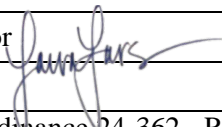




CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT

TO	The Honorable President and Members of the Baltimore City Council
FROM	Laura Larsen, Budget Director 
DATE	10/1/2024
SUBJECT	City Council Bill 24-0593 Ordinance 24-362 - Revenue Obligations - Water Projects - Repeal and Replace

Position: Support

The Department of Finance is herein reporting on City Council Bill 24-0593 Ordinance 24-362 - Revenue Obligations - Water Projects - Repeal and Replace, for the purpose of repealing and replacing Ordinance 24-362 due to clerical error; maintaining the City's authorization to issue revenue obligations within the maximum aggregate principal amount of the revenue obligations that may be outstanding authorized and calculated, as of June 30 of each year by the City to finance or refinance water facilities and, in that connection, amending and restating Ordinance 02-331, as amended by Ordinances 04-687, 7-420, 11-429, and 14-292; authorizing the Board of Finance to specify, prescribe, determine, provide for, approve, and amend the form, terms, provisions, manner or method of issuing and selling, the time or times of issuance, and all other details of the revenue obligations and any other matters necessary or desirable in connection with the authorization, issuance, sale, and payment of these revenue obligations; providing for a special effective date; and generally relating to the issuance and payment of revenue obligations.

Background

City Charter Article II – General Powers- Section 50 – Revenue Bonds and Obligations mandates that an ordinance of the City Council shall authorize revenue bond obligations. The current authorization established a limit of \$2,152,000,000 following the enactment of Ordinance 14-293. The bond resolution required this request and previous increases to accommodate new debt issuance in support of the Water Utility capital improvement program. This ordinance includes an amendment to address how the Department of Finance should calculate the maximum aggregated principal amount. The initial legislation only accounted for debt issued and did not consider the repayment of prior obligations, impairing the City's ability to issue new obligations within the maximum amount authorized. If the City instituted the revised calculation, the amendment would add approximately \$226 million in borrowing capacity over the next six years. Henceforth, the maximum aggregate principal authorization would be sufficient to accommodate future borrowings through Fiscal Year 2029.

The ordinance includes additional amendments related to revenue obligations.

- Allows inter-fund support to Stormwater, as is currently provided between Water and Wastewater.
- Permits bonds to be issued even if there is an existing default (such as debt service coverage violation), which will provide the City with the flexibility to remedy any such default with the issuance of additional obligations or to issue obligations if needed for the benefit of the utilities despite current defaults.
- Requires that rates and charges be assessed and collected to the extent deemed necessary to operate the facilities and provide payment for the outstanding revenue obligations. This requirement aligns with the existing Stormwater Ordinance provisions and City Charter Article 24, Section 3-5.

- Modernizes terms and allows the Board of Finance to:
 - a) Determine the application of bond premium and other excess bond proceeds.
 - b) Determine the interest rate.
 - c) Prepare and distribute the Official Statement.

Fiscal Impact

Increases are sought occasionally, based on the projected borrowing to keep pace with the capital and infrastructure needs of the water, wastewater, and stormwater systems. All the projects are included in the annual Capital Budget and Capital Improvement Plan (CIP) that is reviewed and approved by the Board of Finance, the Board of Estimates, and the City Council. This debt shall be an obligation of the Water Utility System and will not constitute a general obligation of the City.

Conclusion

The City must establish the maximum aggregate principal amount sufficiently to enable the Department of Finance to borrow funds to address the significant capital improvement needed for the aging infrastructure. Additionally, the amendments outlined in the ordinance will strengthen the City's authority and maintain a solid framework for managing existing and new debt revenue obligations.

For the reasons stated above, the Department of Finance supports City Council Bill 24-0593.

cc: Michael Mocksten
Nina Themelis