



## COUNTY COUNCIL OF TALBOT COUNTY

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CHUCK F. CALLAHAN, President  
PETE LESHER, Vice President

KEASHA N. HAYTHE  
LYNN L. MIELKE  
DAVE STEPP

### **ADMINISTRATIVE RESOLUTION ADOPTING AND APPROVING A GENERAL FUND RESERVE POLICY FOR TALBOT COUNTY, MARYLAND**

**WHEREAS**, upon the advice of its financial advisors and consistent with the best practice recommendations of the Government Finance Officers Association and certain ratings agencies, the County Council of Talbot County, Maryland (the "County Council") finds that it is in the best interest of Talbot County, Maryland (the "County") to adopt and approve a General Fund Reserve Policy as set forth herein.

**NOW, THEREFORE, BE IT RESOLVED**, by the County Council of Talbot County, Maryland, that the General Fund Reserve Policy attached hereto as Exhibit A and incorporated herein by reference as if fully set forth is hereby adopted as a policy of the County.

**BE IT FURTHER RESOLVED**, that this Administrative Resolution shall take effect immediately upon adoption.

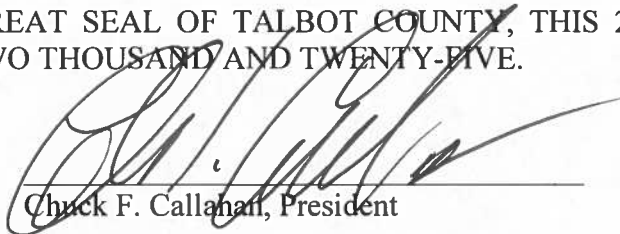
**INTRODUCED** by the County Council of Talbot County, Maryland at a Regular Meeting on February 25, 2025, at which meeting copies were available to the public for inspection.

**ADOPTED** by the County Council of Talbot County, Maryland at a Regular Meeting on February 25, 2025, at which meeting copies were available to the public for inspection.

**SIGNATURES FOLLOW ON THE NEXT PAGE**

GIVEN UNDER OUR HANDS AND THE GREAT SEAL OF TALBOT COUNTY, THIS 25<sup>th</sup> DAY OF FEBRUARY IN THE YEAR OF OUR LORD TWO THOUSAND AND TWENTY-FIVE.

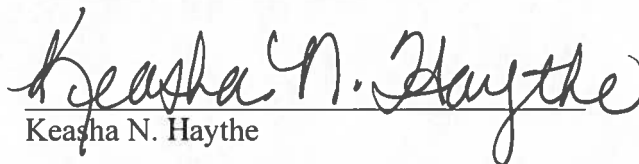
ADOPTED:

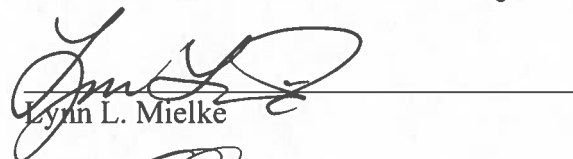
  
\_\_\_\_\_  
Chuck F. Callahan, President

By the Council February 25, 2025

  
\_\_\_\_\_  
Pete Leshner, Vice President

Certified Susan Moran  
Susan Moran, Secretary

  
\_\_\_\_\_  
Keasha N. Haythe

  
\_\_\_\_\_  
Lynn L. Mielke

  
\_\_\_\_\_  
Dave Stepp



**EXHIBIT "A"**

## **TALBOT COUNTY, MARYLAND**

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# **General Fund Reserve Policy**

## **I. POLICY**

Fund balance is a key element of financial resilience for any county or municipal organization. It helps to mitigate the impacts of unanticipated revenue shortfalls and provides a buffer for unexpected expenditure requirements. Maintaining and adhering to a reserve policy is a best practice recognized by the Government Finance Officers Association and is among the factors considered by rating agencies when assessing the creditworthiness of an organization.

For these reasons, Talbot County, Maryland (the "County") adopts the following General Fund Reserve Policy, which aligns with Article VI (Budget and Finance) of the Charter of Talbot County (the "Charter").

## **II. SCOPE**

The County's General Fund Reserve shall be comprised of four separate components.

- A. Rainy Day Reserve
- B. Risk Mitigation Reserve
- C. Permanent Public Improvements Reserve
- D. Unassigned Reserve

## **III. RAINY DAY RESERVE**

### **A. Rainy Day Reserve level**

1. It is the County's goal that, at the end of each fiscal year, the Rainy Day Reserve level be equal to twenty percent (20%) of General Fund Expenditures before other financing uses.

