



National Federation of Municipal Analysts ***Recommended Best Practices in Disclosure for Solid Waste Transactions***

The National Federation of Municipal Analysts (NFMA) is an organization of nearly 1,000 members, primarily research analysts, who evaluate credit and other risks of municipal securities. These individuals represent, among others, mutual funds, insurance companies, broker/dealers, bond insurers, and rating agencies.

One of the main initiatives of the NFMA is to promote timely and complete disclosure of the financial and operating information needed to assess the credit quality and risk of a municipal debt issue. The NFMA's efforts have ranged from global disclosure-related issues to more detailed, sector-specific work such as this draft Recommended Best Practices in Disclosure for Solid Waste Transactions. For further information on the NFMA's continuing work in the area of disclosure, please see the "Disclosure Guidelines" and "Position Statements" pages of the organization's web site at www.nfma.org.

In order to develop our Recommended Best Practices in Disclosure, diverse groups of NFMA analysts are working with non-analyst professionals to develop "best practices" guidelines for certain market sectors. These Recommended Best Practices include descriptions of the sector-specific financial and operating information needed to help analysts do their jobs. The NFMA believes that the best practice in disclosure will always be the one that provides a steady flow of timely information from borrowers to the market. Initial drafts of our Recommended Best Practices in Disclosure were widely circulated, and an industry comment period was used to seek input from interested parties. Subsequent to the comment period, the papers were revised. For certain sectors, Comment and Response papers were drafted; these papers are available on the NFMA web site, providing additional information on the comments received.

Following is the most recent version of the Recommended Best Practices in Disclosure for Solid Waste Transactions. This document is not intended to supplant the amendments to SEC Rule 15c2-12, but to be used in conjunction with the guidance provided in those amendments. It is important to note that the NFMA's disclosure efforts are a continuing process. These guidelines are not static documents, and will be revisited and changed as market conditions warrant. We encourage interested parties to submit comments at any time to lgood@nfma.org so they can be considered in the development of future versions of these Recommended Best Practices in Disclosure.

The NFMA Recommended Best Practices in Disclosure are not intended to be "one size fits all" recommendations, and all the information requested may not apply to every transaction in the sector. We encourage the providers of information to indicate when a specific item requested in the Recommended Best Practices is not applicable to a specific transaction.

Introduction

Solid Waste Disclosure Sub-Committee and Methodology

Committee members represent buy side, sell side, rating agency, and bond insurance firms; legal counsel for a national solid waste organization; a financial advisor; a solid waste technical consultant; and a solid waste issuer. The first step in the process was to review current practices in solid waste disclosure, and to identify the key areas of disclosure needed for analysts to complete full and accurate analyses. Once current practices were examined and key items defined, the group began drafting these Recommended Best Practices in Disclosure for Solid Waste Transactions.

Why Improve Solid Waste Disclosure?

The solid waste sector is complex and has witnessed incredible changes over the last few years. The level of volatility has certainly intensified. Not only are the players broad-based and operating a variety of types of facilities, but judicial decisions and evolving legislative policies add another level of complexity to the analysis of these transactions. In addition, investors and other interested parties have experienced some difficulties obtaining information from solid waste issuers and are finding it more challenging to contact borrowers to discuss relevant financial, operational and other issues.

The first section of the paper provides an industry background of and various external factors that affect the solid waste sector. It also includes a discussion of the critical disclosure information needed to analyze solid waste bonds, for both primary and secondary market transactions. Some key elements include the service area and economy, operations, financial and debt information, legal structure and contracts and agreements.

Appendix A describes the disclosure information required by analysts for primary market solid waste transactions, while Appendix B provides the information necessary for secondary market. Appendix C offers a suggested disclosure form.

Industry Background

Overview

The solid waste sector is diverse, with many types of participants and system configurations represented. Systems run the spectrum from municipal and/or construction and demolition landfills to waste-to-energy facilities, and may also include transfer stations and/or recycling facilities, composts, and specialized landfills. The governing structures are equally as broad-based and range from departments of municipalities, to quasi-government organizations, to contracts with private-sector operators.

Solid waste system operations can be integrated, combining one of more collection and disposal options, or be only a component of options that include both public and private sector ownership,

or operations under contracts. Ownership and operating structures of solid waste systems are closely tied to the structure of debt issued to finance system construction, improvements and expansion.

Two forms that are more common include:

- Authority ownership with facility operation by a private sector participant under contract or agreement
- Private sector ownership and operation with financing under a conduit authority or agency.

Regardless of the type of system or ownership structure, however, primary and secondary market disclosure is essential to determine the ability and willingness of all participants to perform in accordance with their contractual commitments. When there are technical or performance guarantees in place, disclosure assists with the evaluation of the likelihood that the guaranty would be triggered and that funds required will be available as needed to meet financial obligations.

