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April 10, 2007

Heidi J. Hamilton, P.E.
Deputy Director
Minneapolis Public Works
350 South 5th Street
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Minneapolis, MN 55415-1390

Re: Summary of Organized Collection Planning Participation Process

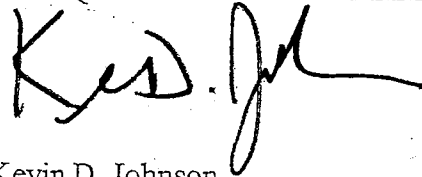
Dear Heidi:

Enclosed please find a summary of participation by interested haulers and other parties, through April 10, in the solid waste organized collection planning process conducted by the City of Minneapolis.

Please contact me at the number above if you have any questions.

Sincerely,

LINDQUIST & VENNUM P.L.L.P.



Kevin D. Johnson

Enclosure

City of Minneapolis
Solid Waste Organized Collection
Planning Process Participation Summary
April 10, 2007

A. Introduction

The following summarizes the solid waste organized collection planning process conducted by the City of Minneapolis through April 10, 2007.

1. Background

Since 1971, when the City of Minneapolis amended its Charter to establish a new approach to collection of residential mixed municipal solid waste, the City has divided collection into geographic halves: one half is collected by City employees, the other half is collected by Minneapolis Refuse Inc. (MRI), a consortium of solid waste haulers. The contracts with MRI have been for terms of five years each and have been continually renewed since the original contract in 1971.

On February 10, 2006, the Minneapolis City Council voted to conduct a Request For Proposals (RFP) process under which the City would seek competitive proposals for the solid waste collection contract held by MRI. MRI then filed suit in Hennepin County District Court seeking a Temporary Restraining Order (TRO) to prevent the City from moving forward with the RFP process. MRI argued that the City Council's vote violated Minnesota Statutes § 115A.94, which is entitled "Organized Collection."

At the initial hearing on the TRO, the City stated that it would extend MRI's contract to June 30, 2007, which was otherwise due to expire on December 31, 2006. The contract extension was entered into on March 20, 2006. On March 23, 2006, the District Court denied the TRO because of the City's extension of the contract.

On September 15, 2006, the Court issued an Order granting a temporary injunction requested by MRI that enjoined the City from proceeding with the RFP process and determined that the Organized Collection statute applies to the City and its actions regarding the RFP for solid waste collection. The City is now following the organized collection process outlined in Minn. Stat. § 115A.94.

2. Organized Collection Statute

Minn. Stat. § 115A.94, subd. 1 defines "organized collection" as a system for collecting solid waste in which a specified collector, or a member of an organization of collectors, is authorized to collect from a defined geographic

service area or areas, some or all of the solid waste that is released by generators for collection. Under Minn. Stat. § 115A.94, subd. 3(a), a local government unit may organize collection as a municipal service or by ordinance, franchise, license, negotiated or bidded contract, or other means, using one or more collectors or an organization of collectors.

Pursuant to Subd. 4(a) of the statute, at least 180 days before implementing a new ordinance, franchise, license, contract or other means of organizing collection, the city, by resolution of the governing body, shall announce its intent to organize collection and invite the participation of interested persons - including persons licensed to operate solid waste collection services - in planning and establishing the organized collection system. Pursuant to the statute, the City of Minneapolis held a public hearing on a Resolution of Intent to organize collection on November 9 and November 21, 2006 and on December 1, 2006, the City adopted a Resolution of Intent to organize collection.

3. Planning Process

The statute, under Subd. 4(c), provides that the City shall develop or supervise the development of plans or proposals for organized collection during a 90-day period following the Resolution of Intent. During this planning period, the City shall invite and employ the assistance of persons licensed as of the date of the Resolution of Intent to operate solid waste collection services in the City. Failure of a licensed collector to participate in the planning period, when the City has made a bona fide effort to provide the person the opportunity to participate, does not invalidate the planning process.

In January 2007, the City sent notices to all licensed haulers within the City stating that the planning process was beginning and outlining methods of participation for licensed haulers. The City indicated that it was planning a series of public meetings for haulers to attend, and also that the City would be accepting written comments on the planning process as well.

