

Milwaukee Magazine: Dirty Work

Dirty Work

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Are City Hall and the State Capitol clean places to do business? The story of Waste Management and its well-connected point man, Bill Katzman, may make you wonder what smells worse - our garbage or our garbage contracts.

Richard Maslowski still remembers 1981, the year local garbage prices headed for the sky.

That year, the City of Glendale's trash contractor, international giant Waste Management Inc., informed the city that its trash bill would rise more than 300 percent the next year. As city administrator, Maslowski had the sticky job of breaking the news to other city officials. "They didn't take it very favorably," he says. "The mayor called it 'a prime example of corporate greed.'"

Strangely, Waste Management didn't have the kind of 1981 that would normally justify such a price increase. The company's profits rose 42 percent and its profit margin widened to nearly 11 percent. The National Association of Investment Clubs named the firm its "growth company of the year."

The outlook was just as bright in Milwaukee, where an aggressive building and acquisitions spree left Waste Management's regional vice president, Bill Katzman, in control of four local landfills. The only major competing dump in the metropolitan area, a facility run by Milwaukee County, closed about the same time.

While a small dump still competed for less common industrial wastes such as auto scrap and a few scavengers still worked the local scene like scrawny buzzards, these ventures didn't pose much of a threat to Katzman. The waste business has an old refrain: "You've got to pick the trash up and put it down, too." After 1981, the scavengers had to put down almost all of their trash at a Waste Management dump - at Waste Management prices - or bear the cost of trucking it all the way to southern Racine or Fort Atkinson. In Milwaukee, Bill

Katzman and his Chicago boss, Dean Buntrock, were making the rules.

The executives soon sent price hikes to a number of big customers, including Glendale. Five years earlier, the municipality had hired a firm named A-i Disposal to handle its residential trash for a maximum of \$93,000 per year. A few years later, Waste Management bought A-i and assumed the Glendale contract. When it came time for a new contract, Waste Management sent a new bill - \$385,000 per year. Even after negotiating the figure down to \$292,000, Maslowski stomached a tripling of his bill. Katzman blamed the hike on new regulations and higher fuel costs, but few doubted that the firm was raising rates because it had the power to do so. "They had the leverage. Waste Management was the only game in town," says Maslowski.

That same year, the City of Milwaukee attracted two firms when it sought bids for its trash contract. When the low bidder was disqualified because it lacked a landfill, the city was left with a lone bid from Waste Management. Predictably, Waste Management raised the city's rates by 50 percent.

Saying the firm had what could be considered a "monopoly" on landfills, Public Works Director Herbert Goetsch nevertheless signed a deal with the company that cost taxpayers an extra \$1.6 million per year. Looking back, a former Waste Management manager agrees with Goetsch's assessment: "Waste Management controlled all of the landfills. They had a monopolistic hold... [so] they raised prices every quarter."

It wasn't the only time Waste Management officials have been accused of exploiting their customers. Soon after they arrived in Milwaukee, the firm's founder and several Chicago associates were charged with fixing prices and "threatening physical harm" to competitors that bid against them. The firm or its subsidiaries have been caught rigging bids in Madison and have pleaded guilty to similar charges in San Diego. In 1990, the company agreed to return more than \$19 million to customers who said they were victims of nationwide bid fraud.

Then there is the firm's environmental record. Waste Management has paid \$800,000, the largest penalty for an environmental violation in state history, for allowing toxins to foul ground water beneath its huge Germantown landfill. Its hazardous waste subsidiary has paid a \$3.75 million fine for disconnecting monitoring equipment and overstuffing incinerators with PCBs in a case Business Week called the "The Ugly Mess at Waste Management." The district attorney in Emelle, Alabama, has called the firm's plant there "America's Biggest Pay Toilet." There's even a "Stop WMX" Web site created by grass-roots activists. (WMX was the company's official acronym before it became WMI this year.)

Given the firm's record of "environmental and antitrust violations and public corruption cases," a 1992 report by San Diego Assistant District Attorney Stephen Anear concluded, "The company's history requires extreme caution... by any ~. government entity contemplating a contractual or business relationship with Waste Management."

But Milwaukee and Wisconsin government officials hand long contracts to the firm. Waste Management has dumped Milwaukee's trash for 27 years. It's been the exclusive disposer of

hazardous waste for state government and the state university system for seven years. It hauls beer cups and paper plates from city-subsidized Summerfest, watermelon rinds and charcoal ash from county parks, and twigs, old shoes and other refuse from sewer grates on Jones Island.

Instead of being shunned, friendly Bill Katzman is welcomed into halls of power. When he went on a high-protein diet last year, several legislators joined him. When Katzman organized a Chicago campaign fundraiser for Milwaukee Mayor John Norquist with Waste Management officials last January, the mayor's campaign director called him the mayor's "friend."

