

Town of Port Deposit

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Robert Kuhs
Mayor

Vicky Rinkerman
Town Administrator

**TOWN OF PORT DEPOSIT
DEBT POLICY
RESOLUTION 07-2021**

WHEREAS, the Mayor and Town Council of Port Deposit Maryland, in fulfilling its obligations to the citizens of the Town, are charged with the administration of government, and

WHEREAS, from time to time it becomes necessary to formally adopt policies and procedures for efficient financial administration, and

WHEREAS, pursuant to the Local Government Article of the Maryland Code (“LG”), Section 17-207, the Town Government is required to adopt a local debt policy and submit this policy to the State Treasurer, and

WHEREAS, the Mayor and Council adopted the Town of Port Deposit Debt Policy by Resolution 2009-13 on September 29, 2009; and

WHEREAS, pursuant to LG, Section 17-207, the Town may amend its local debt policy; and

WHEREAS, on review of the Town’s Debt Policy, the Mayor and Council have determined to amend the policy as set forth herein, in part to remove provisions that are inapplicable, and to add certain provisions.

NOW, THEREFORE BE IT RESOLVED THAT, the Mayor and Council of the Town of Port Deposit hereby adopt Resolution 07-2021 to amend the Town of Port Deposit Debt Policy as provided with additions being *italicized* and repealed provisions being enclosed in [boldface brackets].

IN WITNESS WHEREOF, we have set our hands and seals and adopted Resolution 07-2021
on this 18th day of May, 2021.

**MAYOR AND COUNCIL of the
TOWN of PORT DEPOSIT, MARYLAND**



Robert A. Kuhs, Mayor



Kevin Brown, Deputy Mayor

ATTEST:



Town Administrator



William Baron, Council



Chris Broomell, Council



Thomas Knight, Council

**TOWN OF PORT DEPOSIT, MARYLAND
DEBT POLICY**

EFFECTIVE DATE: May 18, 2021

Debt Issuance Policies

1. The Town will not use long-term borrowing to finance current operations or normal maintenance, *except in the case of a financial emergency. The Town will use short-term borrowings to finance operating needs only in accordance with applicable Maryland and local law and, to the extent any such short-term borrowing is issued on a tax-exempt basis for federal income tax purposes, in accordance with applicable federal law. The Town may use short-term borrowings to finance capital needs either in anticipation of the issuance of longer-term debt that provides "permanent" financing for such capital needs or as a cash flow management tool.*
2. Capital projects financed through the issuance of bonds and capital lease purchases shall not be financed for longer than the expected useful life of the improvements. *While applicable provisions of Maryland law allow the issuance of general obligation debt for up to 40 years, the Town will as a general policy limit long-term general obligation borrowings to 20 years or less; provided that, this limitation shall not prevent the Town from issuing general obligation debt for periods of more than 20 years in appropriate circumstances, including, without limitation, when permitted under applicable lending programs provided by the United States Department of Agriculture, the Maryland Water Quality Financing Administration or the Maryland Community Development Administration.*
3. The Town will strive to increase its reliance on current revenue to finance its capital improvements. The Town is committed to funding a significant portion of capital improvements on a "pay-as-you-go" (PAYGO) basis.
4. The Town may designate excess spendable General Fund balance over fifteen percent of the Town's general fund revenues for the purpose of providing PAYGO funding for the Capital Improvement Program.
- [5. The Town Code requires that the Water and Wastewater and Solid Waste Enterprise Funds be self-supporting. A formal rate study will be completed every two years to ensure that the rates and fees will be sufficient to cover the debt

service requirements as well as the operating costs. Additionally, rates and charges will be reviewed at least annually during the budget process to ensure on-going compliance between formal rate studies.]

[6] 5. As of the effective date of adoption of these policy guidelines, Town of Port Deposit has no outstanding variable rate indebtedness, nor has it entered into any municipal derivatives contracts (i.e.; interest rate swap agreements). The Town may use variable rate indebtedness for short-term borrowings; however, the Town will avoid over-use of variable rate debt due to the potential volatility of the metrics by which the interest rates on variable rate debt are reset. The Town may also issue debt on which the interest rate is subject to reset as required by the applicable lender. The Town may enter into municipal derivatives contracts only if authorized by applicable Maryland law. In the event Maryland municipalities are authorized to enter into municipal derivatives contracts, the Town will enter into any such contract only after obtaining guidance and advice from financial professionals with experience in municipal derivatives.

~~[7]~~[6. The Mayor and Town Council may temporarily borrow up to a total of \$500,000 for the use of the Town, providing that the amount borrowed shall all be repaid and such demands be satisfied on or before the last day of June following the beginning of the fiscal year in which the money is borrowed.]

[8. Limit on total issue of bonds; referendum not necessary, regarding Sanitary Districts, at no time shall the total issue of bonds outstanding for any purpose under this chapter exceed 15% of the total value of property assessed for Town taxation purposes. Whenever the Town shall propose to issue bonds pursuant to the authority contained in this chapter, such power may be exercised and bonds may be issued therefore without submitting such proposal or such issue to a referendum of the registered voters of the Town for their approval or rejection.]

6. *The Town shall engage appropriate professionals to assist it with structuring or carrying out the transactions contemplated by a borrowing when required by a particular lender or deemed appropriate by the Town (e.g, bond counsel, municipal*

financial advisor, rebate analyst, verification consultant, investment bidding agent, paying agent and bond registrar, etc.).

- 7. All debt issuances of the Town shall be authorized in accordance with applicable Maryland and local law and, to the extent applicable, federal law.*
- 8. The debt service on any general obligation debt issued by the Town may be payable in the first instance from revenues derived from the projects financed or refinanced or other available sources, to the extent not in violation of Maryland or local law or, to the extent applicable, federal law.*
- 9. Proceeds of any debt held by the Town shall be invested only in accordance with applicable Maryland and local law and, to the extent applicable, federal law.*
- 10. The Town shall periodically review outstanding obligations for opportunities to achieve debt service savings through refunding, early pre-payment (when permitted under the terms of the applicable financing) or a cash defeasance, and shall pursue refinancing when economically feasible and advantageous. The Town may refund outstanding debt for restructuring rather than debt service savings purposes in appropriate circumstances.*

Debt Ratio Policies

There are several key debt ratios that investors and financial analysts use when reviewing a [Town's] municipality's credit-worthiness. Examples of these key debt ratios are debt as a percentage of assessed value, debt per capita, debt per capita as a percentage of per capita income, debt service as a percentage of general fund expenditures, and debt payout ratio. The Town has identified debt service as a percentage of general fund expenditures as the most appropriate ratio, and as a result has included it as the key component of its debt policy. As part of its policy, The Town has established [an act of] a target and ceiling number[s] which reflects the type of ratios used by the national credit rating agencies. The ~~floor~~-ceiling number is[, as,] the [absolute minimum or maximum] ratio that the Town [administration will permit] will strive to adhere to.

The target number is the ratio the Town intends to achieve through a prudent program of debt management. The Town's key debt ratio is as follows:

1. Debt Service as a Percentage of General Fund Expenditures

The Town will maintain its annual net bonded debt service costs at a ceiling of ten percent (10%) of the General Fund expenditures, with a target ratio of eight percent (8%) or less. ~~[(Net bonded debt service costs are the costs for debt that are expected to will be paid out of general public revenues, as opposed to Water, Wastewater and Solid Waste-Enterprise Fund revenues or revenues that could be accounted for in an enterprise fund under governmental accounting standards even if accounted for in the general fund.)]~~ This ratio is a measure of the Town's ability to repay debt without hampering other Town services. A smaller ratio indicates a lesser burden on the Town's operating budget.

Financial Administration Policies

1. Committed General Fund Balance as a Percentage of General Fund Revenue

The Town will strive to maintain a Committed General Fund balance at a level of seven and one-half percent (7½ %) as a percentage of general fund revenue. In the event that the fund is drawn below the level of seven and one-half percent (7½%) of General Fund Revenue, the [Board of Town Commissioners] will replenish the fund to the minimum level from revenues in the General Fund within two (2) fiscal years. [This fund has been known as the Rainy Day Fund and the Contingency Fund.]

2. Quarterly Budget Monitoring and Reporting

The Town *Finance* [Budget] Manager shall prepare a quarterly report and analysis regarding actual revenues and expenditures for the fiscal year, which shall include comparisons to the estimates contained in the adopted budget and to similar points in time for the prior fiscal year(s). The report shall include any recommendations for budget amendments that may be required and shall be provided to the Mayor and Town Council at the next scheduled meeting.]

Deviation from Debt Policy

The provisions of this Debt Policy may be overridden by the Town by ordinance, resolution or other appropriate action with respect to any particular financing when the Council finds that such override is in the Town's interest.