



Bill No. 20-06

Concerning: General Obligation Debt Authorization

Introduced: May 26, 2020

Revised: _____ Draft No. _____

Enacted: _____

Effective: _____

Expires: August 24, 2020

Frederick County Code, Chapter _____

Section(s) _____

COUNTY COUNCIL FOR FREDERICK COUNTY, MARYLAND

By: Council President M. C. Keegan-Ayer on behalf of County Executive Jan Gardner

EXPEDITED LEGISLATION to: Authorize the incurrence of general obligation debt in an amount not to exceed One Hundred Million dollars (\$100,000,000) to fund short-term working capital needs.

Executive: _____ Date Received: _____

Approved: _____ Date: _____

Vetoed: _____ Date: _____

By amending:

Frederick County Code, Chapter, _____ Section(s) _____

Other: _____

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law.</i>
[Single boldface brackets]	<i>Deleted from existing law.</i>
***	<i>Existing law unaffected by bill.</i>

2
3 On March 5, 2020, the Governor of Maryland declared a state of emergency in Maryland
4 due to the ramifications of the novel coronavirus (“COVID-19”). On March 26, 2020, the
5 President of the United States approved such declaration. As a result of such declarations and
6 other facts and circumstances relating to COVID-19, Frederick County, Maryland (the “County”)
7 anticipates that revenue collection (including, without limitation, property tax collection, income
8 tax collection and recordation tax collection) may be significantly delayed or otherwise adversely
9 affected.

10 The County Council of Frederick County, Maryland, finds it necessary and appropriate to
11 enact expedited legislation to authorize the County, from time to time, to borrow, upon the full
12 faith and credit of the County, not more than One Hundred Million Dollars (\$100,000,000) in the
13 aggregate for the purpose of financing short-term working capital needs of Frederick County
14 Government described herein, and to effect such borrowing by obtaining or otherwise entering
15 into one or more lines of credit, letters of credit, loan agreements, bonds, notes or similar borrowing
16 facilities (the “Facilities”) in accordance with the provisions of Section 10-203 of the Local
17 Government Article of the Annotated Code, as amended.

18 **NOW, THEREFORE**, be it hereby enacted as expedited legislation by the County
19 Council of Frederick County, State of Maryland, as follows:

20 Section 1. Pursuant to Section 10-203 of the Local Government Article of the Annotated
21 Code of Maryland, as amended (the “Borrowing Act”), the County is hereby authorized and
22 empowered to borrow money and incur indebtedness for the public purposes described in Section
23 2 hereof, in an amount not to exceed, in the aggregate, One Hundred Million Dollars
24 (\$100,000,000) and to evidence such borrowing by executing and delivering the Facilities, at any
25 time or from time to time and in one or more series, in an aggregate principal amount not to exceed
26 in the aggregate, One Hundred Million Dollars (\$100,000,000) subject to the provisions and
27 conditions of this Act.

28 Section 2. The proceeds received by the County from the Facilities, whether upon the
29 initial execution and delivery thereof or from amounts advanced from time to time pursuant to the
30 terms thereof, may be applied for the public purpose of paying any properly budgeted expense of
31 the County, together with the costs of or related to entering into the Facilities (collectively, the
32 “Public Expenditures”).

33 The use of the proceeds of the Facilities by the County to finance the costs of the Public
34 Expenditures is a proper public purpose which may be financed by the execution and delivery of
35 the Facilities pursuant to the Borrowing Act.

36 Section 3. For the purpose of paying the debt service requirements with respect to the
37 Facilities (including the interest and the principal amounts payable with respect to the Facilities,
38 whether by scheduled installment, redemption, maturity or as they otherwise become due), in each
39 and every fiscal year that any amounts under any of the Facilities are outstanding, the County shall

1 levy or cause to be levied ad valorem taxes upon all the legally assessable property within the
2 corporate limits of the County, in rate and amount sufficient to provide for the payment, when due,
3 of the debt service payable with respect to all of the Facilities as may be due and payable in each
4 such fiscal year and, if the proceeds from the taxes so levied in any fiscal year prove inadequate
5 for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any
6 deficiency. In case amounts shall be borrowed pursuant to the Facilities in any fiscal year after
7 the making of the regular levy for that fiscal year, any and all interest becoming due before the
8 next levy shall be paid out of any other funds at the disposal of the County and there shall be levied
9 at the next succeeding levy an amount sufficient to reimburse such other funds. The County may
10 apply to the payment of the debt service requirements with respect to the Facilities any funds
11 received by it from the State of Maryland, the United States of America, any agency or
12 instrumentality of either, or from any other source. Taxes that might otherwise be required to be
13 levied under this Act may be reduced or need not be levied to the extent that any such funds are
14 received or receivable in any fiscal year.