Essential information includes:

- Annual financial statements and management's discussion and analysis
- Utilization statistics
- Amount of waste processed including spot or non-contract waste
- Major waste suppliers
- Competition
- Capital improvement plans
- Technical maintenance scheduled and any problems that may arise
- Independent technical and management oversight
- Where pass-through costs are borne by municipal participants, indication of potential increases or reductions. For example, change in law provisions where municipal participants repay revenue losses or increased expenses under interlocal agreements.
- What incentives are present for the best rates on landfill ash disposal, etc. to limit municipal exposure and rate increases?
- Equity release tests to ensure system maintenance and reserves are provided for and funded prior to releasing profits to the vendor.
- Debt covenants of obligated party that may impinge ability to perform under solid waste contracts due to lack of financial flexibility.
- Compliance and environmental standards.

External Factors Affecting Solid Waste Systems

The following is a discussion of some of the key external factors currently affecting the solid waste sector, which analysts expect to be addressed in ongoing issuer disclosure. Industry participants should assume that the solid waste analyst has a basic understanding of these issues, and, as such, the issuers and other reporting entities should be providing discussions of how these factors affect them specifically and do not need to provide text of a more global nature.

Loss of flow control

Solid waste disclosure has gained greater importance as a result of the loss of prescriptive flow control. Prescriptive flow control describes an overt act by a governmental authority, by regulation, directive or ordinance, to control the movement and disposition of solid waste generated within the jurisdiction. It is estimated that some \$20 billion of solid waste system facility debt and 58% of waste supplied to solid waste systems was covered by prescriptive flow control. As a result, rates, fees and charges (usually the tipping fee) were imposed sufficient to cover operations, maintenance, covenants and debt service. These rates were not the most economic and prevented competition. As a result, haulers took government agencies to court, claiming that such overt controls illegally interfered with interstate commerce.

In 1994, the U.S. Supreme Court ruled that prescriptive flow control unlawfully benefited local waste processors at the expense of out-of- state processors in violation of the Commerce Clause of the U.S. Constitution. (*C&A Carbone, Inc. v. Town of Clarkstown*, 511 U.S. 383) (*Carbone*). Since then, a number of federal legislative proposals have been introduced to restore and restructure the roles of states and localities in the movement of solid waste, but no bill has successfully emerged from Congress.

Particularly hard hit were systems that had not executed contracts or other agreements to assure sufficient waste supply, but instead had relied exclusively on prescriptive measures. Since flow control was “legal”, many systems had not executed contracts or agreements to commit waste supply to the system. Notably, commercial and industrial waste has been the component of the waste stream most likely to exit the system since this waste is usually collected by the private sector. Where municipal systems had contracts with private sector participants for the collection and disposal of residential waste, greater stability in waste supply and revenues has been experienced.

However, since the *Carbone* ruling, many communities across the country have successfully redesigned their solid waste systems to capture locally generated waste by negotiating inter-municipal agreements, creating solid waste districts, imposing fees and assessments, and implementing other measures. Meanwhile, a steady stream of federal appeals court decisions have upheld these new arrangements against charges that the schemes interfered with interstate commerce.

As stated above, the issuer’s continuing disclosure should focus on how that specific system has addressed this issue.

Environmental regulation

Solid waste system disclosure should include a discussion of the impact of increased federal (US Environmental Protection Agency), state and local environmental regulation on the issuer. Notable requirements include facility compliance with Subtitle D landfill design, closure and post-closure care and standards for leachate contamination in groundwater, air quality regulations for methane gas in landfills and resource recovery emissions.

Electric utility sector deregulation

Resource recovery facilities are non-utility generators and revenues are generated by energy sales. In a deregulated environment, existing energy purchase contracts with investor owned utilities, which are priced above market for many systems, are no longer recoverable in the utility's rate base. Efforts have been made to renegotiate these contracts, leaving solid waste system financials vulnerable in the absence of expense controls or revenue diversification. Thus, disclosure of the impact of electric utility sector deregulation is necessary for systems generating revenues from this source. It is equally important when change in law provisions and losses of energy revenues are a pass-through expense under contracts with participants. The disclosure of potential revenue losses and the amount of support required is also important to the evaluation of the service area. This includes the terms and conditions of the agreements to determine the ultimate impact on underlying municipal government finances as a result of loss of revenues due to deregulation.

Accounting standards

Solid waste system financial operations have been affected by changed environmental regulations for landfill closure and post-closure care requirements including demonstration of financial assurance. Financial assurance pertains to the ability of the system to fund these expenses. Accounting standards, Statement 18 of the Governmental Accounting Standards Board (GASB) effectively took these expenses on the balance sheet. GASB Statement 34 to be phased in between 2001-05 pertains to all municipal governments and enterprise funds. New disclosure of statement of net assets, infrastructure and management discussion and analysis will be of interest to solid waste system credit analysts and investors.

