

**Request for Proposal (RFP) or Rest-in-Peace (RIP):  
Tips on Analyzing Public Operation of Solid Waste Facilities**

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■ **Abstract**

Solid waste systems have relied on public and private partners for system ownership and operation through the use of service agreements and contracts. Many of these contracts have matched the repayment schedule of debt issued to finance system facilities. As debt call dates and final maturity dates get closer, solid waste system managers are beginning to evaluate whether to renew contracts, issue new "RFP" (request for proposals) for operation of system facilities, self operate the system, or "RIP", rest in peace and sell the system. Based on the perspective of a municipal bond analyst, this paper and presentation will provide tips on how to evaluate these options, concentrating on public operation of facilities previously operated by the private sector. The impact on system finances, service area and credit will be discussed. Case studies will illustrate how solid waste system and other sectors have handled these changes. Copies of these reports may be obtained from the Fitch IBCA's web site at [www.fitchibca.com](http://www.fitchibca.com)

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**I. Summary<sup>1</sup>**

Solid waste disposal is a public health and safety responsibility of municipal governments. The service can be performed by the municipality, by the municipality through a private company under contracts and agreements with the municipality, or performed directly by a private company. Solid waste services include waste collection, transfer and waste disposal. Disposal alternatives are recycling, landfill and resource recovery, known as "waste-to-energy" where waste is combusted to generate electricity or steam.

There are myriad decisions that must be made by the municipal government as they decide the type of facilities, public or private facility operations, public or private collection and disposal for residential, commercial and industrial customer base, or, whether to construct facilities, equipment and system components using municipal funds or private funds.

This paper and presentation present the issues credit analysts investigate when evaluating ownership and operations of municipal solid waste systems. Explored are the decisions faced by a municipality upon expiration or termination of operating contracts. Often, decisions made in the early years of system

operations will impact those in later years. Take for example a municipally owned but privately operated facility with a 20-year service contract. This contract expires as the bonds sold to construct the facility reach final maturity. The municipality must decide whether to execute a new contract with the current operator, put out a request for proposal for a new vendor to operate the system, evaluate whether to operate the system with municipal employees, or RIP and sell the system to the private sector. From the vendor's perspective, the operator sees the revenue potential of changing the ownership structure to the private sector. The looming question is whether or not selling the system will bring "peace." It is necessary to assess all of the contracts and profit potential of the system.

The potential impact on revenues and expenses must be assessed in order to ensure that the most competitive, efficient and low cost operating cost option is selected. Systems that have economic rates demonstrate a good competitive position. The ability to have competitive rates is related to the amount of waste supplied to the system and whether contracts and agreements are used to get the waste to the system facilities. A diversified revenue structure has the benefit of lowering tipping fees. Therefore, expanding the revenue base and entering into waste contracts enhances the overall competitive position of the system.

The most successful systems are those with management flexibility and that are unencumbered by tax limitations on the rates and fees directly imposed in system facilities or those that are "pass-through" to underlying municipal participants. However, as debt rolls off and legal provisions are extinguished, management needs to understand whether the municipal participants will continue to support the system. Thus, efficient and economical system operations are essential.

## **II. Ownership and Organization Options**

Solid waste system operating structures can take several forms, municipally owned and operated, municipally owned but privately operated, municipally owned but operated by another municipal operator, or privately owned and operated. Ultimate ownership by the private sector can also be structured into the transaction after debt is paid.

The organizational structure of municipal solid waste systems can influence debt structure and the relationship with public and private sector participants. Municipalities can own or operate solid waste systems directly or through an agency. Public

agency structures have the agency issue the bonds, loaning the proceeds to the municipality to construct the system. A loan or lease agreement covers repayment. Funds to repay the bonds are system net revenues. System net revenues can be derived from several sources, tipping fees collected at the facility, sales of recyclables, fees from interlocal agreements collected with water and sewer bills, and sale of energy. Additional income can be derived from non-contract "spot" waste. This type of waste can offset shortfalls in the amount of actual waste received from the participants when compared with waste guarantees.

