



STAFF REPORT ON PROPOSED LEGISLATION

To: Mayor Gavin Buckley

From: Michael D. Mallinoff, City Manager

Date: February 21, 2023

Subject: CA-1-23

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This charter amendment outlines the requirements the City will apply when it issues debt on behalf of third parties. This type of third party debt is authorized by the federal or State law through Maryland Economic Development Revenue Bonds, Industrial Revenue Bonds, or Private Activity Bonds. Through these programs, governments extend tax exempt status to third parties to support economic development or other community projects. Typically these issuances do not result in any debt obligation for the government.

The provisions of CA-1-23 require Council approval via resolution when the third party issuance does not constitute a debt or obligation of the City; however, the Council must approve the issuance via ordinance if the debt binds the City to any obligation, commits the City's taxing power for any future payment, and/or obligates the City to make future payment for the facilities, equipment, or activities funded by the debt proceeds.

The provisions stipulate that the third party must pay an application fee of \$1,000 to be set forth in the City's annual fee resolution. The third party must also pay an Issuer Fee, the amount of which is determined as a percent of the amount of the issue, a percent of the outstanding balance of the debt at specified dates, or another fee as agreed to by the City and the third party. Any fees received by the City cannot exceed arbitrage limits set forth by the Internal Revenue Code.

Prepared by Jodee Dickinson, Finance Director