

## Implementing Disaster Plans For Municipal Solid Waste Systems

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### Abstract

Municipal solid waste managers face an urgent need to review disaster plans as well as the myriad of other management plans for health, safety and welfare of employees and the service area. Other planning areas include financial and capital improvements. The planning process is an important management tool. The evaluation of management is one of the factors included in the assignment of municipal credit ratings. This paper profiles how Fitch Ratings incorporates management in their credit analysis and provides key points for solid waste managers to consider as they prepare or refresh plans.

### Overview

Fitch Ratings reported on the results of its research on municipal bond defaults. Fitch Ratings reported that "municipal debt is generally regarded as low risk". The report further states that the "13-20 year cumulative default rates on all municipal debt of less than 1.5%." Municipal solid waste systems perform the essential public service of the collection and disposal of trash and putrescible waste. Many solid waste systems operate as enterprise funds of the governing municipality. Others are separate agencies or authorities that directly own and operate their systems or contract the operations to private sector operators. According to the default study, between 1979-1994 the default rate for the solid waste sector was 0.31%.

In March 2000, Fitch Ratings issued its solid waste rating guidelines, highlighting the basic areas that are used in the evaluation of the credit quality of the solid waste system. <sup>ii</sup> These broad areas include a study of system facilities and who provides the collection, disposal and facility operations. Next is the evaluation of the service area, the willingness and ability of the service area to generate or procure sufficient supply of waste and to pay user fees and charges for solid waste collection and disposal. The system or facility competitive position is also

evaluated. Legal provisions and bond security is assessed to determine what revenues are pledged for debt repayment, how are they collected and when are these monies deposited with the Trustee. How the funds are distributed to public and private sector participants, the flow of funds as well as provisions to issue additional debt, maintain rates and fees and use excess surplus are important. Waste collection and disposal contract, intermunicipal agreements, and service contracts as well as energy purchase contracts are among the numerous legal documents that are reviewed and linked to the terms and provisions of the trust indenture. The financial feasibility of the system as well as the operating performance is evaluated to independently assess the ability of the system to produce income to cover debt service. <sup>iii</sup>

Of particular importance is the management of the system. In a related research report, Fitch Ratings "Impact of Management Practices on Municipal Credit", <sup>iv</sup> management practices "are even more important to predicting favorable credit performance". In particular long range strategic plans for improving property and equipment, fiscal budgeting and trend analysis.

These management concepts are applicable to municipal solid waste systems as they pertain to the myriad types of plans that solid waste systems should be managing. These plans include the broad areas of long range strategic plans, emergency planning for prevention of and intervention in disasters as well as employee health and safety plans and plans for educating the public on waste collection and disposal of waste accepted by the system.

The effectiveness of these plans ensures that the solid waste system is positioned to respond to the dynamic operating environment. Thus protecting the system to ensure sufficient funds to operate, maintain, improve the system and repay all debts. This ability is represented by the credit rating. Letters denoting the credit quality represents the credit rating. Investment grade credit ratings ranged from the lowest "BBB"