

**RESOLUTION NO. 1872**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY,  
MARYLAND APPROVING A DEBT POLICY**

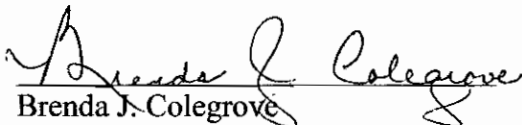
WHEREAS, the State of Maryland has required that all Municipalities establish a debt policy; and

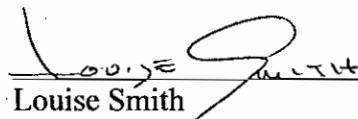
WHEREAS, the City of Salisbury has created a debt policy that sets the considerations for issuing debt and provides guidance in the timing and structure of long-term debt commitments; and

WHEREAS, the City Council desires this policy to be enacted.

NOW, THEREFORE, BE IT RESOLVED, on this 14<sup>th</sup> day of December, 2009 that the Council of the City of Salisbury, Maryland does hereby adopt the attached debt policy.

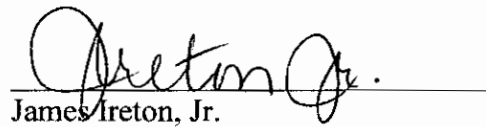
THE ABOVE RESOLUTION was introduced and duly passed at a meeting of the Council of the City of Salisbury, Maryland held on December 14, 2009, and is to become effective immediately.

  
Brenda J. Colegrove  
City Clerk

  
Louise Smith  
Council President

APPROVED BY ME THIS

15<sup>th</sup> day of December; 2009

  
James Ireton, Jr.  
Mayor

# Memo

**To:** John R. Pick, City Administrator  
**From:** Pamela B. Oland, Director of Internal Services  
**Date:** November 9, 2009  
**Re:** Debt Policy

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At the August 3, 2009 City Council work session, the Council discussed the State of Maryland's new requirement that each municipality adopt a debt policy. At that meeting it was decided that to meet the requirement, the City would submit our current Charter sections dealing with debt as our debt policy and continue our discussion on overall financial policies. The deadline for submission of the policy was October 1, 2009. The City submitted its Charter Sections SC7-45 to SC7-48 dealing with debt by the deadline. Since that time, the City has been advised by the State Treasurer's Office that we need to actually adopt these charter sections as a formal debt policy. The State has provided an extension until January 1, 2010 for submission of the debt policy.

Since the State has provided an extension, the administration decided to not only bring forward the Charter section, but to also include some additional debt policy requirements.

Subsequently, at the November 16, 2009 work session, a revised debt policy was discussed with the Council and a consensus was reached to bring the policy forward to a regular Council meeting with some modifications. The attached policy reflects the modifications requested at this work session.

## **City of Salisbury Debt Policy**

The State of Maryland has required that Municipalities establish debt management policies. The City recognizes that it may need to enter into long-term financial obligations to meet the demands of providing a high quality and level of government services to our community. The following long-term debt policy sets the considerations for issuing debt and provides guidance in the timing and structuring of long-term debt commitments by the City.

### **General Debt Information**

The attached sections of the City Charter (SC 7-45 through SC7-48) form the basis of the City's debt policy. (See attachment A for Charter sections)

### **Additional policy information:**

1. Debt issuance is an acceptable method of financing infrastructure and public facility projects within the City; however, this financial mechanism should only be used if current revenues cannot cover the costs.
2. The City's debt management shall conform to all other budgeting and financial reporting policies where applicable. All debt issuance shall comply with the Federal, State, and City Charter requirements.
3. The City will not use long-term borrowing to finance current operations or normal maintenance. Normal maintenance does not extend the useful life of an asset.
4. The term of any debt issue shall not exceed the useful life of the assets being acquired by the debt issue. The City intends the average maturity of general obligation bonds to be at or below 20 years.
5. As of the effective date of adoption of these policy guidelines, the City of Salisbury has no outstanding variable rate indebtedness, nor has it entered into any municipal derivatives contracts (i.e.; interest rate swap agreements). At this time, these types of debt issuances and/or contracts will not be entered into.
6. The Director of Internal Services along with the City Administrator, and with the assistance of other finance professionals when necessary (e.g., bond counsel, a financial advisor, etc.) oversees and coordinates the timing, issuance process and

marketing of the City's borrowing and capital funding activities required in support of its financing and capital improvement plans.

