

# **Financial Review of West Central Sanitation, Inc. in relation to the City of Omaha Solid Waste Collection Contract**

**5/20/19**

The City of Omaha Finance Department was asked to look at certain financial information of West Central Sanitation (WCS) in connection with the operational review of their bid for the Omaha Solid Waste contract. We reviewed their internally generated financial statements and tax returns for 2015-2017, cash flow projections to support their bid for the Omaha contract and bank contact information for the working capital financing of the contract.

## **Observations/Findings:**

1. WCS's financial statements were not audited so there is no independent validation of their accuracy. While tax returns were provided they are not a substitute for an audit. Also WCS's 2018 financial statements (the most recent completed year) were not presented to us so the financial information reviewed was 16 months old.
2. Based on 2017 WCS had \$20 million in Revenue and EBITDA (a surrogate for cash flow from operations) of approx. \$3.7 million. The awarding of the Omaha contract to WCS would represent a doubling of their company. This in and of itself represents a huge risk to the city particularly in light of the fact that the Omaha contract is as much as 10 times larger than their next biggest contract.
3. Securing Cash Flow financing by WCS for this contract may be challenging. WCS presented a letter of reference from Bremer Bank in Willmar, MN. It is unclear if this small town bank could finance this contract by itself. The other letter was from a large national finance company whose letterhead was marked "Confidential". This letter is not a commitment but more an expression of interest on the part of the financing company. It states that the financing company would be interested in looking at detailed information related to this project to see if they could come to terms on financing with WCS.