

# **DORCHESTER COUNTY, MARYLAND**

## **Fiscal Policies and Procedures - Balancing the Operating Budget**

Adopted July 28, 2009

### SECTION I - INTRODUCTION

The County Council of Dorchester County, Maryland approved on July 28, 2009, by resolution, the following policy on balancing the operating budget.

### 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 466 of the County Council of Dorchester County, Maryland this policy shall supersede any previously adopted or practiced policy on balancing the operating budget.

### SECTION III - PURPOSE

This policy on balancing the operating budget is designed to define a balanced operating budget, encourage commitment to a balanced budget under normal circumstances, and provide for disclosure when a deviation from a balanced operating budget is planned or when it occurs.

A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. At a minimum, balance should be defined to ensure that the County's use of resources for operating purposes does not exceed available resources over a defined budget period. A more stringent definition requires that a government maintain a balance between operating expenditures and operating revenues over the long term, not just during the current operating period. This latter definition of balance is referred to as structural balance, and is the goal of this policy.

The County will live within its means. All departments, offices, and agencies supported by the resources of the County must function within the limits of the financial resources identified or available specifically to them.

A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over

periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends. The County cannot develop a legacy of shortages or a legacy of mixing onetime resources and expect the continued delivery of services, the very reason for which it exists.

Program demands require that an adequate revenue stream be maintained. The County must make the hard decisions required to assure a continuing flow of resources.

It is the policy of this government to take whatever steps are necessary to ensure full and continued funding for the services, programs, and facilities which the County is required or elects to provide. The County should actively pursue whatever revenues it can locate to support the services its electorate demands.

#### SECTION IV - APPLICABILITY

This fiscal policy applies to all elected officials, departments, offices, agencies, boards, and commissions of Dorchester County, Maryland government unless otherwise excluded.

#### SECTION V - EXCLUSIONS

None

#### SECTION VI - POLICIES

1. The operating budget shall be balanced at the start of the year, throughout the year, and at the end of the year.
2. The accrual and/or modified accrual basis of accounting shall be used to measure expenditures and revenues.
3. Balance is defined as limiting operating expenditures in all funds to be equal to the sum of available, unencumbered cash balances and revenues estimated to be received in the current budget period.

4. General Fund operating expenditures and appropriations are to be made against current revenue sources, and not be dependent upon uncertain reserves or fluctuating prior period cash balances. To the extent possible, current operations will be funded by current revenues. The use of unencumbered prior period balances in all funds shall be scrutinized and carefully limited.
5. Special Revenue Funds are supported by special levies and fees, grants or intergovernmental revenues. Expenditures in these funds are strictly limited to the mandates of the funding source. Special Revenue Funds are not to be used to subsidize other funds, except as required or permitted by program regulations. Special Revenue Funds will be subsidized by General Fund revenues only to the extent necessary to drawdown these funds, or to support non-mandated services the County elects to provide.
6. Enterprise Funds are expected to derive 100% of their revenue from charges and user fees. Enterprises should strive to become self-supporting entities through annual reviews of its fee structure, charges for services, and other operating revenues and expenditures.
7. Sufficient user charges and fees shall be pursued and levied to support the full cost (operating, direct, indirect and capital) of operations. Market rates and charges levied by other public and private organizations for similar services should be considered when establishing tax rates, fees and charges.
8. New and expanded unrestricted revenue streams should be first applied to support existing programs prior to funding new or expanded programs.
9. A five year Capital Improvements Program shall be prepared and updated each year. The operating impact of each project shall be identified and incorporated into annual operating budgets. Capital assets shall be purchased and maintained on a regular schedule.
10. Within legal limits and the constraints of operating budgets, debt shall be issued for the purchase of capital assets, including major renovations.

11. Dorchester County will consider General Fund requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered during the course of the year.
12. Dorchester County will pursue federal, state, and private grants but will strictly limit financial support of these programs to avoid commitments which continue beyond funding availability.
13. It is the policy of the County to charge fees for services where such an approach is permissible, and where a limited and specific group of beneficiaries who can pay such charges is identifiable.
14. Dorchester County will continuously seek new revenues and pursue diverse support, so as to limit the dependence on one or only a few sources.