

# EDITORIALS



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## Offer to buy SPSA dismissed too quickly

A group of industry veterans has offered to buy the Southeastern Public Service Authority, pay off its debts and untangle the mess at the agency. Considering that SPSA's board last week tentatively approved the highest disposal fees on the planet, you might think the agency would be eager to consider all possibilities.

You'd be wrong.

SPSA's leaders quickly rejected the bid submitted by ReEnergy Holdings even as they endorsed a tipping fee of \$245 a ton, the highest in the world.

It was the second time in a year that SPSA trashed the company's bid without public debate.

This shouldn't be the last word on the subject. As a matter of simple financial prudence, local governments and residents must insist that SPSA give the proposal a much fuller airing.

Because of the financial drag the agency has become, private firms with experience in garbage removal and recycling should have a chance to make their case to overhaul the entire system.

SPSA would prefer to sell off its waste-to-energy facility and use the revenues to restructure. But what the region needs shouldn't be hostage to what SPSA wants.

Skeptics and advocates for the utility may shudder, and not only because the \$205 million offer by ReEnergy seems so perfect. Could it really be that simple to end SPSA's troubles? Why hasn't any other firm made an offer? Is the deal good enough?

Adoption of the plan would create a veritable garbage monopoly for ReEnergy in Virginia Beach, Norfolk, Chesapeake, Portsmouth, Suffolk, Franklin and Isle of Wight and Southampton counties - the eight localities comprising SPSA, which is itself a monopoly.

Exchanging a private monopoly for a dysfunctional public one may indeed be a bad idea. But it needs more analysis than it has received.

The fiscal model that heralded SPSA's birth, long since obsolete, is no longer sustainable.

SPSA Chairman Don Williams, a Norfolk City Council member, said the slumping economy has reduced the amount of trash SPSA expects by 20 percent in the current fiscal year.

SPSA has about \$240 million in debt and faces a \$16 million shortfall in the current budget year. When space fills up in the Suffolk landfill, the authority must pay closing and post-closing costs. When contracts with the localities expire in 2018, it's uncertain how garbage and recycling would be handled in the region.

But SPSA "should be changing the model of needing more trash to fuel the operation," said Bryan Collins, a Chesapeake City Council member and the city's representative on SPSA's board.

Given all that, ReEnergy's offer seems to be a godsend.

The company was formed last year and includes the local firm of Kaufman & Canoles as its counsel. Two key principals, Larry D. Richardson and Thomas E. Beck, boast years of experience in the solid waste and recycling industry.

ReEnergy would offer \$205 million to buy SPSA - including the landfill, transfer stations and trucks - and pay off the outstanding debt. It would assume the closure costs at the landfill. Plus, Richardson said, it believes it can reduce tipping fees significantly.

There are several caveats. ReEnergy wants all eight of the localities to agree to the proposal, signing at least 20-year contracts, or it won't go forward.

The municipalities have separate interests, too. Currently, Suffolk pays no tipping fees because it hosts the regional landfill. Virginia Beach's rate is capped at just under \$54 a ton. Would those cities give up those advantages to help their neighbors?

If SPSA sells some of its assets piecemeal, the value of the system is lower, Richardson said, and that would kill the deal. ReEnergy also would lay off employees, though it has declined to say exactly how many.

Despite those issues, the plan deserves serious consideration, not dismissal. ReEnergy's offer appears to be more than just a mirage. It should be up to the localities to decide how real it is, and whether - given SPSA's tarnished history - the agency can afford not to pursue such radical change.

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## EDITORIAL

Our position on local issues

# Between a rock and a hard place

**V**otes by Franklin, Southampton County and Isle of Wight County delegates to more than double the garbage tipping fee that localities pay the Southeastern Public Service Authority probably have citizens in those localities scratching their heads.

Why would public servants voluntarily inflict that kind of fiscal pain — an extra \$23 per month per household in the case of Franklin — on their citizens?

Truth is, they had little choice.

The alternative — to let SPSA become insolvent and to leave taxpayers in member localities saddled with more than \$200 million in debt — is dishonorable and irresponsible. Franklin, Southampton County and Isle of Wight County, as SPSA members, were parties to some terribly unfair contracts years ago, and now Western Tidewater taxpayers are living with the consequences: a \$245-per-ton tipping fee that's believed to be the highest in the United States.

That doesn't mean citizens have to like the current mess — or that the elected and appointed officials who got us into it by approving those contracts shouldn't be the object of some scorn.

The best course at this point is to hope against hope that SPSA mem-

bers Suffolk and Virginia Beach voluntarily come to the negotiating table and concede that sweetheart deals both communities negotiated with the garbage agency have been bad for SPSA and bad for the region. That's unlikely to happen, and we can't say that we blame Suffolk and Virginia Beach if they refuse.

SPSA voluntarily signed those contracts, which exempt Suffolk from all tipping fees until 2018 and cap Virginia Beach's fees until 2015. To ask elected officials in those two communities to void those contracts to the detriment of their own taxpayers but for the good of the region is asking a lot.

Hopefully, Franklin, Southampton and Isle of Wight officials have learned a hard lesson from the SPSA debacle and will never again sign long-term contracts that commit taxpayers of the future to questionable deals negotiated by politicians of the past.

For that reason, SPSA's board was wise to reject the offer of a New York company to privatize the garbage agency and retire its debt, conditioned on the communities signing the member communities signed 20-year contracts to let the company handle their garbage.

A private monopoly is only marginally more desirable than a public one.