15 Section 4. The full faith and credit and unlimited taxing power of the County are hereby
16 irrevocably pledged to the payment of the debt service requirements with respect to the Facilities
17 as and when such amounts are due and payable and to the levy and collection of the taxes
18 prescribed in this Act as and when such taxes may become necessary in order to provide sufficient
19 funds to meet the debt service requirements of the Facilities.

20 Section 5. The County Executive is authorized to execute and deliver one or more Facilities
21 from time to time and to cause amounts to be borrowed thereunder at such times and in such
22 amounts as may be necessary or prudent to provide for the due and proper payment of the Public
23 Expenditures and the maintenance of prudent financial reserves. The County may enter into
24 Facilities with one or more banks, investment banking firms or other financial institutions
25 (collectively, the “Lenders”). The County Executive may select one or more Lenders with which
26 to enter into Facilities. Such selection may be by competitive sale, negotiation after request for
27 proposals, or by sole source procurement with a Lender with which the County has an existing
28 banking relationship, as the County Executive may determine. Notwithstanding any provision
29 hereof to the contrary, any Facility may take the form of a loan agreement, a line of credit, a letter
30 of credit, a bond or series of bonds, or other debt instrument. Interest with respect to any Facility
31 may be payable on a fixed rate or variable rate basis, as further set forth in such Facility and as
32 approved by the County Executive. The principal amount due with respect to any Facility shall be
33 payable at such times and places as shall be specified by the County Executive. The Facilities may
34 have such other terms and conditions as the County Executive may approve. The County
35 Executive’s execution and delivery of a Facility shall constitute conclusive evidence of the County
36 Executive’s approval of the terms thereof for all purposes of this Act.

37 Section 6. The Facilities and their issuance and sale shall be exempt from the provisions
38 of Sections 19-205 and 19-206 of the Local Government Article of the Annotated Code of
39 Maryland, as amended.

40 Section 7. The County may borrow pursuant to the terms of any Facility with the
41 expectation that interest payable with respect thereto may or may not be excludable from the gross
42 income of the recipients thereof. In the event that any Facility is entered into with the expectation

1 that interest payable with respect thereto is to be excludable from the gross income of the recipients
2 thereof, the County Executive and the Director of Finance are each authorized to execute and
3 deliver such certificates, forms and findings as may be necessary or appropriate to comply with
4 the applicable terms and provisions of the Internal Revenue Code and the income tax regulations
5 promulgated pursuant thereto.

6 Section 8. The County designates the County Executive as the person to declare the official
7 intent of the County in those instances in which expenditures are to be made for Public
8 Expenditures with the expectation that such expenditures are to be reimbursed from the proceeds
9 of tax-exempt obligations. In exercising the authority granted by the foregoing designation, the
10 County Executive is further authorized to take any and all such action as may be required or
11 appropriate to assure compliance by the County with applicable provisions of the Internal Revenue
12 Code and Section 1.150-2 of the Income Tax Regulations. The designation made herein may be
13 delegated in writing by the County Executive to one or more designees.

14 Section 9. The authority to borrow money and to issue Facilities conferred on the County
15 by this Act shall be deemed to provide additional, alternative and supplemental authority for
16 borrowing money and shall be regarded as supplemental and additional to powers conferred upon
17 the County by other laws and shall not be regarded as in derogation of any power now existing;
18 and all previously enacted laws authorizing the County to borrow money are hereby continued to
19 the extent that the power contained in them is continuing or has not been exercised, unless any law
20 is expressly repealed by this Act, and the validity of any Facilities issued under previously enacted
21 laws is hereby ratified, confirmed and approved. This Act, being necessary for the welfare of the
22 inhabitants of Frederick County, shall be liberally construed to effect its purposes.

