



WASTE MANAGEMENT INC.

5324 Old Vista Road
Pasadena, Texas 77505
800-800-5804

September 24, 2018

James Stokes
City Manager
City of Deer Park
P. O. Box 700
Deer Park, TX 77536

Re: City of Deer Park Renewal Proposal for Commercial Solid Waste Collection Contract with Waste Management of Texas, Inc.

Dear Mr. Stokes,

It was a pleasure to meet with you and staff on September 21st, this letter is to follow up to our discussions concerning the renewal of the existing Commercial Solid Waste Collection and Transportation Agreement between Waste Management of Texas, Inc. (WMT) and the City of Deer Park.

Waste Management is proud to be the current provider of solid waste collection services for the City of Deer Park. Together we have partnered to provide comprehensive collection services to the businesses of Deer Park. Over the last 5 years, Waste Management has always considered itself an extension of the City's service infrastructure and not simply a "third party vendor".

Although Waste Management would welcome the opportunity to extend our agreement beyond November 30, 2018, the economic realities involved with our current contract and scope of work necessitate a change in our agreement in order to justify a long-term renewal beyond November 30, 2018.

As you might expect, Waste Management in its normal course of business purchases goods and services in order to support its collection operations (i.e. labor, insurance, fuel, parts, tires, hydraulic and engine oil, etc.). Each year the cost of these goods and services typically increase by an average of 7.4% per year. In our franchise collection agreements with the City of Deer Park and other municipal partners we service across the state our only contract mechanism to recoup those annual inflationary increases is by way of the Consumer Price Index and Fuel Surcharge clauses. Even with these CPI contract clauses, in most years we are not able to keep pace with the annual inflation increases. For example, over the last four (4) years WM has received an average of 1.95% annual increase to our base rates from the City of Deer Park, however, as already mentioned our average annual inflationary increase for the cost of our goods and services has increased by 7.4%.

During our meeting on September 21st, we discussed negotiating a three-year renewal of our existing agreement with WMT and the City of Deer Park. Listed below is an outline of possible terms and conditions WM would find agreeable as part of a potential contract amendment.

- Commercial collection services rates will only increase by a flat 12% effective 12/1/2018 and a flat 5% every other year (EOY), 12/1/2019 and 12/1/2020.

- Extend the current Commercial Solid Waste Collection and Transportation Agreement with WMT, until 11/30/2021.
- Add “Unusual Accumulations” language to the amendment.

Waste Management is very proud of its partnership with the City of Deer Park and appreciate the City’s consideration of our continued partnership. We appreciate your consideration of this proposal and look forward to reaching a mutually beneficial agreement. Please do not hesitate to call if you have any questions or let us know when you would like to meet again in order to further these discussions.

Sincerely,

Shanna Lopez
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