Overview of the Critical Disclosure Information for Solid Waste Transactions

The information to be provided in accordance with the Recommended Best Practices in Disclosure for Solid Waste Transactions can be broken into five general categories: service area, operations, financial, legal and contractual. The primary fundamentals for each category are discussed below. Much of this information is expected to be provided as primary market disclosure information, with changes to the same disclosed subsequently in the secondary market.

A. SERVICE AREA AND ECONOMY

A key consideration when evaluating the creditworthiness of solid transactions is the environment and changes in the environment in which the entity operates. Factors within this realm include the entity's organizational structure, data regarding the service area, and a discussion of the various business pressures the entity may face.

What is the entity's governing structure?

The entity's governing and managing structures are key factors for a credit analysis. Of particular interest is if the entity is a unit or department of a municipality or larger governing

body, or if it is an independent political entity or private sector entity. A description of the management structure including a chart of the operations is necessary and a biography of key policymakers and executives is helpful. Also of interest is if there have been any changes to the structure or key personnel over the past year.

What is the general state of the local economy?

A general discussion of the state of the local economy should be disclosed. Information in this section should include current statistics and trends for the last five years for gross regional product, unemployment rates, population levels, number of households, top ten employers, industry distribution and assessed valuations.

What is the service area and has it been altered over the last year?

A description of the entity's service area and major components are important factors. Specifically, any changes in the service area that may alter the waste stream or the demand for solid waste services should be disclosed. This would include the addition or elimination of residential units, significant construction activity or changes at the major employers or other significant waste stream generators.

What is the competition?

A list of competitors is imperative, and should include those that have facilities or provide services to waste generators within the primary and secondary service areas. A description of the facilities they operate should be provided. The type and level of waste that is controlled by the competitors should be described. Of equal importance is how the competition has changed over the past year such as if there has been any consolidation that may affect the entity or if there are any new competitive threats.

What is the entity's business plan?

A discussion of the entity's business strategy for the next three to five years, including potential changes in structure and operations and capital plans should be reviewed.

B. OPERATIONS AND TECHNICAL DISCLOSURE

Operations and technical disclosure helps analysts to assess system performance vs. feasibility analyses, related bond security provisions and contract terms. The information on historical system operations also helps assess the viability of future projections. Information on facilities, utilization, operations, maintenance by system type, such as landfill, transfer station, materials recovery, resource recovery, composting and innovative technologies should be provided. Dependencies on out of area or "spot" waste can also be identified. Inter-local agreements and put or pay contracts can be assessed to determine if waste commitments are being met, or if the municipalities are paying for waste that is not being generated by the service area. Useful data includes:

- List of top ten customers
- Projected tonnage
- Projected customers
- Rates historical and projected
- Capital improvements
- Landfill closure costs, if applicable

What solid waste system facilities are included? What non-system facilities are used in waste collection and disposal?

Facilities information is useful to determine if the system is integrated, component or contractual. Integrated systems incorporate solid waste collection and disposal options using a combination of facilities such as landfill transfer stations, recycling and waste-to-energy. In contrast, the system may only consist of one component. The third option is contractual where other private or public sector vendors under contracts or service agreements perform solid waste services and the municipality does not own or operate its own solid waste and other environmental facilities.

What types of waste are processed in the system? How is this waste collected and disposed? Discuss percentage of residential, commercial and industrial waste.

Utilization data evaluates the waste supply, whether trends are increasing or decreasing when taken in conjunction with the economics of the service area. The source of waste is important when evaluated in conjunction with legal or economic flow control. How the waste is collected and disposed in the system is also evaluated. Traditionally, the most stable waste supply has proven to be municipally collected or collected by a private vendor under a municipal contract. the amount of commercial and industrial waste collected and disposed by private haulers is the most vulnerable to above market rates. When system rates are above market, this waste is the most likely to exit the system, affecting system revenues and financial flexibility. Waste types are equally important and are affected by economic cycles. Take for example a landfill that was permitted for only construction and demolition bulky waste. With the effective loss of legal flow control and above market tipping fees, waste supply exited the system, adversely affecting financial operations. Thus, the type of permitted waste is linked with the evaluation of permits and the permitting process.

What types of permits are required? Are all permits in compliance? When do permits expire? Do you expect any impediment to permit renewal?

Operating and technical fundamentals provide links to the covenants and terms found in service and operating permits and contracts. Especially when technical and performance guarantees are provided, it is important to assess the likelihood that events would occur to trigger these covenants. Financial operations may be impacted by costs of operations greater than budgeted, reducing the amount of revenues available for debt service.

C. FINANCIAL AND DEBT DISCLOSURE

The entities' financial position is a key credit concern for analysts, and pertinent information (annual and quarterly) for the last three years, such as balance sheets, income statements, cash flow statements, as well as the composition of revenues and expenses, and a management discussion and analysis should be included.