23 Section 10. The provisions of this Act are severable, and if any provision, sentence, clause,
24 section or part hereof is held to be illegal, invalid or unconstitutional or inapplicable to any person
25 or circumstances, such illegality, invalidity or unconstitutionality, or inapplicability shall not affect
26 or impair any of the remaining provisions, sentences, clauses, sections, or parts of this Act or their
27 application to other persons or circumstances. It is hereby declared to be the legislative intent that
28 this Act would have been passed if such illegal, invalid or unconstitutional provision, sentence,
29 clause, section or part had not been included herein, and if the person or circumstances to which
30 this Act or any part hereof are inapplicable had been specifically exempted therefrom.

31 Section 11. The authority to execute and deliver any Facilities pursuant to this Act shall
32 expire thirty (30) calendar days after the revocation by the Governor of Maryland of the March 5,
33 2020 declaration of emergency. All other provisions of this Act shall remain in full force and
34 effect for so long as any Facilities remain in effect.

35 Section 12. It is hereby found and determined that, due to the facts and circumstances
36 relating to COVID-19 and the consequent impact on County operations and finances, the authority
37 created by this Act is necessary for the immediate protection of the public health, safety, and
38 welfare. This Act shall therefore be treated as expedited legislation in accordance with the
39 provisions of Section 307 of the Frederick County Charter.

**FREDERICK COUNTY GOVERNMENT****DIVISION OF FINANCE**Jan H. Gardner
*County Executive**Lori L. Depies, CPA, Division Director*

TO: Frederick County Council

THROUGH: Jan H. Gardner, County Executive *JG*

FROM: Lori L. Depies, CPA, Director, Division of Finance *LD*

DATE: May 6, 2020

SUBJECT: Expedited Legislation to Authorize the Incurrence of General Obligation Debt to Fund Short-Term Working Capital Needs

ISSUE:

Presentation of expedited legislation to authorize the incurrence of general obligation debt to fund short-term working capital needs to the County Council.

BACKGROUND:

On March 5, 2020, the Governor of Maryland declared a state of emergency in Maryland due to the ramifications of the novel coronavirus ("COVID-19"). On March 26, 2020, the President of the United States approved such declaration. This pandemic is negatively impacting the health of our citizens as well as global and local economies. Actions taken by federal and state officials will also cause disruptions in the cash flows of Frederick County. In particular are income taxes and property taxes, which are the two largest revenue sources to our General Fund.

Finance staff have taken the initiative to look at projected cash flow scenarios with assumptions for delayed and reduced income tax revenues, as well as the delay in receipt of property taxes. In order to reduce pressure on our reserves, staff felt it was in our best interest to seek an alternative solution, should our cash flows diminish temporarily. Finance staff engaged the services of our financial advisor and bond counsel to review our options. Staff decided to seek proposals from banking institutions for a credit facility allowing the flexibility to draw funds only as needed. As capacity within the banking industry is also shrinking, we were able to find two banking institutions willing to provide such a credit facility. Of the two, JPMorgan offered the lower cost and a greater flexibility in terms. JPMorgan has committed to extend a line of credit of \$75,000,000. This is the highest amount that Finance staff projects might be necessary under various worst-case scenarios; nevertheless, staff recommends that a total borrowing of up to \$100,000,000 be authorized at this time.

Attachment 1 authorizes and empowers Frederick County, Maryland, to borrow upon the full faith and credit of the County, not more than one hundred million dollars (\$100,000,000) in the aggregate for the purposes of financing short-term working capital needs of Frederick County Government. This borrowing may come in the form of one or more lines of credit, loan agreements, bonds, notes or similar borrowing facilities (the "Facilities"), in accordance with the provisions of Section 10-23 of the Local Government Article of the Annotated Code, as amended.

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www.FrederickCountyMD.gov

RE: Working Capital Bond Authorization
May 6, 2020

The proceeds of these Facilities shall be used for the public purposes of paying any properly budgeted expense of the County, together with the costs of or related to entering into the Facilities.

