can. They'll pick up trash on Monday; they'll pick up recyclables on Thursday. This is cutting our landfill closure, probably, by four years. It's an 18 to a 14 year span on our landfill. If we can keep half of the stuff we're throwing away out of the landfill, then we can save our landfill and a tremendous amount of cost it's gonna cost just to rebuild. Also, once a quarter, every three months, Republic will contract with us, and send you notice, and they will pick up curbside bulk things that you might have. That old couch, that old water heater, that old stove, nothing with Freon, but anything that you might have, they will pick up in front of your house, four times a year. This also is included. For this, Republic says we will charge you a monthly service fee of \$13.97. This is about \$4.00 more than we're paying right now. And the price that we're paying right now has not been raised in seven years. Same price, same fees, we've been paying for the last seven years. \$13.97, this includes a 5% billing fee that the City puts on when they bill, and puts it onto your water bill. Texas Disposal, and I'm gonna read this to ya, it's a direct quote out of their proposal, "Option #2 of 20, with Recycling, Trash, one pick up per week with a TDS cart. Recycling, one pick up per week with a TDS cart, with quarterly bulk pick up." Same exact thing, same exact thing, same exact proposal, one trash, one recycle, bulk pick up on the quarter. But they want \$17.35 a month for them to pick it up. Now, we still have this 5% billing fee that Republic's already paying. 5% of \$17.35 is 87 cents. And you remember this landfill closure fee that we spoke about? This \$8.4 million that Republic is going to take over and pay for? TDS is not paying for that. So who does? Because it's still got to be done, our citizens will still be paying and building up a fund of \$8.4 million to close it. I just estimated this. I just estimated; I put \$3 a month. I come up with \$21.22 as the average monthly pick up that TDS would be charging us for the exact same thing that Republic is doing for \$13.97 a month. Had we waited the six months that Council wanted to do to sign this contract, we would not have had a contract today. We could have negotiated with Republic to continue our trash service, but when you don't have a contract, and you don't have a bargaining position, guess who dictates the fees? It would not have been the City, until yesterday when we had the upper hand and we negotiated a contract, which is fair and honest and good for our city. That's what we said we would do and I submit to you today that is exactly what we have done. We've got you the best trash pick-up at the lowest price of any place. We're below Abilene, we're below Odessa, we're below Midland, we're below Big Spring, we're below Lubbock, and they don't offer the curbside recycling and the four times a year bulk pick up at the curbside. Our city administrators negotiated a tremendous contract here and I'm just glad I can tell you about it because this is what we have seen from the beginning. And that concludes what I had to say. I know there's questions, if anybody wants to ask I'll do my best to answer them. Mr. Sutton.

Mr. Sutton: Mayor, the county contract is the same that we had. How does that work?

Mayor Morrison: We were negotiating with the City. And before this all started I talked to the County. I said, "Why don't y'all come in with us? And why don't we work together to make a County-wide trash contract?" And they weren't interested. So this contract is in the confines of the city limits of San Angelo. I spoke to a several companies working in the county.

Mr. Sutton: Okay, what about ETJ, is that included?

Mayor Morrison: City limits, City of San Angelo, is what this is covered here.

Question: Are the rates locked in?

Mayor Morrison: The rates are locked in for 10 years. They will go up 2.75% per year. There is a cost of living adjustment, so each and every year that \$13.97 will go up 2.75%, and 2.75... you know, you do the math on it, in ten years we'll still going to be paying less to Republic than we would be paying to the other one at the very start, their very basic charge. Yes, sir?

Question: (long question... unintelligible)

Mayor Morrison: They're strong as _____. They are a billion dollar plus company. We started out 37 years ago with this contract, and of course it's changed hands three or four times. Republic has been in, I would probably say, seven years, is when Republic bought the Duncan Disposal.

Question: When do we get our new carts?

Mayor Morrison: It's gonna take about 9 months to get all this together. They're buying brand new trucks, brand new trucks, they're buying brand new carts, everybody in town's gonna get two of 'em. It's gonna take about 9 months to get this all said and done. And there's gonna be a massive advertising campaign to tell you what we're going to do and how we're going to do it, so there will be communication.

Question: (very faint)... Republic offered to return the overcharges...

Mayor Morrison: No sir, that is not right.

Question continued: (very faint, regarding the residential and commercial rates)

Mayor Morrison: No sir. The commercial fees that Republic offered are a little bit higher than TDS, they are a little bit higher. But we gave them the entire city and we said "Here's what we want, now you make this work." And so they took the... they took the... the smaller fees are on the residential. Commercial fees, Republic will be a little bit higher than TDS.

Question: (very faint).... Price increase...it's a 70% increase...

Mayor Morrison: I will disagree with your 70% increase. It is a small increase; they are slightly higher on the commercial pickup than TDS, it's not 70%. I'll disagree with you on that one.

Question: I said 70% over what we were currently paying.

Mayor Morrison: The contract was sent out, they each offered proposals, and we selected the best one.

Stanley Mayfield: If I were to offer to give you \$10 million, will you give me \$27 million?

