


<b>FROM</b>	NAME & TITLE	Jennell Rogers, Chief and Clerk to the Board of Finance	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS			
	SUBJECT	City Council Bill 24-0482– Revenue Obligations – Water Projects		

DATE:

**TO**

The Honorable President and  
 Members of the City Council  
 City Hall, Room 400

February 1, 2024

**Position: Support**

The Department of Finance is herein reporting on City Council Bill 24-0482, Revenue Obligations – Water Projects, the purpose of which is increasing the authorization to issue revenue obligations within the maximum aggregate principal amount of the revenue obligations. In addition, the ordinance updates and modernizes specific provisions in the revenue obligation issuance.

**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 needs of the Department of Public Works for the Water Utility, to finance system improvements necessary to meet federal and state regulations and to continue modernizing and repairing the facilities for reliability. All the projects shall be in the Capital Improvement Program and part of the annual capital budget process, including approvals 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 above reasons, the Department of Finance supports City Council Bill 24-0482.**

cc: Michael Mocksten  
Nina Themelis