Typical expenses include operations, maintenance, and debt repayment (principal, interest, and reserves). Operations and maintenance expenses can take the form of service contracts with public or private operators. Fees are payable under complex formulas. Thus, the type of organization and ownership influence the type of debt and operating options selected by the system managers.

Municipal solid waste systems have allocated net income and surplus funds available after payment of debt service in several ways. Keeping these funds in the system to provide monies for improvements, rate stabilization, and other contingencies gives management the most flexibility.

Underlying municipalities have imposed capital fees and charges on systems in order to recoup funds. Here are a few examples:

- Sacramento County, CA division of solid waste operates as a separate enterprise fund. Debt was originally structured to include an "asset use fee," about \$4.5 million payable to the county general fund. As a result of increased competition and loss of more waste than originally forecast, the county eliminated this transfer.
- City of Santa Cruz, CA legal documents provide covenants that all excess funds of its solid waste refuse enterprise fund remain with the enterprise fund.
- Orange County, CA also operates its solid waste division as a separate enterprise fund. The landfill system has become a regional disposal alternative for Southern California due to state legislation enacted to assist the county's recovery from bankruptcy.



As part of the recovery plan, imported waste could be accepted in the landfill with the expectation that some \$15 million would be transferred from the solid waste enterprise fund to the general fund. In calculating the actual amount of the county transfer, the solid waste department imposes capital fees associated with regional landfill expansion. Other legal covenants were included to prevent the county from terminating its agreements for five years.

- Three Rivers Solid Waste Authority, SC solid waste plans provide for capital improvements funded from system surplus. While this demonstrates excellent self-sufficiency, it is important to ensure that holders of debt maturing in the later years are still protected. To ensure this, a distribution test was included. Before funds can be released for new cell construction, financial operations must demonstrate that net revenues covers maximum annual debt service.

The remittance of excess funds to private participants has been achieved as follows:

- Massachusetts Development Finance Agency, MA issues debt on behalf of the Ogden Haverhill waste-to-energy facility. This plant is privately owned and operated, more of a “merchant” plant since most of the waste is supplied from out of area waste contracts and spot market. Due to the competitive nature of the service area, equity distribution tests were agreed to. After several tests are met, excess funds can then be remitted to the private operator. These tests ensure that sufficient funds will be retained in the rate stabilization fund to ensure competitive rates.
- Camden Pollution Control Financing Authority, NJ for its Foster-Wheeler owned and operated waste-to-energy facility has a “true-up” feature in the service contract. Excess income is credited against the amount of service fee payments owed in the next year.

### III. Operating Options

Primary considerations impacting municipal or private ownership decisions include the type of technology, the experience and ability of the public works department to continue to operate the facilities, the costs of providing the service, and the ability to manage and oversee the delivery of service. When a combination of “NO” responses occurs, the decision to engage a private operator may be more economical than hiring and training staff that becomes municipal employees, purchasing capital equipment, or constructing primary and ancillary facilities.

The type of facilities and the complexities of operating the system differ for landfills versus transfer stations or waste-to-energy systems. Nonetheless, the above questions must be asked. The threshold answer should always consider if the municipality would incur additional costs by change in ownership or operation of the facility. Costs as well as control are also important in assessing what decisions are to be made.

The costs of private operation of system facilities are similar to those with public operation, except for the “profit” or equity allocation. Some public systems incorporate the concept of cost recovery, or asset use fee. Expenses include employee’s payroll, benefits, system operations, regular annual maintenance, and contributions toward long-term capital improvements. A private operating contract includes a profit component, inflation adjustments, allocations for pass-through costs (such as disposal of waste that the system cannot process) and by-products of waste processing (such as ash in waste-to-energy systems), host fees, negotiated energy credits, non-contract “spot” waste, payments-in-lieu of taxes (PILOTS), and community host fees, to name a few.