What is the composition of the revenue stream?

This information should include a breakout of the tipping fee revenue, including the amount of revenues generated from contracts and the spot market, other fees, and revenues from special assessment taxes and government subsidies. The average tipping fees and spot market fees for the region should also be included. The tipping fees of leading competitors are an important factor. To facilitate direct comparison, relevant landfill and transportation costs should also be noted. Please list all revenues that are pledged as security for the payment of debt. Actual figures for the last three years should be provided, and compared against budgeted amounts. Forecasts should be included when available. Management discussion and analysis of all of the financial statements, as prepared in accordance with GAAP, is necessary.

What are the entity's expenses and other financial obligations?

Data for this section should include primary operating costs, closure and post-closure landfill costs, recycling requirements and debt payments. A description of the entity's five-year capital improvement plan should be provided.

Describe the funds and reserves available to the entity for operations and debt service payments.

The types of funds available for operations and debt payments and the actual and required levels should be disclosed.

What is the entity's debt structure?

In this section, please provide all of the types of debt and fixed charge payments for which the entity is responsible and has a lien on the pledge security. Include the terms, schedule, redemption provisions and other pertinent information.

D. LEGAL STRUCTURE DISCLOSURE

The entity's legal structure and obligations under the bond covenants are key credit factors, including statutory, regulatory and judicial considerations.

What impact has the Carbone ruling had upon the entity's ability to capture waste?

In this section, please describe the impact, if any, upon the entity's ongoing ability to capture waste. Describe all steps taken to ensure an adequate supply of solid waste as well as the legal validity of such measures. Cite specific examples of new arrangements such as negotiation of inter-municipal agreements, establishment of solid waste districts and the imposition of special

fees and assessments. Also indicate in specific detail the allocation of waste collection responsibility between public and private parties

What are the statutory limitations that may or potentially may affect the system/facility's operations or financial position?

Please provide information regarding the issuer's authority to issue the debt, and levy and collect taxes or assessments, or implement other revenue-generating mechanisms for the use and benefit of the system/facility. Discuss applicable powers under statute, home rule, municipal charter, etc. Also, please discuss the ability of the entity to license and/or regulate the subject facility and enter into contracts, franchises and other arrangements with generators, transporters and other third parties.

Is there any legislation pending or has been proposed that would materially affect system revenues or performance, including the assured delivery of required amounts of acceptable wastes to the system/facility?

Please provide information regarding the regulatory environment in which the system/facility operates.

For each permit issued by the state and/or other governmental authority for the subject facility, please list its expiration date and any barriers that may impede renewal of such licenses or permits. Also, please describe any compliance difficulties and citations issued against the issuer.

Has the entity been a party to any lawsuit or other judicial proceeding to challenge or validate the securities issuance?

If so, please describe fully. Also, please describe any non-securities litigation against the system/facility or participants, including potential Superfund liability.

What are the key bond covenants?

E. CONTRACTS AND AGREEMENT DISCLOSURE

Many municipal solid waste systems have contracts and agreements with vendors, municipalities, and other third parties incorporated into their normal course of business. Information regarding these contracts is necessary for the analyst to fully understand the system's operations, obligations and to determine the credit quality.

What type of waste collection agreements does the solid waste system have and with whom?

For systems that do not have collection operations, please describe the collection agreements the system has with municipalities, private haulers and other third parties.

What are the delivery agreements?

The agreements for the delivery of waste, such as put-or-pay contracts, and the levels of waste, are important in order to conduct a complete analysis.

Are there any plant operating agreements?

In some instances, a vendor or third party guarantees the operations of the plant or provides management expertise. Please describe them. Include the financial position of the operator and its parent company as well as the project.

Please describe all other agreements.

In this section, please list and describe all other agreements, including the electric sales agreements, the solid waste system may have.

F. TIMING AND FREQUENCY OF REPORTS

Primary market disclosure through the Preliminary Official Statements should be delivered to investors at least one week before pricing. Secondary market disclosure should be available on a quarterly basis two months after the close of the reporting period. Also, the name, telephone number, and e-mail address of the issuer and borrower's investor relations department should be provided. The website address should also be included. The NFMA encourages the use of the Internet to provide this information to investors and potential investors, and to post all disclosure information on the website.

Conclusion

Following are the Recommended Best Practices in Disclosure for Solid Waste Transactions. The recommended disclosure items tie directly to the above discussion, and the above should be referred to if clarification is needed on any point. Appendices A and B provide disclosure information for primary market and secondary market transactions, respectively. Appendix C is an optional disclosure form. While the NFMA is consciously moving away from providing disclosure forms like this to the market for its use, it is our understanding that many issuers in this solid waste sector may prefer a form such as this to a set of guidelines.

APPENDIX A
RECOMMENDED BEST PRACTICES IN DISCLOSURE FOR SOLID WASTE
TRANSACTIONS
PRIMARY MARKET DISCLOSURE

Please refer to the introductory section of this paper if you are seeking clarification of the following recommended disclosure items.

A. SERVICE AREA AND ECONOMY

Organization's Structure

Governance

- Type of organization (department of municipality, authority, etc.)
- Description of policymakers
 - Board of Directors (elected or appointed)
 - Number of members
 - Background of each member

Management

- Organizational chart
 - Description and background of senior and finance executives, including years of service, experience and education.
 - Contact information including names, telephone numbers, e-mail addresses, and website information.

Facilities

- Types of facilities
- Description of each facility, including size, capacity, and age

Service Area

Definition of service area

- Boundaries
- Description (rural/suburban/urban)
- List of major municipalities within service area

Demographics of service area

- Population
- Levels
- Growth rates (last five years and projected for next ten years)
- Age distribution
- Per capita income
- Percent below poverty level

- Structure
- Number of households

Economy

- Top ten major employers
- Breakout of industry

Tax base

- Assessed valuations and full valuations
- Growth rates (last five years and projected for next ten years)
- Top 10 taxpayers
- Distribution of tax base

Business Operations

Waste generated

- Percent of waste generated within/outside service area
- % of MSW/C&D/industrial/other

Competition

- List of major competitors
- % of market share of each
- List of other facilities within service area
- Amount and percent of waste exported from service area

Strategy

- Business strategy
- 5-year capital plan

B. OPERATIONS AND TECHNOLOGY

Facilities Maintenance

Frequency of maintenance

Length of maintenance/ planned shutdowns

Diversion of waste necessary when shutdowns occur

Financial impact, if any

Disaster management plans to clear waste during natural disaster such as hurricane, tornado, and earthquake

Utilization

Type of waste processed

- Composition of waste, municipal solid waste, industrial, construction and demolition, hazardous, other
- Volume of waste by type and facility for last five years
- Amount of diverted waste
- % Of spot market waste v. % of contract waste

Customer base

- Percentage of waste that is residential, commercial, industrial

Collection of waste

- Percentage of waste collected from private, municipal (direct collection or private collection under contract), including the amount of other waste collected under inter-local agreements and contracts

Operating Fundamentals

Environmental

- Description of permits required including terms and expirations
- Capacity for treatment of methane gas, leachate
- Landfills meet Subtitle D requirement
- Description and ability to detect and identify hazardous waste
- Ash disposal

Technical

- Expansion possibilities with system facilities
- Technical improvements that must be completed as part of contracts, agreements or other legal requirements

Operating considerations by type of facility

- Description of energy contract
- Disposal of ash residue
- Recyclables and metal recovered?
- Does the permit allow burning of tires and wood waste

Landfills

- Landfill reclamation in use to provide additional space
- Type of waste accepted and permitted (MSW, C&D, green, ash)
- Type of daily cover the permit require (cover: sod, sludge, and ash)
- Changes in closure and post-closure care assumptions?

Transfer station/materials recovery facilities

- Description of waste separation (clean or dirty)

- Does the facility process or transfer materials?
- Description of sale of reclaimed materials

C. FINANCIAL AND DEBT

Please provide the financial statements, including balance sheet, income statements and cash flow statements for the past three years (actual versus budgeted) and projections for the next five years.

Revenues and Pledged Security

Types of revenues (description and method of collection)

- Tipping fee revenues
- Solid waste franchise or licensing fees
- Environmental fees (e.g., Miami-Dade Utility Service Fee)
- Electrical revenues
- Recycling material revenues
- Special assessments
- Guarantee or deficiency make-up covenant by local government entity
- Other revenues

Competition for revenues

- Existing and potential competing disposal facilities (description and current prices, including a listing of vendors and types of services provided)
- Programmed competing facilities
- Potential impacts of pending incorporations & annexations
- Comparison of all-in disposal cost within defined market area, inclusive of landfill and transportation costs

Revenue projection assumptions

- Tonnage
- Households/units served

Service fee and assessments

- Rate setting process and flexibility to change rates
- Past, present and future tip fees charged by system or project

Expenses and Costs

Operating costs

Closure and post- closure care (cost impacts)

Environmental protection

Recycling requirements

Existing debt service requirements

Other financial impacts

Grants

Investment income

Transfers

Funds and Reserve Levels

Types of funds (description)

- *Revenue fund*
- *Bond fund/debt service fund*
- *Debt service reserve/surety*
- *Renewal and replacement reserve*
- *Operating expense reserve*
- *Construction fund (including allowable uses)*
- *General reserve (including allowable uses)*
- *Rate stabilization funds (including allowable uses)*

Flow of funds

Debt Structure

Type and classes of debt

- *Senior, parity, subordinate*
- *Terms (fixed rate, floating)*
- *Credit Enhancement*

Debt service schedule

Redemption provisions

Other fixed charge payments

Financial Statements

Management discussion and analysis of audited financial statements should be prepared in accordance with GAAP

Financial Projections

5-year projection of revenues, expenses, net revenues, coverage and cash flows

Discussion known impacts on net revenues between 5 years and term of bonds

Discussion of known upcoming material financial events

Key assumptions for underlying projections

D. LEGAL STRUCTURE

Applicable powers and authority for the solid waste entity.

