Town of Sykesville
Fund Balance Policies

At each fiscal year end, operating surpluses that revert to fund balance over time constitute available reserves of the Town. The Sykesville Mayor and Town Council realize that it is essential for government to maintain adequate levels of reserves to mitigate current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures, and to ensure stable tax rates.

Therefore, the Mayor and Town Council of the Town of Sykesville have established the following fund balance reserve policies:

1. **Stabilization Reserve - Amended May 26, 2020**

   The Town will maintain a Stabilization Reserve of $1,000,000.

   The purpose of this reserve is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provision of services to Town residents.

   It is the intent of the Town to limit use of the Stabilization Reserve to address unanticipated, non-recurring needs or known and planned future obligations. Fund balances shall not normally be applied to recurring annual operating expenditures.

   Any expenditure of funds from the Stabilization Reserve must be approved by a majority of the total number of members of the Mayor and Town Council.

   A decision by the Mayor and Town Council to use funds that will reduce the Stabilization Reserve below the minimum required will include a financial plan to restore the reserve to the minimum level required.

2. **Capital Reserve – Amended May 26, 2020**

   The Town will maintain a Capital Reserve equal to that of funds required in the most recently approved Town of Sykesville Capital Improvements Plan less grants, bonds, or other funding mechanisms. The purpose of this reserve is to have guaranteed funds available for approved capital projects, to provide funds for planned and anticipated projects, and to allow for completion of projects in a timely manner that is not dependent on annual Town cash flow. A capital project has an initial useful life extending beyond one year and is a major construction, acquisition, or renovation purchase which adds value to the Town's physical assets or significantly increases their useful life.

Any expenditure of funds from the Capital Reserve must be approved by a majority of the Mayor and Town Council.

3. **Repaving Reserve – May 26, 2020**

   The Town will maintain a Repaving Reserve in the amount of $250,000. The purpose of this reserve is to have guaranteed funds available for needed road repaving projects and to supplement Highway User Revenues received from the State.

4. **Replenishment of Reserves – May 26, 2020**

   At each fiscal year end, operating surpluses as determined throughout the annual audit will first be used to replenish the Stabilization Reserve to the minimum required, if needed, and then be added to replenish the Capital Reserve, if needed,. After funding the reserves, there may be an available cash fund balance remaining. It is the intent of the Town to avoid using the available cash balance to address recurring needs.

5. **Changes to Policies – March 11, 2013**

   Any changes to these policies must be approved by a majority of the total number of members of the Mayor and Town Council.