"He's ubiquitous," says former Aid. and City Comptroller James McCann.

Katzman's popularity is not a mere feat of personality, however. He and his wife, Joann, gave \$17,750 to legislative candidates between 1992 and 1996 and ranked fourth in giving by couples in 1994. Meanwhile, employees have used a payroll deduction plan to send campaign cash to two-thirds of state legislators, as well as Gov. Tommy Thompson, County Executive Tom Ament and Mayor Norquist. Thompson has received more than \$80,000 in campaign cash from Waste Management sources since 1990, while Norquist has collected nearly \$19,000 since 1993.

While winning the support of politicians, the company has worked against the long-term interests of their constituents. Waste Management has sued to stop competitors from building landfills that would loosen its grip on the Milwaukee market. It sued a competitor that submitted a low bid for a Milwaukee Sewerage District job. Years later, the competitor prevailed in court, but it never got the contract.

Despite these aggressive defenses, Waste Management's monopoly has gotten creaky with age. Feisty smaller haulers have banded together to wage war against the veteran. After winning long court struggles, rivals have opened landfills and revived competition in Milwaukee. And customers have seen their garbage bills drop by as much as 38 percent by switching firms.

Only among its loyal government customers does Waste Management still stride like a colossus. It's here that other haulers find doors closed to fair competition, here that Bill Katzman is still the king of trash and here where we all may pay extra to have Waste Management take Out our garbage.

Like most people, the Jaycees in East Troy and Burlington regarded garbage as unappetizing work before they met Bill Katzman.

Though he started small in the early 1960s - hauling trash behind his pickup truck - the young scavenger soon taught the surprised rural business elite that garbage could be a growth industry. By the time he reached his mid-20s, Katzman was buying equipment, managing drivers and plotting efficient routes over the lake roads that twisted through the area.

Equally impressive was what came out of his mouth - a sales pitch that lulled listeners with its enthusiasm and earthy ease. "He would instill people with the idea that the lowly business of picking up trash was the backbone of sanitation in the community," says James Weiss, a Burlington insurance agent who sat on a bank board that approved a loan for Katzman. "I remember thinking, 'This guy is going to go someplace.'"

He was. While still in his 20s, Katzman broke into the Milwaukee market, getting his hands on a small hauling firm in Franklin called Best Disposal and turning it into a \$1 million-per-year business.

There his growth machine met Waste Management just as the fast-growing Chicago-based firm was using cash from its 1972 public stock offering to expand rapidly.

Key figures behind Waste Management had built a base of operations in Milwaukee more than a decade earlier (and had been charged with conspiring with several local waste companies, including Best). Now Waste Management was formally acquiring these major competitors. Katzman fell in line and merged Best with Waste Management in 1972, giving the Chicago firm a "commanding control of rubbish operations here," according to an article in The Milwaukee Journal.

"They tried running other trucks off the road. They tried to... scare away competitors."

The merger joined 30-year-old Katzman, who became manager of Waste Management's local operations, with the most influential and voracious man in the trash business: Waste Management founder Dean Buntrock, who went on to merge or acquire 1,500 trash companies and served as the company's chairman until this summer. It also gave him an education in Buntrock's pull-out-all-stops approach to doing business

While Buntrock had grown up in a small town like Katzman had, he'd married into a network of Dutch families that shared much of the trash market in Chicago. In 1959, he made his first foray outside of Chicago by taking over some Milwaukee routes from a fellow Chicago hauler and forming Acme Disposal in garage space he rented from Gimbel's department store. In the eyes of some observers, he brought corrupt Chicago-style business tactics with him.

Former Assistant Attorney General George Schwahn says he soon heard alarming reports about Acme's drivers. "They tried running other trucks off the road," says Schwahn, who initiated a John Doe investigation in which numerous local haulers secretly testified about Acme's practices. "Acme was trying to control the landfills and get all the business they could. They tried to... scare [competitors] away.

After the proceeding, State Attorney General John Reynolds charged Buntrock and 16 other defendants, including six Acme officers and the owners of several other companies, with enforcing a conspiracy to restrain trade. Agreeing not to bid against each other, the defendants "threatened physical harm" to haulers that did bid against them, said Reynolds. Sometimes the threats coincided with "mysterious fires and acts of vandalism," alleged Reynolds.

Waste Management's manager of legislative and regulatory affairs in the state, Lynn Morgan, says Buntrock's appearance in the suit was almost accidental, since he bought a minority interest in Acme just a few months before the suit was filed in 1962.

