



TOWN OF BOURNE

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2nd Reading

TOWN OF BOURNE

ISWM ENTERPRISE FUND FINANCIAL POLICIES AND GUIDELINES

I. INTRODUCTION

The following financial management policies and guidelines set forth the framework for overall planning and management of the Town of Bourne, Integrated Solid Waste Management Enterprise Fund, overseen by the General Manager of the Town of Bourne, Department of Integrated Solid Waste Management. The policies are intended to be advisory in nature and serve as a point of reference for all policy-makers, administrators and advisors.

Responsibility for maintaining safe and environmentally sound operation of the Department of Integrated Solid Waste Management, that is in compliance with all Federal, State and local laws and regulations, is by the Charter, the responsibility of the ISWM General Manager. For each Fiscal Year, the General Manager shall prepare an overall financial management plan that includes an annual budget, administrative fee structure, capital outlay and debt management plan, and contributions to all funds within Retained Earnings. The ISWM General Manager will work closely with the Town Administrator and the Finance Director in the annual budget planning process and the implementation of the Financial Policies.

The policies are designed to ensure the sound financial condition of the ISWM now and in the future. Sound financial condition may be defined as:

- **Cash Solvency:** The ability to pay bills in a timely fashion and have a reserve to address unexpected increases in operational expenses
- **Long- Term Solvency:** The ability to pay future costs including all debt service and benefit costs beyond the life of the landfill
- **Service Level Solvency:** The ability to provide needed services for the residents and customers of the ISWM facilities in a safe and environmentally sound manner
- **Infrastructure Solvency:** The ability to maintain infrastructure, plan for future development and meet long term care obligations

II. ANNUAL BUDGET

- A. Components: The annual Operating Budget of ISWM shall include the Salaries and Wages, Expenses, Host Fee; and the Administrative Fee.
- B. Administrative Fee: Administrative Fee represents contributions from the ISWM Enterprise Fund, in a manner compliant with the MA Department of Revenue guidelines for Enterprise Funds, for Administrative expenses of the Town. The Administrative fee shall include ISWM fringe benefits, DPW expenses associated with the curbside collection program and other miscellaneous expenses such as accounting, management, postage and legal counsel.
- C. OPEB: ISWM will make contributes to the OPEB Trust Fund in accordance with the Town's Financial Policy on OPEB contributions.

III. FISCAL RESERVES GUIDELINES

ISWM's accumulation of prudent reserves is critically important to the fiscal health of the community for many reasons. The Town will endeavor to establish and maintain the following accounts as part of Retained Earnings. The undesignated balance of Retained Earnings will be reviewed as needed and applied in a manner to enhance the financial stability of the Enterprise Fund, including reducing debt.

- A. Working Capital: Retained Earnings should be maintained at a minimum balance of 3 months operating expenses in cash. A month's operating expenses shall be calculated as the 12-month average from the previous fiscal year. The Finance Director shall be consulted and will make the annual determination of the amount required.
- B. Reserve Fund: The ISWM Reserve Fund will be budgeted at 5% of the ISWM Annual Operating Budget (Components defined in Section II. A.). Access to the Reserve Fund shall be for emergencies or other unanticipated budgetary needs that may arise as a result of unexpected circumstances and must be approved by a vote of the Finance Committee upon request of the ISWM General Manager. Any funds expended during the fiscal year may be replenished at a Special Town Meeting if recommended by the General Manager and the Town Administrator. The minimum annual allocation shall be \$600,000.
- C. Closure and Post-Closure Funds: To maintain closure accounts in compliance with state regulations that set aside adequate funds to close the landfill and/or transfer stations and further to maintain an account for the long-term post-closure care and monitoring required by regulations. Any annual calculation shall be done, in accordance with regulations, to determine the contributions from Retained Earnings into these accounts. Costs for closure and post-closure will be reviewed and updated at least every three

years. Withdrawals from closure accounts shall be made on the recommendation the General Manager and in consultation with the MA DEP. These funds are not to be used for any other purpose and are required to receive operating permits.

- D. Future Solid Waste Stabilization: Funds set aside to cushion the impact on the Town's Operating Budget after the landfill closes and Host Fee revenue will be less. This fund will pay for transportation and disposal of MSW and recycling after the closure of the landfill. There are currently no required contributions to the fund. A policy for the specific goals of the fund and funding mechanism or requirements should be established.