There are also provisions to allocate uncontrollable costs between the operator and the public owner. There have been other benefits to the use of spot waste. Lowering the cost of spot waste attracts more waste to the system facilities. By allowing more non-contract waste into the system, the amount of revenues and net income rises. Depending upon the terms of the contract, the operator can receive credits for the amount of revenue attributable to the spot waste. When this income is a credit under the service fee formula, lower costs to the municipality can be obtained. Based on the services that are privatized, the municipality, or authority, or vendor provide billing and collection for solid waste services and arrange for waste collection and disposal contracts.



Factors that prompt a municipality to return to self-operation of facilities instead of using a private operator should include evaluation of savings for the municipality. Municipalities should continue to evaluate whether or not private operation should continue. The terms of the operating contract may or may not include revenue sharing of energy sales and sales of reclaimed or recyclable items.

Here are some examples of systems and decisions made under operating contracts:

- ❑ Atlantic County Utilities Authority, NJ solid waste division initially started with private operation of the transfer station and then determined that it would be more economical to operate the transfer station with municipal employees. The transfer station operating contract was not renewed and county employees now operate these facilities.
- ❑ Oneida-Herkimer, NY solid waste system discontinued plan for privately operated waste-to-energy operations and plans to complete county-operated landfill. The project economics were more costly than alternative waste disposal option to use private landfill under contracts.
- ❑ Hudson County, NJ now uses disposal contracts with private landfills as a lower cost alternative than continuing internal landfill disposal.
- ❑ Napa-Vallejo County, CA constructed a transfer station for the rail-haul of waste to out-of-state private landfills. As a result of private sector consolidation, the waste can now be trucked to other company operated landfills. These landfills are closer to the area generating the waste. Both the county and private sector re-evaluated the contracts to work cooperatively toward an economical solution to rising disposal costs in the face of lower waste supply.
- ❑ City of Tampa, FL is undertaking a retrofit of its McKay Bay resource recovery facility. The facility will remain operational during the retrofit. The city negotiated alternative landfill disposal contracts to handle processible waste

while the retrofit is under way. The waste disposal fees are competitive and the system benefits from having these alternatives in place.

#### **IV. Contract Provisions**

Terms and conditions of operating and management contracts should be constructed to benefit all parties to provide an economical method to provide solid waste services. The contract provisions must clearly identify:

- ❑ Technical responsibilities.
- ❑ Financial responsibilities.
- ❑ Maintenance and repair schedule.
- ❑ Uncontrollable costs.
- ❑ Pass-through costs.
- ❑ Revenue sharing formulas for spot waste, sales of reclaimed products and energy.
- ❑ Disposal of non-processible waste.
- ❑ Terms of default and remedies.

These provisions are important to the credit analyst's evaluation of solid waste system management. Solid waste systems operate in a competitive and highly regulated market sector. Management's ability to be flexible and retain control to take remedial actions is important to retaining a competitive position.

**Technical Management:** The analysis of management considers the level of technical oversight of the facility. This review can be performed by the municipality, or by independent engineers. Facilities that are properly maintained and conform to environmental regulations sustain more efficient operations, enable expense control and avoid permit violations and fines. Well-maintained facilities make the renewal of permits and operating contracts easier. These are positive factors if the municipality seeks a new request for proposal for a new operator or for sale of the facilities.

**Financial Management:** Financial oversight includes the interaction between system participants served through interlocal contracts and agreements. When general fund or other revenues are appropriated from the municipal budget, the authority should conduct meetings with the participating municipalities. In this way, the participating municipalities become aware of the costs they are responsible to pay under authority waste agreements. The basis for these costs is included in the service formula with the system operator. These can include the identified "pass-through costs."

**Contract Management:** Contract provisions may include penalties requiring the unplanned use of



revenues. An example includes whether contracts are put-or-pay and if they include payment for lost revenues from the sale of energy or reclaimed products. If not, financial operations are vulnerable to penalties. Even though the full amount of revenues is received, if the waste content is not sufficient, there may be damage penalties owed under contracts for sales of reclaimed products or energy. While the agreements provide for these costs to be paid by the participants, there should be accountability of the costs and awareness of any tax limitations that restrict the ability of the municipality to increase rates and fees in order to have sufficient funds to meet their contractual obligations. A few examples of provisions include:

- Bristol Resource Recovery Facility Operating Committee, CT provides waste-to-energy, transfer station, and landfill solid waste disposal services for 14 participating municipalities near the City of Bristol. Debt is repaid from net revenues derived from tipping fees, sales of energy, and service contracts paid by the municipal participants based on put-or-pay contracts. The municipalities have pledged their full faith and credit and general fund support to these payments. There are provisions for shortfall in energy payments to be passed through to the municipalities. While the underlying credit quality of the municipalities is strong, when contracts provide for increased costs that were not anticipated, other expenses and programs may suffer.
- Union County, NJ issued debt through the Union County Utilities Authority for its waste-to-energy facility. Contracts provide for increased disposal costs for ash residue and lost energy revenues to be passed through to the municipalities. It is important to evaluate the overall rates and charges imposed on the tax base and the overall burden on income from all taxes and fees.

#### **V. Evaluating Operating Contracts**

Service contracts are negotiated between systems and vendors as well as between municipal governments. These contracts and agreements also provide the terms of operation for facilities that are not municipally operated. The use of these instruments has risen in response to flow control and to stabilize waste supply and operating costs. Nonetheless, there remain key analytical areas for the evaluation of

these contracts that should be included whether or not debt is outstanding. The evaluation of service contracts can be divided into components: contract terms, hauler considerations, waste supply agreements, intermunicipal agreements, and municipal support. Important considerations in evaluating the contract terms relate to the life of the contract in relation to the term of the debt, whether the contract matches or exceeds bond life, or whether renewal risk exists.

The risks associated with increases in consumer or producer prices are also assessed. Some contracts have the solid waste system responsible for increases above a specified amount, placing the risk of inflation on the system. Analysts evaluate the extent of liability and the potential amounts paid by the vendor or municipality.

Payment mechanisms are also evaluated, including if the municipality or the vendor is responsible for billing. In addition, the budget processes as well as put or pay contract terms are evaluated, as is the dependence upon imported or spot market waste. Hauler considerations include whether or not the hauler or vendor provides collection, disposal or both.

Another consideration is how revenues flow from the hauler to the system, and ultimately to the trustee. There are several methods of revenue collection that are in use by municipal solid waste systems and include escrow or performance bonds being required prior to disposal of waste at the facility. When the vendor utilizes direct billing, the timing of payments should be sufficient to protect the revenue stream from bankruptcy of the vendor. Property or refuse bills that are a lien on property can provide a satisfactory stream of revenues.

A few examples of how systems have structured billing and payment include:

- Separate billing for solid waste services with non-payment of a lien on property in Sacramento County, CA, City of Santa Cruz, CA; Miami-Dade County, FL; and the City of Tampa, FL.
- Service contracts with the authority/agency and underlying municipal participants for Santa Fe Regional Solid Waste agency, NM; Bristol Resource Recovery Facility Operating Committee, CT; and Union County, NJ.

- Separate bill to residential and commercial waste generators with billing and collection services provided by Atlantic County Utilities Authority, NJ.

## **VI. Evaluating Intermunicipal Contracts**

Intermunicipal agreements are often used by county systems with revenues derived from underlying municipalities via the service contract or agreement. Municipal service payments are another revenue source, received under contracts or interlocal agreements. These payments are subject to budgetary appropriation.

Some bond structures provide for a general or limited obligation pledge of amounts payable under these contracts or agreements. Some have put-or-pay covenants and others include provisions that payment must be made whether or not the facility is completed or operational. Other structures provide for revenues to be based only on actual amounts of waste supplied to the system. Some systems include revenues derived from sales of reclaimed or recycled products as well as investment income. Not only are the types of pledged revenues important, but also how the rates are set, the flexibility to change rates and the billing process.