Waste Management's official history, however, has the young trash man setting up Acme's Milwaukee operations in 1959, more than two years before the suit was filed. Acme's articles of incorporation, filed in 1959, list Buntrock's relative, Clayton Buntrock, as a registered agent.

The case never went to trial, but it resulted in a court order that stood for nearly a decade and barred the defendants from any intimidating, anti-competitive practices. The reported problems stopped and the office never pursued the case further. While Morgan questions the relevance of a case that was ultimately dismissed, Reynolds believes it achieved its goals. "It was one of the outstanding things that the... office did while I was attorney general," says Reynolds, now a senior federal judge.

Two Chicago companies managed by Buntrock were later identified by Illinois Attorney General William Scott as members of another trash conspiracy: the Chicago and Suburban Refuse Association. Without admitting any wrongdoing, the group paid \$50,000 and signed a consent decree agreeing to break up the association.

Seeking a big municipal contract in Milwaukee - a cash cow to match what associates had in Chicago - Buntrock zeroed in on influential Milwaukee politicians with ethical weaknesses. He admitted paying for a week-long Florida vacation for then County Board Chairman Richard Nowakowski. In an affidavit, Buntrock said he "wined and dined" the supervisor, always paying his dinner, luncheon and cocktail bills. A few years later, Nowakowski was exposed in the press for hosting nude parties and charging a hotel room tryst to a lobbyist. He was removed from office for demanding \$800 in postage stamps for helping a constituent get zoning approval. An affidavit said that Phillip Rooney, a Buntrock lieutenant and future Waste Management top executive, paid for "a week's stay in Florida for Milwaukee Aid. Mark W. Ryan." Ryan later lost his office for accepting a \$600 gift certificate from a businessman seeking a liquor license.

Buntrock and his managers also became large contributors to former Mayor Henry Maier. In 1970, two years after Acme became a charter piece of Waste Management, Acme General Manager Stanley Ruminski made an eye-catching \$1,000 donation to Maier's campaign fund, according to a county supervisor who complained about the donation. An accountant of an Acme supplier was said to have contributed an additional \$1,000.

When a Maier campaign aide sought donations from Waste Management during the mayor's 1972 re-election drive, a company attorney dangled plans by "Buntrock and Rooney or Ruminski" to contribute another \$1,000 or \$2,000. According to a memo in Maier's archives, the attorney ultimately advised them against contributing that year in light of the controversy surrounding the earlier Waste Management payments to Maier.

Despite the heat, Buntrock got what he wanted for Acme - a huge contract to dump Milwaukee's residential garbage. While the press reported some of the connections and allegations, only former Mayor Frank Zeidler, the last of the city's scrupulous "Sewer Socialists" to hold office, implored the Common Council to stop the contract talks. If the lucrative deal went through, he warned, "the contractor will be tempted to enter every important municipal election thereafter,

seeking to get his own favorites elected to office and defeating those who demand an accounting of him."

The deal did go through, however, and Zeidler's words proved prophetic. Assuming control of Waste Management's local and then regional operations, Katzman became a familiar City Hall insider - perceived as close to a circle of aldermen including Clifford Draeger, Richard Spaulding and John Kalwitz, says one veteran political observer.

By the late 1970s, he was already a legendary sponsor of city political races. "He gave to everybody," says former Aid. Betty Voss. "He was like little Lord Jesus. He loved them all."

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Like a good ward politician, he emphasized no-complaints service (even though, with city crews collecting waste from homes, Waste Management played a fairly invisible role, trucking trash from transfer station to dumps). The firm also hired people from many aldermanic districts, says Voss, earning the aldermen goodwill. "People from my district got good jobs. I'm sure they earned them," says Voss. "If an alderman asked him to get someone a job, I'm sure he'd do it, but I don't know if that happened."

In 1982, Waste Management paid the financially strapped electrical firm owned by Aid. Richard Spaulding \$18,000 for work on one of its buildings in Menomonee Falls. Katzman said Spaulding was hired by a general contractor, not directly by the firm.

In any case, Spaulding supported Katzman on three deals in 1982 that showed the clout the executive was amassing at City Hall. In one, the Common Council voted to reapprove a nice piece of corporate welfare - \$10 million in city-issued bonds to help Waste Management upgrade four landfills and buy new equipment. While Waste Management paid the principal and interest on the notes, the city was using its tax-exempt bonding powers to secure a very low interest rate for the company - making capital cheaper for Waste Management than for its competitors. Most unusual of all, the city was subsidizing real estate investment outside city limits, something it had never done before and has never done since.

If the city didn't issue the bonds, higher finance costs "would ultimately be passed on to city taxpayers," wrote a mayoral aide in an office memo. As it turned out, Katzman passed on higher prices anyway. In another major accomplishment that year, he got Waste Management signed to an expandable 10-year agreement to handle the city's trash and raised the city's disposal rates by 50 percent.