- Authority to issue debt
- Powers under statute home rule, municipal charter, etc.

Authority to levy and collect taxes or assessments or other revenue-generating mechanism for the use and benefit of the system/facility

- Limitations to such authority
- Applicable powers under statute, home rule, municipal charter, etc

Ability to license or regulate the facility

- Ability to enter contracts, franchises and other arrangements with generators, transporters and other third parties.
- Proposed or pending legislation that may affect system revenues or performance

Regulatory

- Permits issued by state and/or other governmental authority for the facility
- Expiration date
- Anticipated barriers to renewal
- Compliance difficulties (describe)
- Citations issued, pending and outcome
- Facility subject to any special monitoring
- Self-audits of performance or compliance (provide copies)
- Financial assurance.

Judicial

- Lawsuits or other judicial proceedings
- Challenges or validate the securities issuance.
- Non-securities litigation against the system/facility or participants
- Superfund litigation
- Likelihood of successful enforcement
- Potential conditions, restrictions, covenants, liens, pledges, etc.
- Impediments that may exist that would materially affect enforcement or defense of system/facility financial position or performance

Federal tax issues

- Provide a copy of an approving opinion of bond counsel on tax exemption and other federal tax consequences, including any events, conditions and circumstances that must occur or exist upon or following issuance of securities.

Bond covenants

- Debt service coverage ratio
- Debt service and other reserve funds
- Additional bonds test
- Liquidity and other required ratios

E. CONTRACTS AND AGREEMENTS

Collection Agreements (please provide expiration date of the contracts, parties involved, renewal provisions, “out” clauses)

Waste collection agreements

- Agreements between municipal and private haulers
- Agreements between households and private haulers
- Franchise agreements

Waste delivery agreements

- Agreements between municipalities and public authority (or county)
- Agreements between private haulers and public authority (or county)

Operating Agreements

Plant operating and management agreements

- Description of vendor operating facility
- Financial position of operator
- Financial position of project

Energy sales agreements

Ash disposal agreements

Other

APPENDIX B
RECOMMENDED BEST PRACTICES IN DISCLOSURE FOR SOLID WASTE
TRANSACTIONS
SECONDARY MARKET DISCLOSURE

In addition to any changes in the components of the primary market disclosure, including changes in contact information (see prior section), please include the following information on a quarterly basis.

A. SERVICE AREA UPDATE

- Most recent unemployment rates for service area municipalities
- Significant economic development projects

B. OPERATIONS AND TECHNOLOGY

Waste generated

- Volume and type of waste generated during reporting period.
- Discussion of any notable variance from past practices

C. FINANCIAL

Please provide quarterly interim financial statements, including balance sheet, income statements and cash flow statements with comparables. Specific items, which should be addressed, include the following:

Revenues and expenditures (actual v. budgeted)

Types of revenues (only report what is applicable to your system)

- Tipping fee revenues
- Solid waste franchise or licensing fees
- Environmental fees, service or utility fees
- Electrical revenues
- Recycling material revenues
- Special assessments
- Whether a guarantee or deficiency make-up covenant by local government entity exists and if it has been utilized during the reporting period
- Other revenues

Expenses and costs (actual versus budget)

- Operating cost fluctuations
- Closure and post closure cost assessments
- Existing debt service requirements
- Any increase in debt
- Depreciation

Other Financial Impacts

- Grants
- Investment income
- Transfers

Funds and Reserve Levels

- Revenue fund
- Bond fund/debt service fund
- Debt service reserve/surety
- Renewal and replacement reserve
- Operating expense reserve
- Construction fund (including allowable uses)
- General reserve (including allowable uses)
- Rate stabilization funds (including allowable uses)

Service fees and assessments

- Any change to the rate setting process and flexibility to change rates must be discussed
- Any change or anticipated change in Tip Fees charged by system or project should be disclosed

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NFMA constituent societies, individual members, or their firms may not agree with all provisions of these Recommended Best Practices. The NFMA is not a regulatory agency and compliance with the practices advocated herein does not constitute a “safe harbor” from any State or Federal rules or regulations. Nothing in this paper is to be construed as an offer or recommendation to buy or sell any security or class of securities.

**APPENDIX C:
SUGGESTED DISCLOSURE FORM**

Solid Waste: Best Practices: Primary and Secondary Market Solid Waste Sector Disclosure

Issuer: _____

CUSIP Base#: _____

Key Financial

Contact/Position: _____

Telephone Number: _____

E-mail Address: _____

Website: _____

Reporting Period – Fiscal Year Ended : _____

Please provide date of latest CAFR available: _____

DISCLOSURE FOR THE SOLID WASTE SECTOR

The best practices for primary and secondary solid waste disclosure are broken into five areas. These key areas include the service area, operations, financial, legal and contractual. The primary fundamentals for each section are presented in the text of this Best Practices paper. The Best Practices appendices highlight significant disclosure topics.

A. SERVICE AREA AND ECONOMY

A key consideration when evaluating the creditworthiness of sold waste bonds is the environment and changes in the environment in which the entity operates. Factors within this realm include the entity's organizational structure, data regarding the service area, and, a discussion of the various business pressures it may face.

What is the entity's governing structure?

The entity's governing and managing structures are key factors for a credit analysis. Of particular interest is if the entity is a unit or department of a municipality or larger governing body, or if it is an independent political entity. A description of the management structure including a chart of the operations is necessary and a biography of key policymakers and executives. Also of interest is if there have been any changes to the structure or key personnel over the past year. The type and size of the entity's facilities, including waste-to-energy (WTE) plants, municipal solid waste landfills, construction and demolition landfills, transfer stations, recycling facilities, collection efforts and all other solid waste operations should be presented.

What is the general state of the local economy?

A general discussion of the state of the local economy should be disclosed. Information in this

section should include current statistics and trends for the last five years for gross regional product, unemployment rates, population levels, number of households, top ten employers, industry distribution and assessed valuations.

What is the service area and has it been altered over the last year?

A description of the entity's service area and major components are important factors. Specifically, any changes in the service area that may alter the waste stream or the demand for solid waste services should be disclosed. This would include the addition or elimination of residential units, construction activity or major employers.

What is the competition?

A list of the competitors is imperative, including those that have facilities or provide services to waste generators within the service area. A description of the facilities they operate should be provided. The type and level of waste that is controlled by the competitors should be described. Of equal importance is how the competition has changed over the past year such as if there has been any consolidation that may affect the entity or if there are any new competitive threats.

What is the entity's business plan?

A discussion of the entity's business strategy for the next five years, including potential changes in structure and operations and capital plans should be reviewed.

B. OPERATING AND TECHNICAL DISCLOSURE

Facilities

What solid waste system facilities are included in your system? System description should include types of facilities: landfill and type of waste; transfer stations; materials recovery; waste-to-energy including type of fuel processed (mass-burn or refuse derived) and types of energy output (electric, steam)

Is there a ground lease or mortgage interest pledged?

Who owns land or facilities after debt is paid?

Are there any management and operating contracts for system facilities?

How often is major maintenance performed on system facilities? Have these lasted longer than planned creating need to divert waste? Has there been a revenue or expense impact? Does the system have a disaster management plan to clear waste during natural disaster such as hurricane, tornado, and earthquake?

Utilization

What types of waste are processed?

What is waste tonnage by processed and diverted types?

What is the customer base, including the percentage that is residential, commercial, and industrial?

How is waste collected?

Identify percentage of waste collected from private, municipal (direct collection of private collection under contract), including the amount of other waste collected under inter-local agreements and contracts

What amounts of waste are covered under waste supply contracts? What is the duration, significant terms of the contracts?

Operating fundamentals

Environmental

What types of permits are required?

How often are permits renewed?

Do you expect any impediments in getting permits, approved or renewed?

Has the system been cited for non-compliance environmental and regulatory requirements?

Capacity for treatment of methane gas, leachate.

Do landfills meet Subtitle D requirement?

What system is in place to detect and identify hazardous waste?

Technical

What is the system capacity?

What is the current volume of waste supply?

Identify project operators and performance guarantees.

Are there any technical improvements that must be completed as part of contracts, agreements or other legal requirements?

Do disposal facilities currently comply with all federal and state environmental standards? If not, indicate what actions are required to obtain compliance.

What is the useful life of landfills currently utilized?

If incineration/waste-to-energy is utilized, please indicate construction status or, if completed, date of plant acceptance.

What is the put-or-pay tonnage requirement?

Other changed information such as any problems of contract compliance between a government unit and a project manager of a W-T-E facility, service disruptions and percent of downtime during the past year.

C. FINANCIAL AND DEBT DISCLOSURE

The entity's financial position is a key credit concern for analysts, and pertinent information (annual and quarterly) for the last three years, such as balance sheets, income statements, and cash flow statements, as well as the composition of revenues and expenses should be included.

Finances

What is the composition of the revenue system?

This information should include a breakout of the tipping fee revenue, including the amount of revenues generated from contracts and the spot market, other fees, and revenues from special assessment taxes and government subsidies. The average tipping fees and spot market fees for the region should also be included. The tipping fees of leading competitors are an important factor. Please list all revenues that are pledged as security for the payment of debt. Actual figures for the last three years should be provided, and compared against budgeted amounts. Forecasts should be included when available. Management discussion and analysis of all of the financial statements, as prepared in accordance with GAAP, is necessary.

What are the entity's expenses and other financial obligations?

Data for this section should include primary operating costs, closure and post-closure landfill costs, recycling requirements and debt payments. A description of the entity's five-year capital improvement plan should be provided.

Describe the funds and reserves available to the entity for operations and debt service payments.

The types of funds available for operations and debt payments and the actual and required levels should be disclosed.

Historical utilization statistics for the last three fiscal years:

Please provide for last three fiscal years:

	FY_____	FY_____	FY_____
Plant capacity (TPD)	_____	_____	_____
Plant availability (%)	_____	_____	_____
Capacity utilization (%)	_____	_____	_____
Refuse throughput tonnage	_____	_____	_____
% Reserve from non-contract sales	_____	_____	_____
% Revenue from energy sales	_____	_____	_____
Energy sold (kWH)	_____	_____	_____
Cost/ton for ash disposal	_____	_____	_____

What is future financial feasibility to service operation, maintenance and debt expenses?

Debt

What is the entity's debt structure?

In this section, please provide all of the types of debt and fixed charge payments for which the entity is responsible and has a lien on the pledge security. Include the terms, schedule, redemption provisions and other pertinent information.

Outstanding Debt Information as of ___/___/

Outstanding principal balance	\$_____
Authorized but unissued debt	\$_____
Next year's estimated debt service FY___ (principal and interest)	\$_____
Maximum annual debt service/year_____	\$_____
Annual debt service coverage ratio for last fiscal year	\$_____

(As calculated under indenture)

Debt service reserve fund balance (s) as of _____ \$_____

Fully funded ____

On build-up schedule ____

Capital improvement

Describe recently completed major capital projects and current status of major ongoing projects (cost & schedule vs. projections)

Describe future capital plans and financing, including federal and state grants.

Extraordinary debt service payment events

Notification of delinquent debt service payments draws from debt service reserve funds and/or letter/lines of credit and/or technical violations of bond indenture

D. LEGAL STRUCTURE DISCLOSURE

The entity's legal structure and obligations under the bond covenants are key credit factors, including statutory, regulatory and judicial considerations.

What are the statutory limitations that may or potentially may affect the system/facility's operations or financial position? In this section, please provide information regarding the issuer's authority to issue the debt, and levy and collect taxes or assessments, or implement other revenue-generating mechanisms for the use and benefit of the system/facility? Discuss applicable powers under statute, home rule, municipal charter, etc. Also, please discuss the ability of the entity to license and/or regulate the subject facility and enter into contracts, franchises and other arrangements with generators, transporters and other third parties. Is there any legislation pending or has been proposed that would materially affect system revenues or performance, including the assured delivery of required amounts of acceptable wastes to the system/facility?

Please provide information regarding the regulatory environment in which the system/facility operates.

For each permit issued by the state and/or other governmental authority for the subject facility, please list its expiration date and any barriers that may impede renewal of such licenses or permits. Also, please describe any compliance difficulties and citations issued against the issuer.

Has the entity been a party to any lawsuit or other judicial proceeding to challenge or validate the securities issuance?

If so, please describe fully. Also, please describe any non-securities litigation against the system/facility or participants, including potential Superfund liability.

What are the key bond covenants?

Please discuss significant litigation, environmental regulations, proposed legislation or compliance with environmental regulations, which would materially affect the issuer, such as the potential impact of waste flow control ordinances being invalidated by the U.S. Supreme Court.

E. CONTRACTS AND AGREEMENT DISCLOSURE

Many municipal solid waste systems have contracts and agreements with vendors, municipalities, and other third parties incorporated into their normal course of business. Information regarding these contracts is necessary for the analyst to fully understand the system's operations, obligations and to determine the credit quality.

What type of waste collection agreements does the solid waste system have and with whom?

For systems that do not have their collection operations, please describe the collection agreements the system has with municipalities, private haulers and other third parties.

What are the delivery agreements?

The agreements for the delivery of waste, such as put-or-pay contracts, and the levels of waste, are important in order to conduct a complete analysis.

Are there any plant operating agreements?

In some instances, a vendor or third party guarantees the operations of the plant or provides management expertise. Please describe them. Include the financial position of the operator and its parent company as well as the project.

Please describe all other agreements.

In this section, please list and describe all other agreements, including the electric sales agreements, the solid waste system may have.

Prepared by

Title

Address

Phone

E-mail

Signature

Date

Supplemental Information

Trustee contact/firm

Phone number

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