For the purpose of paying debt service requirements, these borrowings will be general obligations of the County. As such, this provides assurances to the lender(s) in each and every fiscal year that any amounts outstanding, the County shall levy or cause to be levied ad valorem taxes upon all the legally assessable property within the corporate limits of the County, in an amount sufficient to provide for the payment, when due, of the debt service payable with respect to all of the Facilities.

The attached bill is intended to be enacted as expedited legislation that will be effective immediately upon its enactment, pursuant to Section 307 of the Frederick County Charter and in accordance with the Governor's declaration of a state of emergency. This will permit the County to lock in this critical financial resource on favorable terms at a time when bank lending capacity is scarce and potentially growing scarcer.

RECOMMENDATION:

Staff recommends that the County Executive approve the introduction of the attached Bill to County Council in an amount not to exceed \$100,000,000.

Approve? Yes No

Jan Gardner
Jan H. Gardner, County Executive
Frederick County, Maryland

5/10/2020
Date

FINANCIAL IMPACT:

Yes - Direct

1. Fiscal Year of Financial Impact: FY2020 / FY2021
2. Existing Account Unit / Activity & Account: 29.98.425.640 – various accounts
3. New Account Unit / Activity & Account: N/A
4. Budget Balance as of 4/30/2020: \$3,862,677
5. Budget Journal Required: No
6. Amount of County Funding Requested: \$35,000
7. Other Pertinent Information:

The authority to execute and deliver any Facilities pursuant to this bill shall expire thirty (30) calendar days after the revocation by the Governor of Maryland of the March 5, 2020 declaration of emergency. All other provisions of this bill shall remain in full force and effect for so long as any Facilities remain in effect. The fiscal impact will be noted when the actual borrowing occurs and the debt is incurred.

ATTACHMENT(S):

Attachment 1 – Bond Bill



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	
Bill Title:	General Obligation Debt Authorization
Local Government Agency:	Finance Division
Prepared By:	Erin White
Title:	Deputy Director of Finance
Phone Number:	301-600-1193
E-Mail Address:	ewhite@frederickcountymd.gov
Due Date:	
Date Submitted:	

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

Date:						
<p>Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.</p>						
1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why.</u>					
<p>The proposed expedited legislation would authorize Frederick County, Maryland to incur an amount not to exceed One Hundred Million Dollars (\$100,000,000) of general obligation debt for short-term working capital needs. This legislation would provide the necessary debt authority for cash flow needs if delays or an adverse effect on County revenue collections were to occur as a result of ramifications of the novel coronavirus (COVID-19)</p>						
2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.					
N/A - This proposed legislation should not impact local businesses.						
FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES						
<u>REVENUES</u>						
3.	Analysis of estimated increase (or decrease) in government revenues. Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.					
	<u>Source</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
	N/A					
	TOTAL \$	\$	\$	\$	\$	\$
	Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.					
N/A – It is not anticipated this legislation will have any impact on the annual amount of budgeted revenue in Frederick County.						

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

<u>EXPENDITURES</u>						
4.	Analysis of estimated increase (or decrease) in government expenditures . Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.					
A. Salaries & Wages		<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
FTE Employees - _____ # of positions						
Fringe Benefits						
TOTAL (Salaries, wages & benefits)		\$	\$	\$	\$	\$
N/A	Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.					
B. Other Operating Expenses		<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Technical/Special Fees, Grants/Subsidies						
Communications-Phone, Postage						
Travel, Food, Auto, Fuel & Utilities						
Contractual Services						
Supplies						
Equipment-Replacement						
Equipment-Additional						
Land & Structures, Fixed Charges						
Other (Please Specify on Extra Page(s))						
TOTAL (Expenditures)		\$	\$	\$	\$	\$
	On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."					
	Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses.					
It is difficult to quantify the impact this legislation would have on County expenditures. The County will only incur interest expense should the County need to draw funds from a line of credit. The amount of interest will vary depending on the timing of funds drawn on a line of credit. The timing of repayments also will impact the interest expense amount.						

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2018 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

Fiscal 2020 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
Communications – Phone, Postage description/breakdown	\$
Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
Contractual Services description/breakdown	\$
Supplies description/breakdown	\$
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown	\$
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