Mayor Morrison: I'm not going to get in with you, sir. And I'm not going to get into the legal ramifications either, but I... you know... TDS filed suit against Republic, and Republic is now defending themselves, and they're going to, they're going to protect themselves, so the lawyers are getting involved in it, but I might say, this \$13.97 that we've got on our monthly bill, we're not paying for their lawyer fees. That's between them. The City is not involved in this.

Question: Curbside pickup...is all the trash going to be...

Mayor Morrison: This is something we can work on. The way it is set up right now is if you have a front garage, your trash will be picked up in the front. If you have a rear garage your trash will be picked up in the rear. Now, there's some alleys in San Angelo that are wide enough that they can get these big truck down and still work the arm. There's a lot of them that are not. It's a side arm truck, and they're big, they take a lot of operating room. That's something that we can tweak. That's something that we can work on. But right now, the rule of thumb is, front garage, front pickup, rear garage, rear pickup.

Question: What about recycling and bulk pickup?

Mayor Morrison: Figure it out. That's a decision you're gonna have to make. One more question.

Question: Can you elaborate more on the recycling aspect of this program because I'm from Seattle and we're big on recycling. (very faint).... Do you guys have a facility to have all this sorted out?

Mayor Morrison: We have... Republic has partnered with Butts Recycling, a local company here in San Angelo. Butts is putting about a million dollars into this to develop their equipment so that every bit of the recycling can go to Butts. They will crate it. They will put it on trucks and send it to Fort Worth for processing. There are plans to build a recycling center in West Texas that will take care of all of our West Texas cities. This is something that is still in the future. Right now recyclables will be taken to Fort Worth where they will be sorted and separated and disposed of. There is one more caveat in this price here, and I need to mention this. \$13.97 a month is the fee. After six months of work, after it's been in effect for six months, if we have not produced 500 tons of recycling per month, Butts requires an additional 50 cents. So, that's gonna be up to us. If we're not producing, and that is for a local company to take care of the debt service on what he is having to pay. Glass is not yet involved in the recycling, but we're working on proposals to also get that involved as well. So that again is something down the road. Thank you so very much.

NEW SAN ANGELO TRASH CONTRACT

Republic's Proposal

1. One time royalty fee of \$3.6 Million dollars.
2. \$4.735 Million dollar landfill closure and post closure Trust Fund and make annual payments of \$184,000.00 to the fund.
3. Annual Lease Fee of \$575,000.00 to the City of San Angelo.
4. Annual Host Fee of \$327,000.00 to the City of San Angelo.
5. Republic will assume the debt of two payments of \$335,000.00 for State mandated methane flares.
6. Republic will pay \$1.305 Million dollars to reimburse the City of San Angelo for the cost of a new needed landfill cell.
7. Republic will absorb the \$170,000.00 costs for the "once a month free dump with your water bill
8. Republic will establish an annual \$10,000.00 Scholarship program To 10 graduating Seniors from Central, Lake View and Wall.
9. Republic will build a Convenience Center to provide a safe, clean surface for drop off trash.
10. Republic will accept full liability for the landfill: past, present and future.

Texas Disposal Systems Proposal

1. \$0.00 Royalty Fee
2. \$0.00 closure and post closure fees.
3. Operating Proposal:
Option 2, Tab 4 – page 2 of 9:
"TDS is willing to quickly negotiate an agreement whereby it would operate the new landfill on a City approved cost plus 20% basis. Under such an agreement, the City would bear the costs of design, permitting, leachate and gas migration containment, closure and post closure care related to the new landfill, and TDS would simple be a contract operator indemnified from liability".
4. Landfill cells will be the responsibility of the City of San Angelo.
5. TDS will build a Convenience Center at the entrance of the landfill.
6. TDS Landfill Responsibility:
"TDS cannot accept liability for the site (landfill) and requires the protection of an indemnified cost plus arrangement".
This means that TDS will not accept any liability for the landfill – past, present or future – and will require the City of San Angelo to indemnify them in the Contract against any and all responsibility.

COSTS OF THE NEW TRASH SERVICES

REPUBLIC

Republic has proposed to pick up our trash once a week and will also pick up our recyclables once a week, with two cans that they will provide free of charge. They will work with a local recycler and we will be allowed to mix steel and aluminum cans, plastics, cardboard, boxes, paper, and newspapers all together without separating. Recycled materials can amount to about one half of our total trash and we must begin to recycle to protect our landfill as it is filling at an alarming rate. Republic will also offer a "once a quarter" bulk curbside pick up to haul off old furniture, rusted water heaters, old appliances, or anything else up to 5 cubic yards.

Monthly service fee:

\$ 13.97, plus taxes – this includes a .05% billing fee to the City

Republic has been working under a contract with our City for the last ten years and has not increased their rates for seven years. This is a great contract that is worth millions of dollars to the City of San Angelo and to our citizens over the ten year life cycle of the contract.

TEXAS DISPOSAL SYSTEMS

Texas Disposal Systems has proposed the following fees to pick up residential trash:

"Option 2 – 20 with recycling: Trash 1X/week, w/TDS cart; recycle 1X/week, w/TDS cart, with quarterly bulk pick-up":

\$ 17.35 per month

.87 – City billing fee (.05%)

3.00 – Landfill Trust Fund Closure Fee (estimated)

\$ 21.22 plus taxes