### **B. Rainy Day Reserve designation**

1. The Rainy Day Reserve will be designated as Committed General Fund Balance in the financial statements.

### **C. Rainy Day Reserve uses**

1. The Rainy Day Reserve will be used to offset significant revenue or expenditure fluctuations driven by one-time emergencies such as, but not limited to, natural disasters, global pandemics, economic recessions, or federal mandates.
2. The Rainy Day Reserve may be used after all of the Risk Mitigation Reserve funds have been spent.

3. Use of the Rainy Day Reserve requires a written recommendation from the County Manager certifying these funds are available for appropriation and approval by the County Council.
4. Use of the Rainy Day Reserve shall be limited to no more than five percent (5%) of all appropriations for that budget year in accordance with § 617 of the Charter.

#### **IV. RISK MITIGATION RESERVE**

##### **A. Risk Mitigation Reserve level**

1. It is the County's goal that, at the end of each fiscal year and after full funding of the Rainy Day Reserve, the Risk Mitigation Reserve level be equal to six percent (6%) of General Fund Expenditures before other financing uses.

##### **B. Risk Mitigation Reserve designation**

1. The Risk Mitigation Reserve will be designated as Committed General Fund Balance in the financial statements.

##### **C. Risk Mitigation Reserve uses**

1. The Risk Mitigation Reserve will be used for any unexpected budgetary fluctuations in any given year.
2. The Risk Mitigation Reserve may not serve as an alternative funding source for new programs.
3. The Risk Mitigation Reserve may be used after all budgetary funds or other contingency funds in the current annual operating budget have been spent.
4. The Risk Mitigation Reserve shall be completely used before any Rainy Day Reserve funds are spent.
5. Use of the Risk Mitigation Reserve requires a written recommendation from the County Manager to certify that these funds are available for appropriation and approval by the County Council, in accordance with § 616 of the Charter.

#### **V. PERMANENT PUBLIC IMPROVEMENTS RESERVE**

##### **A. Permanent Public Improvements Reserve level**

1. It is the County's goal that, at the end of each fiscal year and after the full funding of the Rainy Day Reserve and Risk Mitigation Reserve, the Permanent Public Improvements Reserve level be equal to four percent (4%) of General Fund Expenditures before other financing uses.

##### **B. Permanent Public Improvements Reserve designation**

1. The Permanent Public Improvements Reserve will be designated as Committed General Fund Balance in the financial statements.

**C. Permanent Public Improvements Reserve uses**

1. The Permanent Public Improvements Reserve will be used to support larger one-time (not recurring) capital needs to help reduce the future budgetary impact of these liabilities and one-time economic development efforts to support growth in the County's tax base and General Fund revenues.
2. The Permanent Public Improvements Reserve may also, but is not required to, be used to support unexpected budgetary fluctuations in the event that: (i) the Risk Mitigation Reserve has been fully spent; and (ii) reserves are available in the Permanent Public Improvements Reserve.
3. Use of the Permanent Public Improvements Reserve requires a written recommendation from the County Manager certifying that these funds are available for appropriation and approval by the County Council, in accordance with §§ 616 and 620 of the Charter.

**VI. UNASSIGNED RESERVE**

- A. The Unassigned Reserve represents excess funds received during the annual budget process. The source of excess funds can occur as a result of General Fund revenues received in excess of projected revenues or spending below expenditure levels in the annual budget.
- B. The Unassigned Reserve may be used for the following purposes:
  1. For pay-as-you-go funding during the annual budget process to fund large one-time capital projects and one-time purchases of capital vehicles, machinery, equipment, and the like; and
  2. To offset one-time (not recurring) appropriations in the Annual Budget and Appropriation Ordinance.
- C. Use of the Unassigned Reserve requires the approval of the Council through the Annual Budget and Appropriation Ordinance.

**VII. REPLENISHMENT OF RESERVES**

- A. It is the County's goal to replenish reserves to their policy thresholds within three (3) years of falling below their policy minimums.
- B. The County's plan to replenish reserves will follow the order of:
  1. Replenishment from the Unassigned Reserve.
  2. Replenishment from a reduction in spending and/or from increasing revenues.
- C. The County's reserves will be funded and replenished in the following order of priority:
  1. Rainy Day Reserve;
  2. Risk Mitigation Reserve;
  3. Permanent Public Improvements Reserve; and
  4. Unassigned Reserve.

## **VIII. RESERVE POLICY REVIEW**

- A. The County shall review its reserve policies every third year during the annual budget process to ensure its reserve policies continue to remain in line with industry best practices and like-rated Maryland county peers.
- B. The reserve policies will remain in effect until such time as they are amended or repealed by subsequent action of the County Council.



## Talbot County, Maryland Funding Priority of Reserves