Katzman's third conquest had a higher profile: It pit him and other insiders against top lobbyists for the most hotly contested contract in city history - the deal to install and operate the city's cable television system.

Katzman became a local investor in a partnership headed by the Warner-Amex cable company of New York and was joined by some of the area's most generous political benefactors - real estate developers Gary Grunau and B.J. and Harold Sampson among them. The group's all-star set of

lobbyists was so well-stocked that former Maier aide Brad Carr bragged that Warner paid him just to keep him from lobbying for anyone else.

In the end, a citizen's committee, a city consultant and a Common Council committee all ranked a bid by Viacom as superior, but Warner and Katzman pulled out a victory. When a majority of council members surfaced to reject a motion to negotiate with Viacom and support a motion to negotiate with Warner, Betty Voss abstained, saying that she could not vote for the firm "in good conscience."

An early story in The Milwaukee Journal cited the role of "politics" in the outcome and a later story detailed the campaign contributions that members of the Warner team lavished on key aldermen. Steven Cullen's campaign received \$2,325 from the team between 1982 and 1984, while Spaulding received \$1,475 (in addition to the electrical work). Aid. Roy Nabors' campaign got \$1,150 from the Warner group, which hired one of his aides as a lobbyist. In the end, all three aldermen lined up for Warner.

While Warner's bid was touted as more conservative and realistic by supporters, the system it promised bore scant resemblance to the one it actually built. By the time construction started, Warner's system had shrunk from 108 to 54 channels and the cost of standard service had jumped from \$4.95 per month to \$1 1.95 per month. Warner also jettisoned an interactive electronic system called "QUBE" that would have given Milwaukee a jump on the Internet.

Katzman made out well, however: A 1982 newspaper report estimated that his Warner stock was worth \$1 million. Less fortunate was Aid. Spaulding, who became another ethics casualty. Four years later, he went to jail for taking bribes from Brad Carr, the former Warner non-lobbyist, in an FBI sting.

While Waste Management was not responsible for the payoffs that sunk the careers of Spaulding, Ryan or Nowakowski, the careers of these politicians had a way of self-destructing after they became involved with Buntrock or Katzman.

By the time Henry Maier retired and John Norquist won election as Milwaukee's new mayor in 1988, Waste Management had been dumping Milwaukee's trash for 18 years, with only a minor crimp in the waste flow - another contractor's unsuccessful attempt to turn the city's trash into energy pellets.

The city's garbage bill from Waste Management had risen nearly 500 percent in those 18 years, in both yearly increments and spikes like the 50 percent jump in 1982. For years following the signing of that contract, the city looked as if it would be powerless to stop another hit to the tax levy the next time around. Then something unexpected happened: An aggressive competitor emerged.

The new rival was Superior Services, and it had been created with Waste Management very much in mind. Superior was the brainchild of Bob Glebs, a former solid-waste manager at the

state Department of Natural Resources whose growing fascination with the state waste market made him feel miscast as a bureaucrat during his time there.

By the late 1980s, Glebs believed Waste Management was ready to extend its dominance statewide and do so through a familiar method - locking up landfills. With coming environmental laws putting hundreds of small dumps out of business, Glebs counted 14 major private facilities in the state and counted Waste Management with seven of them. "There were only seven left and Waste Management had offered to buy all of them.... They were getting close to becoming the sole source provider of private waste services in the state. Their vision was market dominance."

After leaving the bureau and working with investors to develop plans for new landfills, the maverick former technician had a whopper of an idea: Why not band together the state's smaller waste outfits and head off Waste Management's creep across the state?

Convening a dozen small haulers and landfillers at what had been the old Playboy Club resort in Lake Geneva, Glebs laid out an exciting but risky-sounding plan. "We said that if they merged and took on Waste Management, they could increase profits. And if we could go public and they sold their stock, they'd make more money than if they'd sold to Waste Management," remembers Glebs, who was joined in his pitch by Joe Tate, a waste executive with a landfill in Fort Atkinson and a small chain of hauling companies. Eat or be eaten, Glebs told the group. The choice was theirs.

Glebs was asking the many soloists in the audience to make a leap of faith. "We didn't trust each other," remembers one hauler who heard the pitch. "Some of us were competitors. Before that, you'd sit in your office and say, 'This son of a bitch screwed me on something.' Now you're in the same room talking about merging."

"We spent a year and a half sniffing each others' armpits," explains Glebs, who served as the group's semi-neutral referee.

Eventually, he convinced a majority that a merger was both a smart business move and an invitation to a thrilling chase. "We knew we'd go through a lot of crap, but if we pulled it off, we would have done something really neat for the marketplace," he says. "The drive was to have flin and compete. That's what it's all about in America."