- E. Host Fee: ISWM shall contribute to the General Fund, in accordance with law, the minimum required annual host fee based on a per ton fee per qualifying ton. Said fee shall be calculated in accordance with the law utilizing the cited inflation factor published by the Federal government. The fee shall be part of the annual operating budget and will be based on projected qualifying tons and revenue for the coming Fiscal Year. The total qualifying tons multiplied by the established rate per ton is the determining factor for the host fee. If the General Manager determines that the qualifying tons in any Fiscal Year will not be sufficient to cover the budgeted Host Fee, the General Manager will notify the Town Administrator and the Finance Director as soon as the determination is made but no later than April 1 before the Fiscal Year end.

IV. FINANCIAL PLANNING & MONITORING GUIDELINES

Long-term financial forecasting and constant monitoring of current revenue and expenditure trends are vitally important to maintain quality service levels and fiscal discipline. As a result, it is the policy of the Town that ISWM undertake the following:

- A. Multi-Year Financial Forecasting: Establish and maintain an on-going financial planning model that projects revenues and expenses over the next five (5) years by using five (5) years of historical data and other fiscal trend analysis. ISWM shall endeavor to secure long-term contracts and other business arrangements to ensure that it has a steady source of revenue to meet its obligations.

- B. Monitor and Track Current Year Financial Activities: Constantly monitor revenue and expenditure activities and publish periodic reports for policy-makers, the Town Administrator and Finance Director. To meet this objective, ISWM should implement improved financial management systems to create the required revenue and expenditure reports, reduce duplication of effort, and maximize productivity of finance department staff.

V. CAPITAL PLANNING & DEBT SERVICE MANAGEMENT GUIDELINE

ISWM's ability to address its capital needs (infrastructure, facilities, equipment, etc.) is critical to meet contractual and regulatory obligations to provide safe and environmentally compliant facilities. ISWM is a unique operation in the state of MA for a municipal government and consideration must be given to the General Manager that ISWM has substantial expenditures for the purposes of keeping its facilities in good working order and to plan for the future. Therefore, ISWM shall undertake the following:

- A. **Capital Improvement Plan:** In accordance with the Town of Bourne Charter, as amended, the Town shall establish and maintain a five (5) year capital improvements plan, to update the plan annually, to develop capital financing strategies consistent with these policies, and to integrate any new operating costs associated with capital projects into the annual operating budget. The Town should capitalize expenditures of at least \$20,000 and having a useful life of more than five years.
- B. **Debt Maturity Guidelines:** The Treasurer will strive to limit the maturity of ISWM's debt according to Mass General Laws and within the overall active life of the specific project or the landfill. A debt management plan will be developed for each fiscal year as part of the Operating Budget. This plan shall take into account the Fiscal Reserves that have been identified and that must also be fully funded.
- C. **Alternative Financing Strategies:** ISWM will continually pursue opportunities to acquire capital by means other than conventional borrowing such as grants, and other programs as may be available.
- D. **Reconciliation & Record keeping:** ISWM will annually reconcile debt- related records with the Finance Director/Treasurer and the Town Accountant before April 1 of each fiscal year to determine if any unissued bond authorizations need to be rescinded at the Annual Town Meeting.
- E. **Debt Issuance:** ISWM will work closely with the Finance Director and the Town's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained.
- F. **Capital Budget:** The Capital Budget for ISWM shall be determined on an annual basis and shall include replacement of ISWM funded equipment utilized by the Department of Public Works to fulfill the duties of curbside MSW and recyclables collection. ISWM will include a 5-year capital plan as part of the annual capital outlay review.

VI. REVENUE ENHANCEMENT GUIDELINES

- A. ISWM will rapidly move to collect all receivables and close accounts of customers who do not pay. Further ISWM will notify the Town Administrator of accounts that require the Town to pursue full payment by all legal means.

POLICY ENDORSEMENTS

Approved:

Town Administrator
Dated:

Finance Committee Chair
Dated:

Chairman, Board of Selectmen
Dated:

Finance Director/Treasurer
Dated:

Vice Chairman, Board of Selectmen
Dated:

Town Accountant
Dated:

Clerk, Board of Selectmen
Dated:

ISWM General Manager
Dated:

Board of Selectmen
Dated:

Board of Selectmen
Dated: