



Memorandum

Chuck Reed

TO: Mayor and City Council
SUBJECT: **Norcal Recycle Plus Contract
Extension**

FROM: Chuck Reed
DATE: December 7, 2005

RECOMMENDATION:

Direct staff to delay an extension of the Norcal contract until an investigation has been made into allegations that Norcal planned a "bait and switch" on their original proposal that resulted in an \$11 million increase in the contract.

BACKGROUND:

After the Council approved an \$11 million amendment to the Norcal contract to pay for higher labor costs (September 2004), I received an anonymous letter claiming:

"You are being lied to. . . When Norcal submitted a low-ball price for the garbage contract in San Jose they knew exactly what they were doing."

I sent the letter to the District Attorney and gave a copy to the Grand Jury. In late June 2005, I received another anonymous letter, from the same person, saying:

"When I first read about this fraud in September 2004, I felt the need to inform you and the other Council members about how Norcal Waste Systems, Inc. and Mike Sangiacomo President planned this entire scheme. Believe me it was simple...simply a bait and switch scenario. Common practice in the Solid Waste Industry. Norcal has done this in the past."

Copies of both of these letters are attached. Both also have been produced as part of the response to the Grand Jury Report as documents numbered RD000041-50.

Other allegations in the letters are equally serious and should be investigated before a decision is made on a contract extension. The person making the allegations claims to have been a senior Vice President at Norcal until January 2004. It should not be too difficult to determine who that might be and find out if there is any truth to the allegations.

The City Attorney should be directed to attempt to find the person who sent the letters and collect the facts for the Council to consider before the contract is extended.

cc: Lee Price, City Clerk

DEC 15 2005
CITY CLERK
RECEIVED

Follow-Up Information from Previous Letter Sent to Your Attention September 2004

June 14, 2005

**Council Person Chuck Reed,
District #4**

Dear Council Person Reed,

This is my second informational letter to your attention regarding this matter.

[I also plan to send a copy of this document to the San Jose Mercury News and the San Francisco Chronicle]

When I first read about this fraud in September 2004, I felt the need to inform you and the other Council members about how Norcal Waste Systems, Inc. and Mike Sangiacomo President planned this entire scheme. Believe me it was simple...it's simply a bait and switch scenario. Common practice in the Solid Waste Industry. Norcal has done this in the past.

Reading what the Grand Jury uncovered about the Mayor and his side-kick Mr. Guerra meeting with Norcal Officials prior to the approval of the Solid Waste Collection Contract for the City of San Jose, proves what I said in my previous informational letter I sent to you last September.

But guess what...as a senior Vice President at Norcal Waste Systems, Inc. until January 2004...**I was also lied to.** All senior management knew about the plan to pressure the City for additional funds after we had the contract in hand, but what some of us didn't know is that Mr. Mike Sangiacomo...Norcal's CEO, and a few of his select management folks had a meeting with Mayor Gonzales and Mr. Guerra prior to the approval of the Solid Waste Contract. I just read in paragraph four in an article titled, "**So, if everyone's agreed, let the probes begin**", Mike Sangiacomo told the Mercury News that he never would have signed the contract...etc. etc. That statement is a total lie. That's Mr. Sangiacomo's way of trying to keep his nose clean. You know what they say, "when the ship is sinking and there's only one life raft, the hell with the other guy...in case, it's the Mayor's problem.

Like I said previously...the original plan was to low ball the San Jose bid and get additional funds later...having the Mayor and the Budget Policy Director in on the deal from the get go...was corruption at it's best.

Allow me to offer this suggestion regarding what I read in the San Jose Mercury News. The section I'm referring to is titled "**Contract Reversal Urged**"

Yes, if I was on the City Council, I would demand the immediate return of the additional moneys (\$11.25 Million Dollars) given to Norcal and/or their sub-contractors.

Norcal Waste Systems, Inc. should be required to adhere to there original contract agreement with the City of San Jose.

RD000042

When their original solid waste contract agreement is completed, the City should put the new solid waste collection/recycling contract out to bid (you'll be surprised all the interest) and allow Norcal Waste to submit the offer. If Norcal through their lack of 75 years experience in the cost of collecting solid waste wants to cover their past loss they will bid accordingly. And if they don't, they can pack up their goods and go home...the City will not be without a solid waste collection firm interested in serving the City of San Jose. One note you should consider, request an RFP's at least 18 to 24 months prior to the termination date of the current Norcal contract

I hope Council Person Cortese and Council Person LeZotte as well as yourself, stick to your guns and do the right thing for the rate-payers of the City of San Jose. As I read more about this recent matter, I see the other council folks don't really know what side of the fence to jump. They seem to be a sad bunch of puppets.

By the way, is there any legal action yet from the previous bidders that the Mayor and Mr. Guerra forced out of the process?