To initiate the contest, Glebs fired a few warning shots so close to Katzman that they could have nicked him. First he announced plans for a huge new dump that he believed would be a powerhouse in the Milwaukee market. Its location: suburban Muskego, literally across the street from a major Waste Management site in Franklin. Then he announced plans to get the crown jewel of Waste Management's accounts: the City of Milwaukee's nearly \$10 million-per-year garbage contract.

For all his chutzpa, Glebs knew that his path was fraught with obstacles. To get the dream site for Superior's Emerald Park landfill in Muskego, he was forced to employ what he calls "some interesting scenarios. One deal was done in German," he recalls. "I went out to talk to the

property owner, a farmer, and I realized, 'This guy has not a clue what I'm saying to him.' So I got a broker who spoke fluent German and this guy loved it." Glebs clinched the deal by buying a more fertile parcel of land and swapping with the farmer. "Waste Management had wanted that land for years, but they couldn't get it," he says with an appreciative laugh.

Glebs also knew that Waste Management could be counted on for aggressive countermeasures in defending its local hegemony and its key contract. When a competitor won approval to build a landfill farther outside Milwaukee, in Walworth County, Waste Management had sued the DNR for granting the permit after a WMI representative testified that the landfill would cut into its business. Unmoved by the company's plight, judges at three levels ruled that Waste Management had no standing to sue. "Standing cases can be complex and difficult to resolve," wrote state Supreme Court Chief Justice Nathan Heffernan. "This case is neither."

To stop Superior, Waste Management joined a handful of the new landfill's neighbors in Muskego in suing the new company. Superior got the backing of the DNR and won every major decision.

The firm also supported a measure that was inserted into the state budget by Sen. Joe Wineke that would have outlawed Emerald Park because it was within five miles of another landfill. (Wineke has received \$1,850 in WMI-related donations since 1991.) Katzman said it was nonsense to suggest that the move was aimed at limiting competition. "We just don't want them on top of our operation," he explained.

Despite these threats, Glebs was pleased with his progress. Lobbyists helped get the five-mile rule removed from the budget. And consultants helped make political introductions in Milwaukee. "They got us into the right meetings that I wouldn't have even known about. Without them, I wouldn't have known which fundraiser to go to - the one where there were only going to be 10 people, so you get a minute or two with the mayor."

Glebs says he pigeonholed Norquist at a fundraiser and toured his first public works director, John Bolden, around the Muskego site and other sites. "I went to Bolden early on and I said, 'John, you're paying way too much. We think we can save the city some big money.'"

The message seemed to sink in. The prospect of a possible shooting match for the city's garbage business hit the press in 1991, and Norquist predicted intense lobbying over the contract, which he described as the largest single piece of city business.

As if hearing footsteps behind it, Waste Management reversed course and agreed to drop the city's disposal fee from \$34.84 to \$29.76 per ton in negotiating a two-year contract extension with the city in 1992. "The question could be asked: 'Why was it at \$34.84 a ton?' " observed Aid. Don Richards.

Later that year, Bolden left Milwaukee, and James Kaminski, a longtime engineer at Public Works and a committed volunteer on Norquist's 1992 re-election campaign, became his replacement. It was better news for Katzman than for Glebs, since Kaminski knew Katzman and

had a son who worked under him at Waste Management. But Kaminski promised impartiality. Given his son's connection, he even vowed to form a committee of officials from various departments and then stay out of the bidding process.

By late 1993, just months before bids were due, Glebs believed he'd assembled a formidable package. Superior had nearly 1,000 employees and annual sales of \$75 million. Besides its Muskego site, which was still clearing its last legal hurdles, the firm had ample landfill space near Horicon and Fort Atkinson and a backup agreement with the operator of a landfill in Racine, says Glebs. "We could have handled that contract very well," he says.

As a final insurance measure, he even moved Superior's offices from Madison to West Allis, based on reconnaissance that told him Norquist wouldn't feel comfortable having such a large piece of city business going to a firm from outside the Milwaukee area. "We went through an awful lot of hoops for this thing," he says.

Then in late fall, just a few months before the bids were due, he saw something alarming in a draft of the bid specifications: a requirement that a firm (or its parent company) have \$10 million in retained profits to qualify as a bidder.

Superior had a little less than \$9 million in retained earnings at the time, says Glebs. Since he'd submitted Superior's books to city officials to familiarize them with the company, he knew they could see that the requirement disqualified the company.

"We called the city and said, 'This is ridiculous,' " says Glebs, who recalls talking to Kaminski personally about the matter. He offered to get a \$10 million bond to protect the city but says he was told it wouldn't make a difference.