Provisions of service contracts and disposal contracts are evaluated and measured against estimates of waste disposed. The amount of municipal support is an important credit consideration. If there is a guaranty or deficiency make-up provision, it is important to determine that there is a mechanism in place to have the trustee notify that there is a deficiency in revenues, or that reserve funds may be drawn upon.

Another factor following debt repayment or at renewal time is to evaluate the ability of the municipality to impose the fees or user charges as well as ascertain that the service area has sufficient resources to repay on time and in full. Key considerations for the evaluation of intermunicipal agreements include: (a) market penetration; (b) is the service area regional or defined; (c) what is the budget and appropriation process; (d) revenue collection process; (e) how are excess funds allocated; and (f) cost recovery and capital improvement plan. An intangible factor is whether these participants will be willing to continue to support the system or will lower cost alternatives be sought. Thus, an economic rate structure is essential.

## **VII. Contracts and Financial Operations**

Contracts and agreements help solid waste systems get a secure source of waste supply and quantify

annual expenses. Economic operations are important, with competitive tip fees, especially to forestall tax and rate base initiatives where municipal support is derived from the tax base. Credit analysts are interested in historical projections and how the system has responded. A changed environment is not necessarily a credit negative if the system can demonstrate that it has acted responsibly.

## **VIII. Evaluating Financial Feasibility**

To assist with long-range financial planning, feasibility analysis can be prepared. Future operating revenues and costs can be projected using the terms of contracts and agreements. Feasibility studies are a useful analytical tool to project a system's ability to pay operating expenses even when debt has been repaid.

Factors that constitute a good feasibility study include the breakdown of waste by type, how it is collected, how measured, and the basis for charges, as well as the assumptions on non-operating revenue, including investment income. Growth assumptions and information regarding fees and competition should be provided along with sensitivity analyses under various scenarios. Projections should be based on realistic expectations and evaluated within a historical context, especially if municipal incorporations are a potential threat. Understanding the permitting process is important so that planned improvements can be realized.

The analysis of pledged revenues includes how the rates are set, the flexibility to change rates, the billing process, and if there are rate stabilization funds to reduce the size of rate increases. The sufficiency of these revenues considers if they excess funds are available to fund reserves for operations and maintenance in addition to debt service. Also conducted is an evaluation of any mechanism to trigger the payment of municipal or vendor guarantees to determine that sufficient time is allotted to get necessary budgetary approvals to ensure that all payments are made on time and in full. The flow of funds as well as the definition of operating expenses are evaluated to determine priority of payments. Some debt structures provide for both vendor and municipal debt, with debt service on vendor bonds payable as an operating expense under the service contract. In effect, the vendor debt is senior to municipal debt. In cases where debt is retired prior to the expiration of operating contracts, there may be substantial additional revenues available for the operator. However, the allocation of these funds to the vendor depends on contract provisions.



A few systems with this form of debt structure include:

- Union County Utilities Authority, NJ taxable landfill bonds are payable as an operating expense included in the service fee formula.
- Onondaga County Resource Recovery Agency, NY issued a class of bonds payable as an operating expense included in the service fee formula. The repayment of these bonds was senior to payment of debt payable from net system revenues.

### **IX. Credit Fundamentals**

Credit fundamentals for solid waste sector debt provide indicators to determine how well the system is performing as well as provide signs of stress that could destabilize financial operations. Public and private partnerships have resulted as a loss of legal flow control evidenced by waste supply, disposal, and operating contracts and agreements. These contracts and agreements have provided solutions to the loss of waste supply and revenues that resulted following the loss of legal flow control. These partnerships have led to the evaluation of solid waste system debt based on the fundamentals of project finance. This analysis blends municipal revenue bond analysis with the evaluation of the corporate and municipal participants.