7. Accompanying each debt issue will be an assessment of the City's capacity to repay the debt. The assessment will address the effects on the current operating budget, commitments to future operations, maintenance costs and will also identify reliable debt retirement sources.
8. In order to maintain the ability to borrow funds for emergency purposes, the City will not borrow funds if such borrowing is within 10% of the City's legal debt margin except in emergencies when authorized by the City Council.
9. General Obligation Debt payments for the General Fund shall not exceed 10% of General Fund operating expenditures.

## Attachment A

### § SC7-45. Public debt.

A. General obligation debt. The City of Salisbury shall have the power to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds, notes or other evidences of indebtedness.

B. Economic/industrial development debt. The City of Salisbury shall also have the power to borrow money for the encouragement of economic or industrial development and expansion in the City of Salisbury and its immediate environs by providing plants or necessary facilities therefor, which is hereby declared to be an essential public and governmental purpose and necessary for the general welfare of the City, and to evidence such borrowing by the issuance and sale of its bonds, notes or other evidences of indebtedness secured by the revenues derived from the particular project, undertaking or property in connection with which such obligations were authorized and issued and/or a mortgage thereon, or by a pledge of the both of the City's full faith and credit and such revenues and/or mortgage.

C. Other revenue debt. The City of Salisbury shall also have the power to borrow money for the purpose of financing or refinancing other public purpose revenue-producing projects and to evidence such borrowing by the issuance and sale of its revenue bonds, notes or other evidences of indebtedness, including for the purpose of providing (by way of illustration and not in limitation) parking, recreational, or water, sewer or other utility projects, facilities or systems. Such revenue obligations may be made payable, both as to principal and interest, solely from the income, rentals, proceeds, revenues and funds of the City derived from the particular project, undertaking, facility, system or property in connection with which such obligations were authorized and issued, except that the payment of such obligations, both as to principal and interest, may be further secured by a pledge of any part or all of any special assessments upon property in a limited and determinable area connected or associated with or specially benefited by the particular project, undertaking, facility, system or property and/or by a mortgage of all or any part of such particular project, undertaking, facility, system, or property.

D. Documentation. In connection with the issuance of any obligations contemplated by this Section SC7-45, the City may enter into any indenture, trust agreement, loan agreement, mortgage, deed of trust, lease, letter of credit agreement, line of credit agreement, standby bond purchase agreement or other similar instrument and any other instruments customarily utilized in connection with financings of a similar nature, and the City may make therein such covenants and commitments as may be required by any purchaser for the adequate security of such obligations.

E. Authority not exclusive. The City may issue and sell bonds, notes and other evidences of indebtedness contemplated by this Section SC7-45 in accordance with the provisions of Section SC7-46 or as otherwise provided in accordance with applicable Maryland public general or public local law. The authority provided by this Section SC7-45 shall be considered additional and supplemental to any other borrowing authority granted to the City by Maryland public general or public local law, and the City may authorize, issue and secure any such debt in conformity with this Charter or any other applicable Maryland law, including (without limitation) the Maryland Economic

Development Revenue Bond Act or the provisions of Section 12 of Article 31 of the Annotated Code of Maryland, as amended. [Repealed and reenacted 5-9-05 by Res. No. 1246]

**§ SC7-46. Procedure.**

A. Approval. All bonds, notes or other evidences of indebtedness issued under the provisions of this Charter (unless authorized and issued in accordance with other applicable Maryland law) shall be authorized by an ordinance that shall contain: (1) a statement of the maximum principal amount of such obligations to be issued; (2) a statement of the purpose or purposes for which the proceeds of such obligations are to be expended; (3) a pledge of the security for such obligations or provisions for the making of such pledge by resolution; and (4) a requirement that prior to the issuance of any such obligations, the Council shall adopt a resolution in accordance with the provisions of this subsection A. Prior to issuing any such obligations, the Council shall adopt a resolution containing, determining or providing for the determination of, or approving or providing for the approval of (1) the designation, date of issue, denomination or denominations, form or forms and tenor of such obligations; (2) the rate or rates of interest payable on such obligations (which may be fixed or variable or may be determined by a method approved or provided for); (3) the date or dates and amounts of maturity; (4) the manner of selling such obligations, which may be either at public or private sale, for such price or prices as may be determined to be in the best interest of the City; (5) any desired provisions relating to the redemption of such obligations prior to maturity (which may be at a premium); (6) any documents pursuant to which such obligations are to be issued or secured; and (7) such other provisions regarding the terms, conditions, issuance, sale, delivery and security of and for such obligations as the Council may determine necessary or desirable. By resolution the Council may delegate to a specified official or officials the authority to approve any matters or make any determinations contemplated by this Section SC7-46. A resolution adopted pursuant to this subsection A may be introduced and adopted at a single session of the Council, may not be petitioned to referendum and shall become effective immediately upon adoption or upon the date specified in such resolution.