"We fought tooth and nail to get that spec out," remembers Bob Klimoski, another former Superior executive who worked on the bid.

Despite these claims, Kaminski says he doesn't remember Glebs' call or Superior's complaint. "I doubt it. I'm getting old and I forget but I don't think so.... I wanted to stay at arm's length," he says.

The retained earnings requirement actually came from Comptroller Wally Morics' office, which looked for a certain level of profitability to ensure that a winning bidder was financially sound, says Anita Paretti, assistant city comptroller. To set the \$10 million figure, she says, she obtained a list of the nation's public waste services companies and found "the natural breaking point that dichotomized the people who had sufficient capital to keep a contract operating and those who didn't."

That breaking point, says Paretti, was \$10 million and her list showed her there were eight firms above the cutoff "That showed that we'd have competition," she says.

In truth, few of the eight firms could submit a competitive bid. As the city had learned in years of forced monogamy with Waste Management, a waste contractor - no matter what its size - needed nearby landfills like Superior's to make a legitimate run at the huge city contract. Of the eight firms on Paretti's list, five had no operations in Wisconsin. Another, Laidlaw, had a tiny unit that handled residential collection around Delafield and had no interest in the city contract.

That left two firms. With more than \$3 billion in retained profits, Waste Management cleared the hurdle easily. So did Houston-based Browning Ferris (BFI), which had a significant Wisconsin presence, albeit smaller than Superior's.

But BFI had a different problem. It had failed to secure much landfill space in the state. If it were to get the job and deposit the city's waste at its one small landfill in East Troy, it would have to close the site in three and a half years.

As originally drafted, the bid specifications would have allowed BFI to bid on the contract even if it had as little as three years of capacity. But representatives of Kaminski's Public Works Department moved to close BFI's window, just as the comptroller had closed Superior's.

In arguing for requiring bidders to have seven years of landfill capacity, not three, Public Works officials drew a warning from a consultant they'd hired to advise them. In a letter to Kaminski, two members of the Illinois-based Weston consulting firm argued that the clause could decrease the number of companies able to bid - even those "technically qualified and willing to offer a competitive price...."

The Public Works Department overrode the consultants. From the sidelines, the Superior team looked on in astonishment. "It appeared that nobody qualified for that bid except Waste Management," says Klimoski. "Superior had the landfill capacity but not the retained earnings and BFI had the earnings but not the landfill capacity. In my opinion, the only company that could qualify for that contract was Waste Management."

Glebs saw that fact plainly. But he saw one final option: a joint venture of Superior and BFI would qualify, if he could throw it together in time. Although Glebs did get what appeared to be an agreement from BFI to submit a joint bid, just an hour before the bids were due, he learned that BFI was pulling out of the deal.

Kaminski had publicly predicted four bids, but the city got just two. Gallatin National, a firm with a landfill south of Peoria, Illinois, made a laughable offer to raise the city's rates to nearly \$40 per ton. Waste Management offered to cut its rate from \$31.98 to \$27.47. By the time the contract was signed, Waste Management also agreed to take over the operation of two self-help stations where residents bring yard waste and other items.

Kaminski claims that the \$1.35 million annual reduction in the city's garbage bill (\$2.3 million if reported savings from privatizing the self-help stations are added) is proof that the bidding process was successful. "The aura of competition that was created brought Waste Management down. They lowered their price something awful," he says.

Glebs, however, says he was prepared to go even lower; his bid, in an envelope that was never delivered, quoted a per-ton rate "in the high 26s," which would have saved taxpayers another \$150,000 per year based on the city's annual tonnage.

In the end, he believes he helped recalibrate the city's garbage rates. "We saved the city a lot of money by being on the horizon. People at the city knew through our discussions with Bolden that that's what it could be done for," says Glebs, referring to a per-ton rate of less than \$27. "Waste Management was plugged in enough to know the numbers that people were talking about."

Paretti believes she acted prudently. "While everyone wants to be a player and everyone can become one in time, not everyone is a player at the time they want to bid," she says. "We don't want a company cutting its teeth on the city contract."

But members of the team behind Superior's bid disagree. "I didn't see any risk to the city," says Klimoski, who had experience managing municipal disposal for several Madison suburbs. "Hell, we had 200 to 300 trucks operating in Wisconsin at the time. What happened was just unbelievable."

Former Comptroller James McCann questions the logic of setting such a firm profit requirement. "Should it be \$9 million or \$10 million or \$11 million? That seems a bit far-fetched," says McCann, who says it's easy for political considerations to overtake the specification-setting process.

Glebs and Klimoski believe that's what happened. "A good salesperson knows that... if you want the best chance at a contract, you have to work with the municipality on developing the specs. Ideally, you have them written so that only you qualify," says Klimoski, explaining that lobbyists try to plant seeds of doubt about competitors.