The use of full cost accounting enhances the evaluation of financial feasibility studies as these projections are based on clearly defined costs of services. Per ton costs and per ton revenues can be determined. This analysis enables revenue and expense models to be developed based on the full cost of providing solid waste service. Necessary revenue and expense reductions required in order to remain competitive can be identified. Thus, sensitivity analysis can be performed to ensure sufficient funds will be available to meet debt service payments.

The credit analysis process further evaluates revenues pledged and used to derive net revenues. The analysis includes the method used to set rates, the flexibility to change rates, the billing process, the degree of operating flexibility attained from the use of rate stabilization funds, reserves for operations and maintenance, and standard debt service reserves. Also evaluated is the mechanism to trigger the payment of municipal or vendor guarantees to determine that sufficient time is allotted to get necessary budgetary approvals to ensure that all payments are made on time and in full. The flow of funds is evaluated and

compared with payment of operating expenses to see what is paid ahead of bonds.

Key fundamentals of the analysis of a solid waste system include the system description and type, its operating procedures and practices, the legal covenants and litigation, the independent engineering evaluations, and the system's debt position and affordability. The analysis also evaluates the waste supply trends, alternatives to the system with a transportable distance, the service area fundamentals, and the system's technological suitability, and economic and competitive feasibility.

### **X. Credit Quality**

Fitch IBCA's credit rating is the distillation of all of the credit factors and fundamentals and is a statement about the issuer's willingness and ability to repay debt on time and in full. Credit fundamentals of solid waste systems that are positive include sound historical system operations, satisfactory financial operations, a diversified and committed waste supply, and a competitive rate structure, which leads to economic flow control that provides stable revenues sources. Credit concerns include the potential of limited financial flexibility, uneconomic rate structure, and competition from other facilities within transportable distance, uncommitted waste supply, and revenues dependent on tip fees.

Using an "acrostic" of PROPOSAL, the key fundamentals of solid waste system analysis are presented:

- P** Project economics and financial sufficiency.
- R** Revenues pledged to operations, maintenance, and debt service.
- O** Operations and technology.
- P** Private and public sector participants.
- O** Organizational structure.
- S** Supply of waste and service area fundamentals.
- A** Alternatives to the system within a transportable distance.
- L** Legal structure and litigation.

Characteristics of an investment grade rating, in the 'BBB-' and 'AAA' category, include sufficient waste supply, and demonstrate the service area is economically viable and stable, projections are realistic, and the system has demonstrated the ability to withstand economic and financial difficulties. The flexibility to respond to a dynamic operating climate as well as sufficient reserves and coverage are also important to attainment of the investment-grade rating.

Fitch IBCA has issued new solid waste sector guidelines. Despite the loss of legal flow control and other regulatory pressures, municipal and private sector participants have demonstrated that system fundamentals can be successfully restructured to avoid defaults. Revenue diversification, waste collection, and disposal and service contracts have enabled systems to operate economically and increase waste. Solid waste systems with strong service areas and good financial fundamentals from the underlying participants paying the service fees benefit project fundamentals. Solid waste system credit quality is enhanced when financial projections are conservative, legal provisions offer sound security, historical financial operations are sound, and the service area is stable, willing, and able to pay user charges or solid waste hauling bills.

#### **XI. Conclusion**

Decisions to buy or sell system facilities should consider trends in operating costs as facilities age, and whether the system meets environmental standards without significant capital expenses. By this time, debt has been repaid. Overall costs are reduced commensurate with debt service, leading to opportunities to reduce fees or to allocate net income for system improvements or to support the underlying municipality. The use of surplus funds must be consistent with legal documents pertaining to the formation of the system. The ultimate profit potential is important to systems that have private ownership and operation. After debt is paid, ownership is transferred from the authority to the private operator. Depending upon the terms of the agreements, these profits can be allocated under the formula between the private operator and the municipality.

Finally, when all the debt is repaid, the option that provides the most management and financial flexibility at a competitive cost should be considered. However, there may be other factors that outweigh these considerations and ultimately influence the decision. Of critical importance to any manager is long-term viability of the private sector participant, and any sudden increase in costs if another operator is needed on an emergency basis to operate the system. These considerations are important since systems strive to be self-supporting and not "drain" the underlying municipality or resources of the service area.