Council Person Reed, I do not plan to send this updated informational document to the Council members that sided with the Mayor...it would be a waste of my time.

Also, I heard on yesterday's news the Mayor's explanation for paying off Norcal Waste Systems...NO STRIKE...BETTER SERVICE...CHEAPER RATE. All total B.S.

Either the Mayor is Super Naive (I doubt it) or he and his side kick are in on the corrupt deal.

I plan to stay updated regarding this matter respond accordingly.

This is the original Informational Document I sent to all the Council Persons back in September 2004.

September 2004

Remember, when I sent this document to your attention, I was not aware of the meeting Norcal had with the Mayor and Mr. Guerra. Mike Sangiacomo only allowed a few senior management folks to have this information.

You may remember this letter I sent in September

You are being lied to...When NORCAL submitted a low-ball price for the garbage contract in San Jose they knew exactly what they were doing.

Low bid it...get the contract no matter what it takes...suck San Jose and the Officials in deeper...work with our Union friends to create a labor problem...talk about a garbage strike...scare City Officials about garbage left on San Jose streets...make the Union the bad guy...City Officials hate to go against organized labor Unions...before you know it the problem is handled...no garbage left behind...only thing is less money in City coffers or rate payer pockets...no difference...you've been robbed.

NORCAL said they were the new kids on the San Jose streets to garbage collect, right (only 75 years experience in collect, recycling and disposing of solid waste) and we didn't know, right... **the extra cost was unexpected**. The only one that didn't expect it was the City of San Jose; you thought an agreement was an agreement.

The normal way a garbage contract is handled is that the contractor bids for the work for a specific price and lives with the agreement. Why have a contract for 7 years....why not have it run day to day, if the contractor wants more money have the Union help and start trouble, you know it's all you have to do is share the extra dollars with the Union.

Beware, of a possible lawsuit from the other bidders, (GreenTeam of San Jose and Waste Management, Inc.), that submitted their bid for the job based on a 7 year commitment.

Wake up folks; tell NORCAL, we'll see you in 2007, until then wipe your crocodile tears and live up to your agreement.

Mayor Gonzales and Mr. Guerra have their heads in the sand. They think they are doing the correct thing and not allowing a garbage strike, but they are playing right into their hands. This scenario will go on and on until some one stands up and says, "an agreement is and agreement".

Believe me I know what I'm talking about; I was in the meetings when the plan was designed. I can not state my name at this time, but at the right moment I will. I was a senior manager at NORCAL and I deplore their actions. Ask them about their dirty activities with City Official's in Southern California. Don't let that happen in San Jose.

RD000044

Ask NORCAL for a copy of the spreadsheet to show how they could make money by bidding the contract so low. **It was impossible**, read my lips, **it was impossible**. Ask the other contractor's if they could do the job so cheap. Everyone in the solid waste industry knew NORCAL left too much on the table when they bid San Jose and everyone in the industry knew why they did it...yes even NORCAL senior management knew why they bid low, only you folks in the City of San Jose didn't know, you thought what a great deal we got, wait the worst is yet to come.

If you allow this fraud to happen, then you became part of it. If nothing is done regarding this matter I'm going public with the issues and I will not be empty handed, I have copies of all the analysis working spreadsheets.

By the way, I'm sure one of the less ethical City Council Members will send NORCAL a copy of this letter, and give NORCAL an opportunity to fix up some spreadsheets to counter this claim. This is business as usual, but what a shame. The only thing I can say is that the people of San Jose will know the entire story. There are still some ethical people at NORCAL and when the mole does his or her thing they will know and I will know.

I know...you don't have to do anything about this information...in fact it most likely would be easier for you to just put your head in the sand with the others and let it pass. It's only someone else's money why worry...ethics that's why...big deal about ethics there's no garbage on the streets and the Mayor is a hero along with his side-kick Mr. Guerra.

Thank you...From a very concerned tax payer and ethical business person. You may be hearing more from me at a later date.

Mr. Chuck Reed,

I understand your term is up on 12/31/04

I hope you don't use that excuse to waste basket this information.

RD000046

IMPORTANT INFORMATION

Council Person Chuck Reed
District #4

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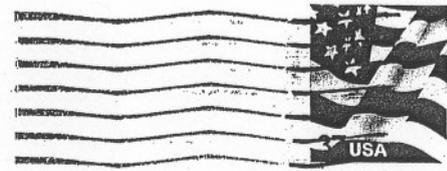
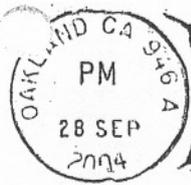
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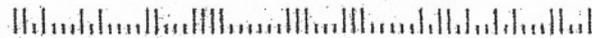
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RD000048



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