"Waste Management came in before the bids were due and got the City of Milwaukee to change the specs," claims Glebs. "Katzman had tremendous contacts in City Hall. Bill started in Milwaukee in '69 and '70 and he got to know everyone."

In his run for the comptroller's office in 1992, Paretti's boss, Wally Morics, was clearly targeted by Waste Management with a \$1,000 contribution from its PAC and \$200 from Katzman. Did Waste Management get his attention? "That contribution was less than 1 percent of what I raised, though I am grateful for it," he says. He denies having any discussions with Katzman or other representatives of the firm during his campaign or afterward. Katzman declined to be interviewed for this story.

Kaminski's claims of non-involvement are undermined somewhat by the fact that consultants addressed their warnings about competition directly to him. But even if he did withdraw himself, he may have helped Katzman merely by staying on the sidelines, as lobbyist Brad Carr did years earlier. By publicly washing his hands of the matter, he gave up a chance to step in and ensure that bidders weren't unnecessarily excluded.

"We were up against a brick wall," concludes Glebs. "Quite honestly, we never got a fair shot." The signing of a new seven-year contract was met with a short newspaper story and a brief quote from Kaminski, who said he was pleased with the bids.

While Superior executives were more disappointed, events following the signing encouraged them - and proved that city officials had little to worry about in terms of Superior's stability.

Since an initial public stock offering in 1994, the company's stock price has nearly doubled as its revenues have grown to \$109 million and annual profits have reached nearly \$12 million. The company now has retained earnings of \$31 million and is one of the 15 largest firms in the industry.

Even more stunning than Superior's financial performance has been the effect of the company's Emerald Park landfill on the Milwaukee waste market, where waste customers are reacting like passengers released from a stuffy train car. Briggs & Stratton, for instance, was paying more than \$40 per ton to Waste Management before the opening of Emerald Park in 1994. It's now using Superior and has seen its price drop nearly \$15 per ton. "Emerald Park really leveled the playing field," says David Boyd, corporate environmental manager at Briggs & Stratton.

Big companies, including Allen-Bradley and Quad/Graphics, have also moved their disposal work from Waste Management to Superior. Given Waste Management's price increases over the years, it's often an easy sale, say sources. "It's as simple as coming in and saying, 'We're not Waste Management,'" says one former waste salesman. Another aggressive new competitor, Sanifill/USA Waste is also winning business in the metro area.

The rise of competition here has mirrored a decline in Katzman's career as a manager. In 1982, when Waste Management had its local landfill "monopoly," Katzman was a regional vice president overseeing Waste Management's operations in the Upper Midwest and much of Canada. "After that, he kept getting his territory chipped away," says a former Waste Management manager.

Glebs says careers were on the line in Waste Management's battle to stop Emerald Park. "When we opened Emerald Park, Waste Management executives came up and cleaned house. [Local officials] were supposed to stop that site. I remember the boys coming up from Oakbrook - Buntrock and Rooney," says Glebs, who left Superior, a firm overstocked with executives, to start a chain of waste companies in Iowa.

Katzman has concentrated more and more on his forte - lobbying - with some powerful results. As early as the late '80s, political observers were whispering about Katzman's involvement in fundraising for state Rep. Wally Kunicki (D-Milwaukee). Kunicki's reputed access to deep pockets has helped him become the Democrats' floor leader in the Assembly and pushed him closer to Katzman, say sources. "It's not at all unusual, during a closed session, for one of the Democrats to rip Wally... by saying, 'You're nothing but a whore to Bill Katzman and Waste Management.' And it's not unheard of for Wally to say, 'How do you think we get money to run our campaigns?'"

Since setting up a private practice as a lobbyist that lists Waste Management as a major client, Katzman has begun feting other politicians, usually in Chicago, near Waste Management's headquarters and out of sight of the Wisconsin press corps. Katzman has hosted two Chicago fundraisers for Gov. Thompson, including one this April that added \$14,850 to Thompson's campaign war chest.

Do these fundraisers win business for the firm?

Waste Management's government affairs director, Lynn Morgan, says political contributions serve a different goal. "If you want good government, you have to ensure that good people are elected," she says. Nor do the donations provide special access to politicians, says Morgan. "Wisconsin is still the sort of state where people... are more than willing to meet with you even if they don't receive a contribution."

A major Waste Management fundraiser for Thompson in 1994, however, preceded the awarding of a huge contract that renewed a Waste Management subsidiary as the exclusive disposer of hazardous waste for state government and the University of Wisconsin System.

