

DORCHESTER COUNTY, MARYLAND

Fiscal Policies and Procedures – Stabilization Funds

Adopted July 20, 2004

SECTION I - INTRODUCTION

The County Council of Dorchester County, Maryland approved on July 20, 2004, the following policy on stabilization funds.

SECTION II - AUTHORITY AND DELEGATION

Article 25, Section 3 of the Annotated Code of Maryland authorizes the County Council to adopt by Resolution administrative acts. Pursuant to Resolution Number 394 of the County Council of Dorchester County, Maryland this policy shall supersede any previously adopted or practiced policy on stabilization funds.

SECTION III - PURPOSE

This policy on stabilization funds is designed to guide the creation, maintenance, and use of resources for financial stabilization purposes. The County Council recognizes that the County must maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

SECTION IV - APPLICABILITY

This fiscal policy applies to all departments, offices and agencies of Dorchester County, Maryland government.

SECTION V - EXCLUSIONS

None

SECTION IV - POLICY

A. Dorchester County shall annually establish an appropriated Contingency Account within the General Fund operating budget to provide for unanticipated expenditures of a nonrecurring nature and/or to meet unexpected increases in costs, which could not have been reasonably anticipated at the time the budget was prepared. Funding shall be 0.75% percent of the County's General Fund operating expenditures. The implementation of this section shall be phased in over three consecutive years beginning in Fiscal Year 2005.

B. Expenditures from the Contingency Account shall be approved by a majority of the Council in a Regular Session meeting.

C. Dorchester County shall establish a Strategic Reserve Fund which shall neither be appropriated nor spent without Council authorization. The purpose of the fund is to provide a fiscal means for the County to respond to potential adversities such as public emergencies, natural disasters, major unanticipated projects or economic downturns. Beginning in fiscal year 2006 and for each subsequent fiscal year, the County shall include in the budget bill an appropriation to the Strategic Reserve Fund equal to at least the lesser of \$200,000 or whatever amount is required for the Strategic Reserve Fund balance to equal 5% of the estimated General Fund operating revenues for that fiscal year.

D. Expenditures from the Strategic Reserve Fund shall be approved by a 4/5ths majority of the Council in a Regular Session meeting.

E. Dorchester County shall set aside investment earnings from the Strategic Reserve Fund into the Self-Insurance Reserve for the eventual implementation of a self-insurance program. As the County's mix and level of liabilities increase, it should have a foundation to implement a cost effective program to mitigate the expense of property and/or health insurance. The intent is to transfer investment earnings from the Strategic Reserve Fund into the self-insurance reserve until the self-insurance program is ready to be fully implemented. After that point the required amount will be transferred to appropriately fund the self-insurance reserve. Similar transfers will occur annually after that initial set-up. This section shall be effective July 1, 2005.

F. Dorchester County shall maintain a \$100,000 reserve for snow and ice removal. This reserve is established for use in the event a major storm occurs and additional funds, above the annual operating allocation, are needed. The implementation of this section shall be phased in over three consecutive years beginning in Fiscal Year 2005.

G. Reserves for Encumbrances and Continuing Appropriations are established at the end of every fiscal year to reserve fund balance in the amount equal to the County's unpaid obligations and unfinished projects at year-end.

H. A minimum fund balance of 10% of estimated Highway User Revenues for the current year will be maintained as a reserve for road repair emergencies or other unanticipated highway projects. The implementation of this section shall be phased in over three consecutive years beginning in Fiscal Year 2005.