

CHAPTER 13

Revised June 2003

to more accurately describe the CVSWMD's commitment and ability to financially support the philosophy, programs and goals set out in this SWIP.

FINANCES

“The highest use of capital is not to make more money, but to
make money do more for the betterment of life.”

---- Henry Ford

CVSWMD PHILOSOPHY ON FINANCIAL MANAGEMENT

The challenge of achieving a zero waste management program for the region's solid waste is not to be found in developing the programmatic ideas to eliminate or divert waste. Nor will it be found in the practical implementation of these concepts. The challenge will come in figuring out the type of sustainable funding mechanisms that will give our organization the ability to take these plans from dreams to reality.

In order to succeed in its plans, the CVSWMD will need visionaries, inventors and a touch of genius in looking at and leading the change that must occur – inclusive of widespread change in the financial realm.

The greatest financial challenge is to find a way to shift the primary revenue mechanism to something other than the generation of ever-increasing amounts of garbage. The process of considering options will begin immediately upon completion of this Plan. We expect that our existing philosophy of conservatism will continue

to be the hallmark of whatever "money plan" develops. It will also reflect an incentive-based rate approach to charging for solid waste management, in keeping with the State of Vermont requirements and as an incentive supporting our drive towards zero waste.

The reality of comprehensive financial re-structuring may take several years to implement. How will the District support this Plan while we are undergoing this change in our funding sources? In anticipation of this juncture, the CVSWMD has built up a reserve fund to help us initiate new programming and diminish the cash flow challenges the changeover in programming may generate. At the time of writing this Plan, this reserve fund exceeds \$200,000.

The District has developed our Fiscal Year 2004 budget to reflect the preliminary commitments noted in this SWIP. Funding exists in this budget for: our Equity of Services depots, a baseline discard study, the completion of our landfill criteria revision and biosolids criteria development plus public hearings for both endeavors, integration of our DeTox education efforts as an ongoing program initiative, and development of organics programming and a community incentive program to encourage municipalities to take ownership for basic solid waste compliance.

We will also develop a new 5-year program plan that integrates the philosophy, goals and commitments laid out in this SWIP for Fiscal Year 2005 through 2010. A draft of this document will be available in August 2003, with a near final draft scheduled for December 2003; a final version being ready for adoption no later than May 2004.

This 5-year projection of work will:

- identify each initiative that will be undertaken for each of the 5 years
- set out project goals that will be met for every initiative identified
- include a narrative describing each project as it is now anticipated
- offer an evaluation mechanism and a timeframe for determining the program's value to the region
- establish the year(s) in which the initiative will occur
- identify responsible staff members for each project
- project estimated hours per staff person for each project
- include a budget by line item and total for the annual cost of each project

- include a budget spreadsheet for all District work by program area, inclusive of revenue and expenses

This 5-year program plan will be revised as information from studies reveals new opportunities or challenges and as program evaluations determine the value of various undertakings. This revision is accomplished through our regular, annual budgetary process described later in this chapter. Substantial opportunity for public input is an inherent part of our budget process.

The following is an example of the narrative the 5-year program plan will include. This example is excerpted from our program plan for fiscal years 1999 – 2003.

ILLEGAL BURNING & DUMPING

Introduction. Considerable research has been conducted by Keep America Beautiful to determine the reasons for illegal dumping at sites. Individuals illegally dump under very specific circumstances. When programs are developed to eliminate the circumstances, illegal dumping is reduced and may eventually stop. The conditions, called the littering cycle, are:

THE LITTERING CYCLE

Problem	
Solution	
No sense of ownership (ownership marker at site)	Community sense of ownership
Trash has accumulated No one present at the site	Removal of Trash Regular monitoring

Current Conditions. For several years, The District funded clean-up programs within CVSWMD member communities. These programs were of limited success and in many cases the trash would reappear and the District was spending money to re-clean the same sites. In 1997, the District ended clean-up programs in favor the Adopt-A-Site program, a community based approach to preventing and reducing illegal dumping. The Adopt-A-Site program is designed to eliminate the circumstances that lead to illegal dumping or phrased differently, it is designed to attack the litter cycle (see above diagram for details).

Goal Statement(s).

- Develop community ownership for dumpsites. Littering is less likely to happen when it appears not to be tolerated by the community
- Establish a new community ethic that will not tolerate illegal dumping and burning within District member communities.
- Change illegal dumping behavior to safer/acceptable disposal practices.
- Educate the community on the dangers/impacts (environmental and health) of illegal dumping and burning.
- To meet communities needs by providing technical assistance for cleaning and preventing illegal dumping.
- To increase the District’s involvement with community members to foster better relationships and to increase awareness of the District.

Action Item

Adopt-A-Site Program

\$65,466
Year 1 Budget

1,224 Annual Staff Hours

Staff responsible for program/project: Adopt-A-Site Coordinator

Program/Project Description: The District will continue to seek USDA funding for this program. However, the costs have been incorporated into the Plan budget beginning in FY 2000. This program attacks the motivators for illegal dumping, encouraging communities to integrate new ethics into their local cultures that disallow dumping. The existing program has experienced considerable success, resulting in sites remaining clean which previously have re-experienced dumping after clean-up.

Timeframe for Implementation:

Years 1, 2, 3, 4 & 5 Continue existing program.

Method of Evaluation: There are several methods of evaluation to be employed in this program. First, the District will look at the number of sites cleaned annually plus annual adoptions as a measure of effectiveness. The goal will be to have this total equal to 10 adoptions or cleanups multiplied by the number of years of the program, with year 1 considered to be FY 1998. This will allow for a decrease in the number of clean-ups while adoptions continue to increase. At the point that the annual numbers level off, the District needs to re-evaluate the program's design and the communities' needs for the AAS program.

In addition, volunteers will be surveyed for their response to the program. They will be given an opportunity to comment on staff effectiveness, the program's affect on their perspective, operational procedures and the long term benefits of the project.

Recommendation(s) for Action

- Immediately upon adoption of a draft Solid Waste Implementation Plan, the Financial Oversight Committee of the board should set aside time at each of its regular meetings to consider options for a new, comprehensive approach to funding the zero waste plan.
- The District Senior Team should undertake research and generate ideas on financial approaches and opportunities they can recommend the Program Oversight Committee consider. The experience of other communities and solid waste management entities that have embraced zero waste programming should be examined.

- Financial discussions should consider the creation of incentive-based rate scenarios. We will want to create a financial structure that encourages residents and businesses to realize cost savings when they diminish their waste either by reduction, reuse or diversion. It will, for instance, become very meaningful for composting to cost sufficiently less than disposal.
- As part of its considerations, the District should consider owning or partnering in a sustainable, solid waste business endeavor that could generate the revenue necessary to support programming without relying on waste generation.
- The process of deliberation and discussion should remain consistent with the District's "open budgeting" process. Changes should be taken to each community's elected officials by the representative board supervisor. A public hearing specifically to discuss financial changes should be publicized and held in order to explain the need and the benefits of the proposed changes and to allow the board to hear the questions and concerns of constituents first-hand.

Overview of current situation

The District currently generates revenue through two primary means – a surcharge on garbage generated within the District and a per capita fee from its member communities. Other sources of income include grant funding, fees on services such as garbage disposal, metal collection or hazardous waste disposal, interest income, and rent from the apartment that is in the District office building. By far, the \$16 per ton surcharge on material sent to landfill generates the largest portion of our income stream – \$624,000 in the example charted below. The pie chart shows the contributions by source to an average year's budget. The CVSWMD currently maintains both a surcharge and a per capita fee that are among the lowest in the state of Vermont. As we contemplate zero waste generation, the sources of our monies will need to change. Not only will diminishing waste result in less revenue to the District under the current financial scenario, but we will need to alter the incentives and disincentives to certain behaviors through establishing a new pricing policy.

Estimated Annual Revenue by Source

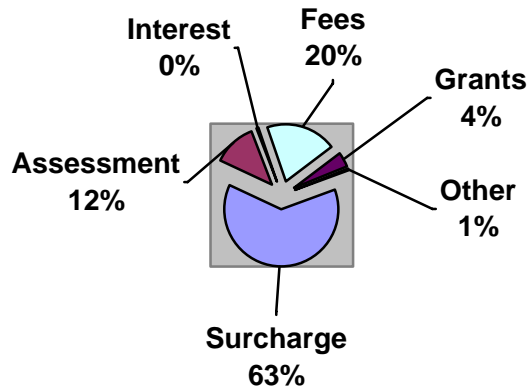


Fig. 20

Since its inception, the CVSWMD has adapted its financial protocols and policies to reflect new perspectives and a growth in the number of programs and amount of revenue it manages. Our budget process is the most public and well promoted of these. However, it is worth noting that we contract annually for an audit with an independent accounting firm, maintain and review policies for procurement, authorization and process that are consistent with acceptable accounting standards and practices, and have “stood the test” of state and federal audits on grant accounts.

In general, we budget conservatively on the revenue side and accurately on the expense side, with a clear policy that unbudgeted expenditures over a specified limit must have the authorization of varying levels of the organization. This approach keeps our spending clearly within the realm of the adopted or amended budget for each year. By projecting revenue realistically but conservatively, we tend to end the year close to our expectations, and sometimes realize revenue in excess of expenditures due to waste generation in excess of expected tonnages and/or a high success rate in receipt of grants. In years in which we realize excess funds, they are added to our “undesigned fund balance” for future use. Past uses of the “undesigned fund” have included special projects, such as cleaning up unusually large illegal disposal sites, extending the commitment to communities for a specified per capita rate, keeping the surcharge at a specific rate in order to keep disposal

costs for residents low, and offering free hazardous waste disposal for targeted materials.

We do not expect to experience a change in the District's approach to how it creates its budget and the role members of the public have in the process, which includes a considerable opportunity for input.

All meetings of the board and its committees are public meetings. The schedule is regular and is published monthly in the *Times Argus* as part of the monthly board meeting notice. Changes to this schedule are made in compliance with the Public Meetings Law. In addition, the meeting schedule is included on the board agendas which are sent monthly to all member communities' Town Clerks for posting, and all selectboard and council chairpersons, town managers and mayors for informational purposes for those public bodies. board supervisors from each community also receive notice of these meetings.

Each board meeting contains, as a matter of policy, an opportunity for PUBLIC COMMENT. Additionally, our Charter requires that we hold at least one public hearing on the budget before it is adopted which is advertised and communities are notified of it in the same manner as they are for our monthly meetings (described above).

The District director seeks to meet annually with selectboards and councils. The director and other staff are available to meet with member community officials to answer questions about programs, policies, and budget matters.

The following outlines the process used to create our annual budget.

- The Financial Oversight Committee (FOC) is comprised of volunteer board members serving one year terms. They create the District's budget, consider and deliberate over other issues and make financial recommendations to the board. The FOC Chairperson reports to the board monthly on the committee's considerations and progress. All committee meetings are public meetings.
- In September and October of each year, the staff drafts a budget for the upcoming fiscal year to begin talking about with the FOC. By practice, the board of Supervisors has decided to create five-year program plans that forecast work

and costs. The annual budgets are prepared based upon these five-year plans. Adjustments may be made as a result of new requirements, board-stated desires, program evaluations, or other influences that suggest a need for change to the work or costs envisioned during the five-year plan process for a particular year.

- From this point until the December meeting of the board, discussions about the draft budget are held in committee and at each board meeting. By Charter, on or before December 15 of each year the District board of supervisors must make a decision and notify member communities of the per capita rate for the upcoming fiscal year. To do this, the District must understand the significant costs that will contribute to the budget for that same fiscal year. Also in keeping with our Charter, we forward a proposed budget to our member communities, a copy of our audit for the previous fiscal year, and a current financial statement.
- Since we prefer to adopt budgets that represent the most accurate costs available to us, we do not adopt the budget in December. We wait until the following spring, only a few months from the time of implementation of a new fiscal year. This allows staff and the FOC to review actual numbers from the current year's expenses and revenues that may affect the bottom line of the upcoming year's budget. This accuracy allows greater accountability and fiscal responsibility.
- The District tracks costs annually by project and by line item. Staff members are charged with monitoring their own budgets and for providing the director and finance manager with information about future program needs.
- The board receives monthly financial statements. Line items on these financial statements are comparable to our budget spreadsheet, facilitating an ongoing, "at-a-glance" opportunity for accountability. Financial statements also offer a year-to-date percentage of total budget calculation. Any apparent anomalies are explained by the director and/or finance manager monthly. A frequent explanation, for instance, occurs as a result of our seasonal programs. Some line items can appear out of pace with an annual calendar – either exceeding the annual percentage or lagging behind.

Issues and questions to be answered

- What are the new financial mechanisms that the District will feel comfortable with? What are the best options for having our financial mechanism support our programmatic and philosophical approaches?
- How will a new, incentive-based rate program affect residents and businesses?
- What amount of revenue will need to be generated annually? How sensitive will the new mechanisms be to consumer behavior, marketplace trends, inflation and recession?
- How will our communities react to the new approach to finances?

These questions, and others, will be resolved as our organization moves forward to embrace a comprehensive, sustainable program of zero waste for the region.