Six weeks before his re-election as governor, Thompson went to Chicago and picked up more than 30 checks totaling \$20,550. Three days later, the company's PAC gave Thompson's campaign \$10,000. Six weeks after the election, Thompson's Department of Administration awarded Chemical Waste Management a five-year contract.

State administrators say these contributions couldn't have influenced a technical team - which rated Chemical Waste Management's proposal the best of the seven it received - yet all worked in agencies whose top executives were appointed by the governor. And the selection was overseen by the Department of Administration, which was then led by Thompson's top political strategist, James Klauser, whose stepson had worked within the year alongside Katzman at Broydrick & Associates, the powerful lobbying firm that handles much of Waste Management's lobbying.

In early 1996, Milwaukee Mayor John Norquist got his own Chicago fundraiser courtesy of Katzman. He netted more than \$13,000 for his campaign, including a \$1,000 donation from Buntrock's wife, Rosemarie, and \$1,000 from then Chief Operating Officer Philip Rooney.

Since then, observers have noted several large city-related contracts going to Waste Management and its subsidiaries - at least two without competitive bidding.

When the city's Public Works Department prepared for the installation of an ozone filtration system, Waste Management subsidiary Rust Engineering was hired without competitive bids to help plan the work and be the city's owner 5 representative - a \$1.4 million piece of work. While Public Works staff members hail Rust Engineering for helping to create a design-build process that may save the city millions of dollars, other observers describe the hiring as "cozy." Says one person familiar with the contract: "That one's got crap and dead fish all over it."

Suspicious also surround the Milwaukee Metropolitan Sewerage District (MMSD), which Norquist controls through board appointments and where Katzman's ties could hardly be stronger: He was paid by MMSD as a lobbyist in 1995 and 1996. Waste Management money

also flows to elected officials who serve on the MMSD board, such as state Sen. Brian Burke (D-Milwaukee), who received a \$1,000 PAC contribution last year.

Last year, MMSD officials angered other area waste firms by handing a \$900,000 contract to Chemical Waste Management to handle its household hazardous waste program. It used a provision of the state law that allows other units of government to "piggyback" on the state contract. "The state... negotiates the lowest price possible," says Chris Magruder, who also praises Chem-Waste's unbeatable level of insurance. "We're able to get the lowest prices already negotiated. It's very unlikely that we could negotiate anything cheaper."

The Sewerage District's point man on the project, Dave Fowler, argues that using the state contractor made sense for other reasons, the chief one being that Chemical Waste had a facility where residents could drop off their waste. The facility is located just across the Waukesha County border in Menomonee Falls.

Jeffrey Vialone, whose Milwaukee-based firm EOG Environmental was interested in handling the household program but never got a chance to bid, says his firm could have created such a site inside Milwaukee County quickly. It now owns such a site - inside city limits. Vialone takes special exception to the idea that the Sewerage District saved money. "They're paying a premium to piggyback," he says. "Some do it for the sake of simplicity and ease, but if they did bid it out, they could get a better competitive number."

The experiences of Honora Kraemer, who runs Dane County's household hazardous waste disposal program, seem to add weight to Vialone's claim. Kraemer says she has secured sharply lower prices by having companies bid on handling different types of waste, not on an all-encompassing contract. Finding that firms vary in their ability to handle different chemicals, she hired three different vendors to handle the waste from Dane County homes. In 1996, Kraemer paid \$1.14 per pound to dispose of her most common material, hazardous liquids. The Sewerage District paid \$1.49 per pound to dispose of the same waste. The Sewerage District also paid \$1.49 per pound to dispose of acids and bases, but Kraemer paid only 61 cents. She paid \$2.27 per pound to dispose of dioxin, compared to the Sewerage District's \$9 per pound. "I can't believe some of these prices," she says. Working with three contractors and three bills has meant little additional hassle, she says, and she's comfortable with their levels of insurance and environmental safeguards.

She's not alone in her satisfaction. While some bodies of government continue to face the kind of interference former Mayor Zeidler warned about back in 1972

- Waste Management entering important elections, "seeking to get its favorites elected to office"
- government officials elsewhere look past political gains and insist on the best value for their constituents.

Take Glendale, for example. How has it fared since its 200 percent price hike in 1981?

Maslowski has an interesting story to relate. When its contract with Waste Management was set to expire in the mid-'80s, Glendale found a firm named Town & Country (since merged with

BFI) that had just built a landfill in East Troy, the one Waste Management had sued the DNR for approving. Instead of writing forbidding specifications, the city welcomed the arrival of an alternative.

Its reward? Glendale hired the firm not only to dump its trash in landfills but to provide a new service as well - collecting trash at all homes in the city. "The new price for everything, including collection," Maslowski reports, "was still less than what we'd been paying Waste Management."