The City also notified all neighborhood associations within the contracted half of the City about the planning process for organized collection and offered the opportunity for neighborhood groups to have City officials and others attend a meeting of their neighborhood group to get their input on the planning process.

B. Methods of Participation

1. Three Hauler Meetings

The City conducted three meetings for licensed haulers and other interested parties. The meetings occurred on:

- a. February 20, 2007 in northeast Minneapolis (17 persons attending);
- b. February 22, 2007 in south Minneapolis (19 persons attending); and
- c. March 8, 2007 in downtown Minneapolis (14 persons attending).

2. Neighborhood Group Meeting Opportunities

The City received four responses from neighborhood groups. Two responses were emails providing comments on the organized collection process; these neighborhood groups did not request a meeting. Two neighborhood groups requested meetings, which are scheduled for April 12 and May 2, 2007.

3. Written Comments

The City received several written comments regarding the planning process that are discussed further below.

C. Summary of All Comments

1. MRI Views

Many members and several representatives of MRI participated in each of the three meetings. MRI members and representatives made the expressed the following views:

- a. Member hauling companies are 2nd or 3rd generation and have a long history of working in and with the City.
- b. There is a high degree of customer satisfaction among City residents with their solid waste collection services. In particular, the most recent survey of residents in 2005 indicated that 93% of residents were satisfied with their service.
- c. The system of "managed competition" between MRI and public collection crews has worked well since inception.
- d. Beginning with the first contract in 1971, the contract negotiation process has worked well over the years.
- e. There is no need for a Request for Proposals process, nor to change the current approach to contracting.

- f. If a competitive process occurs and MRI is not selected, there would be significant negative impacts on the employees of MRI haulers.
- g. Further, most of the MRI member haulers would not survive and therefore would not be a contracting option for the City in the future, even if the new contractor were to fail in providing the service.
- h. The City should compare the costs of City crews versus MRI in order to assure cost control.
- i. The City's overall solid waste collection costs are lower than in the suburbs or in St. Paul, and other "open hauling" cities.

In addition, MRI submitted detailed comment letters. See Exhibit A for a letter dated February 23 from Greg (Red) Burt, MRI Chairman, and a letter dated February 19 from Chuck Kutter, former MRI Chairman.

2. Other Hauler Views

Although other licensed haulers in addition to those that are members of MRI attended the meetings, none of them provided comments other than to express interest in continuing to participate in the organized collection process. Haulers that have expressed such interest are discussed below.

3. Labor Union Views

Several different labor unions attended the meetings and expressed their views.

- a. Unions representing the City collection crew employees (City Employees Local 363 and Teamsters Local 320) supported the current approach to contracting with MRI and expressed concern about negative impacts on City collection crew employees if changes are made to the contracting system. The public employee unions would like to see growth of public employee role. If this does not occur, they do not want to see the contracting process result in a reduced public employee role.
- b. Private employee unions (Minneapolis Central Labor Union Council and Teamsters Local 120) would like to see MRI or any other private haulers become unionized through the Labor Peace Agreement process.

See Exhibit B for a letter sent by Brendan D. Cummins of Miller O'Brien law firm on behalf of CLUC and Teamsters Local 120 that further discusses

their proposal for including a Labor Peace Agreement as part of the plan for contracting for collection services.

4. Neighborhood Group Views

Two neighborhood groups, Holland and Waite Park, invited City representatives to discuss organized collection at their neighborhood group meetings. These meetings will be on April 12 and May 2, 2007. There were also two email comments: one from the Fulton neighborhood supporting a competitive process for solid waste contracting and expressing a desire to continue receiving the same high level of solid waste collection service; and another from the Columbia neighborhood emphasizing the need to continue the high quality solid waste collection and recycling services that are currently provided.

D. Expressions of Interest in Participating in Organized Collection

Many parties submitted written requests to continue to be included in the organized collection process, explicitly requesting to participate in the negotiation process after completion of the planning process, as required by the Organized Collection Statute. Exhibit C provides a list of all parties expressing interest in further participation in the organized collection process, either by written request or through attendance at a meeting.