



City of Seattle
Seattle Public Utilities

July 27, 2012

Dean Kattler
Pacific NW Area VP
Waste Management, Inc.
720 4th Ave
Kirkland, WA 98033

Mary S. Evans
Area Director, Public Sector Services
Waste Management - Pacific Northwest Area
720 4th Avenue, Suite 400
Kirkland, WA 98033

Dear Mr. Kattler and Ms. Evans:

The City of Seattle continues to be concerned about the interruption of your collection service. Our residential and commercial customers are suffering significant inconvenience already, and more critical impacts are expected soon. We urge Waste Management to do whatever is necessary to restore service as quickly and completely as possible. We selected your firm to provide service for half of Seattle precisely because of your corporate reputation and capability for providing reliable and quality service. Every additional day of service interruption erodes that reputation.

As you continue to make your plans to respond to this challenge, I believe that it is important to be as clear as possible about the City of Seattle's plans. First, as outlined in Section 170 of the contract, we will continue to make daily deductions of \$15,000 to \$20,000 in our payments to you for the interruption of garbage, yard waste, and recycling services.

Second, we will start assessing Performance Fees under Section 850 of our contract with you, for any service interruption that extends to Wednesday, August 1, or beyond. As you know, Section 850 allows us to assess such a Performance Fee of \$250 for each block that has at least 3 containers on a single side of the street not collected. If the service interruption extends to Wednesday, August 1, and it affects all Wednesday customers, and if it affects all three services (recycling, garbage, and yard waste), the Performance Fee will be approximately \$1.25 million/day. *The company should know*

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that Seattle Public Utilities will dedicate considerable resources and use all available sources of information to document these whole block misses and assess these Performance Fees.

It may be useful to explain the reason for our position. You may remember that the previous collection contract that the City had with your company, which expired in spring of 2009, did not have a "grace period" for labor disruptions. Waste Management strongly advocated for this grace period while Seattle Public Utilities was developing the Request for Proposals (RFP) for the new contract that is now in place. Your representatives at the time made a very convincing case that this flexibility was necessary for the City to receive proposals that were not unreasonably costly. Seattle Public Utilities took the major step of adopting your suggestion in the RFP and contract.

A seven day grace period is now in the contract and has protected the company from significant Performance Fees to date during this disruption. However, the purpose of the grace period was not to save the company money. It was to give the company a reasonable amount of time to do whatever was necessary to restore service. We believe that seven days should be enough to do that, and evidently the company saw it that way as well when it signed the contract. We expect full service to be restored by Wednesday, August 1, if not before. This is the reason for our dedication to assessing and recovering all appropriate Performance Fees, consistent with the contract.

Thank you for your ongoing efforts in restoring service to our customers as soon as possible.

Sincerely,

A handwritten signature in black ink that reads "Ray Hoffman". The signature is written in a cursive, slightly slanted style.

Ray Hoffman
Director, Seattle Public Utilities

cc: Mayor Mike McGinn
Seattle City Councilmembers
David Hiller, Mayor's Office
Timothy Croll
Hans VanDusen