The solutions are as individual as the systems. Nonetheless, financial operations of the solid waste system and its ability to repay financial obligations, including debt, in full and on time are assessed. Fitch IBCA uses a project finance analysis, evaluating the

municipal and private sector participants, legal security, underlying service and overall project fundamentals to determine competitiveness. Management and financial flexibility is important to the ability of the system to take remedial action.

#### **■ Author**

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Senior Director

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**Decisions**

- Facility debt matured
- Issue new debt
- Operating contracts expiring
- Seek new operating contracts
- Sell off system facilities
- Provide for solid waste services

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**Questions**

- Will waste supply remain stable?
- Will costs remain reasonable?
- Will service levels be satisfactory?
- What are capital improvement needs?
- What is the competitive climate?

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### Process

- Evaluate technology and compliance
- Evaluate experience of operators
- Evaluate the cost of operations
- Evaluate hidden costs
- Evaluate ability to manage operations
- Evaluate staff and equipment needed

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### Ownership and Operation

#### Ownership

- Municipal
- Municipal
- Municipal
- Private

#### Operation

- Self
- Another municipal
- Private
- Private

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### Ownership Considerations

- Debt structure
- Host fees and payments (PILOTS)
- Asset use fees
- Use of excess funds
  - Capital improvements
  - Interfund transfer
  - Equity participant

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### Operating Considerations

- Technology
  - Waste supply
  - Performance
  - Renewal and replacement
- Contract provisions
  - Renewal risks
  - Allocation of uncontrollable costs

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### Evaluating Operating Contracts

- | Risks           | Remedies            |
|-----------------|---------------------|
| • Expiration    | • New operator/self |
| • Formula costs | • Responsible party |
| • Expenses      | • Reserve position  |

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### Evaluating Operating Contracts

- | Participants         | Service Area                                                                                         |
|----------------------|------------------------------------------------------------------------------------------------------|
| • Technology         | • Ability <ul style="list-style-type: none"><li>▪ Debt and finances</li><li>▪ Economy</li></ul>      |
| • Responsibilities   | • Willingness <ul style="list-style-type: none"><li>▪ Government</li><li>▪ Tax limitations</li></ul> |
| • Financial position |                                                                                                      |
| • Debt position      |                                                                                                      |
| • Guarantor          |                                                                                                      |

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**RFP or RIP**

- Identify responsibilities of participants
  - Technical
  - Maintenance
  - Operating
  - Contingency
- Pass-through expenses
- Uncontrollable expenses

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**Proposal**

- Project economics and financial sufficiency
- Revenues pledged to operations and debt
- Operations and technology
- Private and public sector participants
- Organizational structure
- Supply of waste and service area
- Alternatives to the system
- Legal structure and litigation

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**Security Features**

- Revenue structure
- Expense structure
- Flow of funds
- Reserve funds
- Tests and covenants
- Default and remedies

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**Feasibility**

- Project necessity
- Price competitiveness
- Utilization statistics
- Rate and method of fees and charges
- Service area growth projections
- Waste supply
- Scenarios

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**Case Studies**

- Private operation assumed by municipality
- Use private facilities instead of own
  - Permanent
  - Temporary
- Shifts in location of contract facility
- Revenue diversification

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**Solid Waste System Strengths**

- Historical system operations
- Satisfactory financial performance
- Diversified waste supply
- Committed waste supply
- Competitive rates
- Stable revenue sources

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### Solid Waste System Concerns

- Limited financial flexibility
- Uneconomic rate structure
- Competition
- Uncommitted waste supply
- Revenue volatility

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### Solid Waste System Characteristics

- Diversified revenue structure
- Economic viability with stable service area
- Realistic projections and sound finances
- Flexibility to adjust rates and charges
- Sufficient reserves and coverage

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