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To: Lamprey Regional Cooperative
Member Communities and
Board of Directors

From: Paul R. Deschaine, Chair
Board of Directors

Date: March 22, 2023

RE: Amendment Two of Waste Management
Waste Disposal Agreement

I am pleased to report that on March 9, 2023 the Board of Directors voted unanimously to approve a contract extension for waste disposal services on behalf of our member communities. The attached Amendment Two extends our relationship with Waste Management and their TREE facility in Rochester until December 31, 2033. The previous Amendment One would have ended on December 31, 2026. The following is a synopsis of the events that lead to this decision.

In the spring of 2022, Waste Management approached the Cooperative's Executive Committee about having an adjustment to our contracted disposal rates for two reasons. One was that the City of Rochester had renegotiated the community host fee, which had gone up significantly. They wanted to pass that along to us through the contract. The second was the unanticipated inflationary impacts that we all were experiencing.

The Executive Committee initial thoughts were that Amendment One, under which we were currently operating, had fixed rates, but on further examination of the contract and Amendment One and reviewing these documents with counsel, there was a pass-through provision for the community host fee. I have attached a spreadsheet that depicts the history of community host fee. The initial fee in 2017 was 65 cents a ton when we approved Amendment One. Thereafter, the fee changed to \$2.25, but Waste Management did not pass that through. In 2018, it went to \$3.00, and then in 2020 it went to \$3.50 and it stayed \$3.50 until 2022. It is anticipated sometime in 2023 it will go to \$4.50. It was not until 2022 when they asked to pass on that \$3.50 fee resulting in the \$2.85 increase in our tipping fee. As a result, we experienced five years' worth of non-pass-through benefit.

Through our diligence with counsel, we did find in the contract and in Amendment One that there were no provisions for a CPI or inflation adjustment. The Executive Committee told Waste Management that we would not accept that request. The Committee did offer to discuss a contract extension with the knowledge that the year 2026 will be here before you know it. This is when the negotiations started. As a result of those negotiations through the Summer and into the Fall of 2022, you see the new rates per Amendment Two.

The attached spreadsheet also depicts those new rates under Amendment Two. The spreadsheet also shows the predicted rates under Amendment One ending in 2026. The community host agreement with the City of Rochester tops out at \$4.50 per ton in 2023. However, that agreement has an annual CPI escalator in it. The spreadsheet conservatively uses a 5% annual CPI predictor to estimate the 2024, 2025, and 2026 total tipping fee under Amendment One. A higher rate could be easily argued based on recent inflationary pressures.

Another consideration was, if we waited to negotiate new rates in 2026, we would probably start seeing a \$90 to \$95 per ton rate, which would be a huge sticker shock for our members. Consequently, our logic to negotiate now was to get a fixed and competitive rate with no possible adjustments throughout the remaining term of the contract. The last attachment to this memo is a declaration of rates that Waste Management provided us, both for their clients and others with whom they compete. The average is \$86.44 while our new rate \$78.00 per ton. The Cooperative will be significantly below the average in the area.

There is a provision in Amendment Two that involves each member community. Each member community must sign the Exhibit 1 by the deadline of May 31, 2023 if they wish to benefit from this contract amendment. I am asking each director, representing your town, to approach your respective governing board or contracting authority to sign the Joinder Agreement and return it to me before the deadline. If your community does not sign and return the Joinder Agreement, you will be subject to the increases described above under Amendment One and you will not have any guaranty rate after December 31, 2026.

I hope you all will find this Amendment Two is of benefit to your community and will continue to support the combined negotiating power of the Cooperative for disposal services. If you need further information, I can be reached at (603) 944-3146 or at p.deschaine@comcast.net.

PRD
Enclosures