B. Form. Bonds, notes or other evidences of indebtedness may be either coupon or registered bonds. From January 1, 1952, all such obligations, except for obligations with final maturities of five (5) years or less, shall have serial maturities, or have the benefit of a sinking fund sufficient to retire the issue at market. They shall be issued in such denominations, at such rate or rates of interest and for such period of time as the Council may decide.

C. Signature. All bonds, notes or other evidences of indebtedness shall be signed by the Mayor, the seal of the city attached thereto and attested by the City Clerk, except that the Mayor's signature and said seal may be facsimiles engraved or printed or reproduced by other mechanical process; provided that with respect to any obligations which are required to be manually signed by a Trustee, issuing agent, fiscal agent, registrar or other agent or custodian, the signature of the City Clerk may also be a facsimile engraved or printed or reproduced by other mechanical process.

D. Delivery. When signed and attested, the bonds, notes or other evidences of indebtedness shall be delivered to the Director of Internal Services, who shall be

responsible for their safekeeping until sold; provided that the Council may appoint a Trustee, bond registrar, paying agent or other custodian to act in place of the Director of Internal Services for purposes of this section.

E. Sale. As determined by or provided for in the authorizing resolution, the bonds, notes or other evidences of indebtedness may be issued and sold: (1) by private (negotiated) sale without advertisement or solicitation of competitive bids or by the solicitation of competitive bids at public sale after publication or dissemination of notice of the sale (which competitive bids may be delivered by electronic or facsimile means or by any other commercially reasonable manner), and any notice of sale may be published solely in summary form twice in a newspaper of general circulation in the City and/or in a generally recognized financial journal such as The Bond Buyer, with the first insertion to be not less than 10 days prior to the date of sale, or any notice of sale may be disseminated solely in electronic form and/or in any other commercially reasonable manner; (2) for a price or prices that may be at, above or below the par value of such obligations; (3) at a rate or rates of interest that may be fixed or variable or may be determined by other method approved or provided for; and (4) for either cash or other valuable consideration.

F. Funds. Proceeds from the sale of all bonds, notes or other evidences of indebtedness shall be kept by the Director of Internal Services under such rules and regulations as the Council may prescribe, unless the Council by resolution shall designate some other custodian.

G. Issue. The Council may regulate the issuing or sale of bonds, notes or other evidences of indebtedness in any manner not contrary to this Charter.

H. Other laws. No provision or limitation contained in this Charter shall apply to or affect the issuance and sale of bonds, notes or other evidences of indebtedness by the city pursuant to the provisions of Article 43, titled "Health," of the Annotated Code of the Public General Laws of Maryland (1957 Edition), or any amendments thereto, Section 12 of Article 31, titled "Issuance of bond anticipation notes," of the Annotated Code of Maryland, as amended, Sections 14-101 through 14-109, inclusive, of Article 41, titled "Maryland Economic Development Revenue Bond Act," of the Annotated Code of Maryland, as amended, or any other applicable public general or public local law providing borrowing authority to the City, except as otherwise expressly provided in this Charter.

I. Previous issues. All bonds, notes or other evidences of indebtedness issued by the City pursuant to Charter Sections SC7-45 or SC7-46 prior to the effective date of this Charter, as amended to date, and all ordinances and resolutions passed concerning them, are hereby declared to be valid, legal and binding and of full force and effect as if set forth herein. [1959 Code, sec. 382. 1951, ch. 534, sec. 101; 1953, ch. 713, sec. 101(h)] [Amended 10-24-55 by Ord. No. 734; 3-26-62 by Res. No. 10\*; 8-3-65 by Res. No. 60\*\*; 3-14-66 by Res. No. 76\*\*\*; 1-11-88 by Res. No. 313; 5-9-05 by Res. No. 1246; 4-10-06 by Res. No. 1395; Renumbered 1-11-99 by Res. No. 629]

\* Editor's Note: For the preamble to Res. No. 10, adopted 3-26-62, see § SC7-46.

\*\* Editor's Note: The preamble to Res. No. 60, adopted 8-23-65, was as follows:

"WHEREAS, under Section 101(1) of the City's Charter relating to payment, effect, terms, conditions, security etc., of revenue bonds, no specific provision is made, in the establishment of security for such revenue bonds, for the assignment and pledge of rental rates, rental fees, charges or other revenues received by the City from parking facilities (including, but not limited to, curb meter collections); and

“WHEREAS, in the judgment of the Council, it is in the public interest to add the aforementioned provisions.”

\*\*\* Editor’s Note: The preamble to Res. No. 76, adopted 3-14-66, was as follows:

“WHEREAS, in the judgment of the Council, it is in the public interest to provide that revenue bonds issued to finance parking facilities may be secured, in addition to other security provided by Section 101(1) of the City’s Charter, by the agreement of the City to pay any deficiency in debt service requirements, provided, that any payment under such agreement or agreements shall not exceed a maximum payment of Ten Thousand Dollars (\$10,000.00) for any one year; and

“WHEREAS, in the judgment of the Council, it is in the public interest further to define the term “parking facilities” as used in said Section 101(i).”

**§ SC7-47. Tax anticipation notes.**

The City of Salisbury shall have the power to borrow for current operations in any budget year an amount not to exceed thirty-five percent (35%) of the revenues to be collected for that budget year, giving tax anticipation notes for such borrowings. These notes may be renewed from time to time but must be finally paid off by the end of the budget year next succeeding the one in which the borrowing took place. In addition, no original borrowing nor any renewal thereof shall be made for an amount that will bring the total outstanding tax anticipation indebtedness against any budget year in excess of seventy-five percent (75%) of the revenues of that budget year uncollected at the time the borrowing or renewal takes place. All notes or other evidences of indebtedness issued under the provisions of this section and the interest thereon shall be paid from the general tax levy of the city. The payment of any notes or other evidences of indebtedness issued under the provisions of this section and the interest thereon must be made from the general taxes levied for use of the city. Levying or collecting any special tax for the payment of these notes or other evidences of indebtedness is expressly prohibited. The notes or other evidences of indebtedness issued under this section need not be submitted to a vote of the qualified voters of the city as provided in § SC7-47\* of this Charter. They shall be sold in the manner provided by the Council. [1959 Code, sec. 383. 1951, ch. 534, sec. 102; 1953, ch. 500, sec. 102] [Renumbered 1-11-99 by Res. No. 629]

\* Editor’s Note: The amendment to this section by Ord. No. 734, adopted 10-24-55, removed the requirement for a referendum.

**§ SC7-48. Debt limit.**

The total bonded indebtedness of the City of Salisbury represented by its bonds payable from its general tax revenues outstanding at the time any such bonds are issued shall not exceed an amount which is equal to four (4) percent of the assessed valuation of all real property subject to taxation by the City of Salisbury, plus ten (10) percent of the assessed valuation of all personal, corporate and utility personal property subject to taxation by the City of Salisbury. Any bonds issued pursuant to the authority of Article 41, Sections 14-201 through 14-214 of the Annotated Code of Maryland (the Tax Increment Financing Act), as replaced, supplemented or amended, shall not be counted in calculating such debt limit unless such bonds are also issued as general obligation bonds in accordance with such Act. [1959 Code, sec. 384. 1953, ch. 500, sec. 102A] [Amended 5-12-03 by Res. No. 971; 7-9-01 by Res. No. 771; 3-26-62 by Res. No. 10\*; 5-9-05 by Res. No. 1235; Renumbered 1-11-99 by Res. No. 629]

\* Editor’s Note: For the preamble to Res. No. 10, adopted 3-26-62, see § SC7-46.