



## The Mayor and Commissioners Of the Town of Elkton

### Resolution R2-2024

**A Resolution of the Mayor and Commissioners of the Town of Elkton establishing financial policies pertaining to the Unassigned General Fund Reserve, Debt as a Percentage of Value, Debt Service as a Percentage of Total General Fund Expenditures, and Total Fixed Costs as a Percentage of Total General Fund Expenditures.**

**WHEREAS**, the Mayor and Commissioners of the Town of Elkton are empowered to develop, implement, and maintain financial policies not inconsistent with Article VIII., Finance Department, Section C8-1., et seq., Charter of the Town of Elkton; and

**WHEREAS**, as a result of and pursuant to a *Comprehensive Financial Review* by Davenport Public Finance, dated November, 2023, recommendations were made to develop, implement, maintain, and periodically review policies regarding the ***Unassigned General Fund Reserve, Debt as a Percentage of Full Value, Debt Service as a Percentage of Total General Fund Expenditures, and Total Fixed Costs as a Percentage of Total General Fund Expenditures.***

**Now, Therefore, Be It Resolved by the Mayor and Commissioners as follows:**

#### **Unassigned General Fund Reserve Policy**

**Reserve Floor:** The Town will establish an Unassigned General Fund Reserve that will be maintained at a level not less than **five percent (5%)** of the General Fund revenues for any fiscal year. This level of reserves is intended to provide the Town with sufficient working capital and margin of financial safety to address unforeseen, one-time expenditure emergencies or significant unforeseen declines in General Fund revenues in any specific fiscal year for which there are no other current budgetary resources available or other categories of fund balance to satisfy the funding needed.

<i>Example:</i>	<i>Unassigned General Fund Balance:</i>	<i>\$750,000</i>
	<i>Divided by General Fund Revenues:</i>	<i>\$15,000,000</i>
	<i>Equals Unassigned General Fund Reserve:</i>	<i>5.0%</i>

**Reserve Funding Sources:** The Unassigned General Fund Reserve will be maintained through the provision of funding from budgeted reserve contributions as well as residual revenue in excess of budget, both as necessary, to maintain the designated Reserve Floor.

**Reserve Drawdown:** Drawdown of the Unassigned General Fund Reserve shall occur only by authorization of the Mayor and Commissioners. Funds may be used only for the purpose of addressing unforeseen, one-time expenditure emergencies or significant unforeseen declines in General Fund revenues, opposed to recurring expenditures. The Unassigned General Fund Reserve may not be used for balancing the annual budget due to recurring declines in revenue sources or recurring expenditure increases.

**Reserve Replenishment:** In the event the Unassigned General Fund Reserve is used, it will be restored to its minimum [ 5% ] level within three (3) fiscal years. The Town's Finance Director will submit a plan to the Mayor and Commissioners intended to restore the Unassigned General Fund Reserve to its minimum level within the three (3) fiscal year period.

**Reserve Funding Plan:** In order to meet the desired reserve levels, the Town will fund the Unassigned General Fund Reserve to the designated five percent (5%) level in advance of the schedule, as follows:

By Fiscal Year End	Unassigned General Fund Reserve – Level of General Fund Revenues
2025	2.5%
2026	3.5%
2027	4.0%
2028	4.5%
2029	5.0%

### **Debt as a Percentage of Full Value**

The Town will maintain its tax supported debt at a level not-to-exceed four and a half percent (4.5%) of full value [*Total Assessed Value of Taxable Real and Personal Property*]. This ratio is a measure of debt capacity and allows the Town to determine if additional debt can be issued to fund current and/or future capital needs.

### **Debt Service as a Percentage of Total General Fund Expenditures**

The Town will maintain its annual tax-supported debt service at or below fifteen percent (15%) of the total General Fund expenditures, this ratio is a measure of debt affordability and allows the Town to determine its ability to repay tax-supported debt without affecting other general government services.

### **Total Fixed Costs as a Percentage of Total General Fund Expenditures**

The Town will calculate a fixed cost burden that will measure the Town's overall financial flexibility. The Town's fixed cost burden will be calculated as a total of annual tax-supported debt service, annual pension contributions and annual contributions for Other Post-Employment Benefits ("OPEB") as a percentage of the total General Fund expenditures. The Town's fixed cost burden shall not exceed twenty-five percent (25%) of the total General Fund expenditures.

**THIS FINANCIAL POLICY SHALL BE REVIEWED ON A TWO-YEAR CYCLE TO DETERMINE THE APPLICABILITY AND RELEVANCE OF ANY PROVISION SET FORTH HEREIN**

ENACTED THIS 21<sup>st</sup> DAY OF FEBRUARY, 2024

**The Mayor and Commissioners  
of the Town of Elkton**

Mayor Robert J. Alt  
Commissioner Jean A. Broomell  
Commissioner Charles H. Givens, Sr.  
Commissioner Robert M. Massimiano  
Commissioner Earl M. Piner, Sr.

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