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COST AND CONTROL ADVANTAGES OF PUBLIC OWNERSHIP/ PRIVATE OPERATION OF SOLID WASTE PROCESSING FACILITIES

Elected officials frequently are pressured to privatize solid waste operations. This presentation explores a compromise: public ownership (and financing) with private operations. It argues that public ownership (and financing) of solid waste processing facilities operated pursuant to agreement with your private entities can lower capital costs, retain negotiating leverage to secure cost-wise renewals at expiration of the operating agreement term, and increase negotiating leverage when directing program changes. (This is especially true if you competitively secure the operation agreement.)

COST AND CONTROL ADVANTAGE #1: LOWER CAPITAL COST. In the United States, municipalities have access to tax exempt financing of the capital cost of constructing and equipping their publicly owned processing facilities on terms unavailable to private companies. Governmental entities can finance MRFs with the proceeds of municipal bonds, which will usually be less expensive than a private company's taxable debt (e.g. corporate bonds or bank loans) or equity subject to each company's prescribed rate of return[1]. For example, if tax-exempt bonds bear interest

[1]Note that although private companies can qualify for tax exempt private activity bonds for privately owned solid waste facilities meeting Internal Revenue Code requirements (including limited and therefor extremely competitive volume cap allocation), private activity bonds are subject to the alternative minimum tax, and their interest costs may consequently be relatively