

RESOLUTION 6-2009

A RESOLUTION OF THE TOWN OF TRAPPE ADOPTING A MUNICIPAL DEBT POLICY

EFFECTIVE DATE: OCTOBER 1, 2009

The Council of Trappe adopts the following debt policy in order to establish guidelines by which the Town of Trappe ("Town") may incur debt to ensure sound debt issuance and management practices, including the full and timely repayment of all funds that have been borrowed.

1. Scope. This Municipal Debt Policy shall serve as a guideline for govern the issuance and management of all of the debt incurred by the Town. The Town recognizes that changes in the capital markets, Town programs, and other unforeseen circumstances may produce situations that are not covered by this Debt Policy.

2. Authority to incur debt. Article 23A, §31 *et seq.* of the Annotated Code of Maryland ("Maryland Code") authorizes the Town to borrow money for any proper public purpose including tax anticipation borrowing. Section 622 of the Charter of the Town of Trappe ("Charter") permits the Town to borrow money in anticipation of tax revenues. Section 612 of the Charter authorizes the Town to pay any indebtedness to which it is subject. Section 304 of the Charter provides the Town Council with the authority to borrow money. Section 612 of the Charter imposes on the Town the obligation to pay debts incurred prior to the adoption of the Charter.

3. Compliance with Law and Town Agreements. All Town debt shall be issued in accordance with the Town Charter, and all Federal and State laws, rules and regulations.

4. Purpose of Debt . The Town shall only incur debt for the following purposes:

- a) to finance capital improvement projects including the construction, major repair, or enhancement of Town facilities;
- b) to provide working capital for projects until funding is received;
- c) to finance the acquisition, by purchase or lease, of capital assets;
- d) to finance the acquisition, either by purchase or lease, of capital equipment;
- e) to refinance previously issued Town debt; and
- f) to finance other large and extraordinary costs imposed upon the Town.

The Town will not use long term debt to fund operating costs. The Town shall use proceeds from governmental purpose bonds for public use projects.

5. Procedure for the Approval of Debt. The Town Council by majority vote shall approve a resolution or ordinance, as required by law, authorizing any debt, and the terms

therefor, to be incurred by the Town.

6. Categories of Debt. The Town may enter into the following categories of debt:

a) Bonds. Bonds are long term debt obligations that are repayable solely from the general revenues of the Town and, if applicable, grant or other third party funds. The Town typically does not issue Bonds. Instead it acquires the proceeds of bonds issued by State or Federal Agencies and becomes responsible for the repayment thereof. The purpose of the bonds are to fund capital improvement projects, purchases of large scale capital equipment, and other costs of the Town.

b) Special Facility Bonds. Special Facility Bonds are long term debt obligations used to finance a specific Town project or facility and are repayable solely from revenues generated by the facility. The Town typically does not issue Special Facility Bonds. Instead it acquires the proceeds of bonds issued by State or Federal Agencies and becomes responsible for the repayment thereof.

c) Equipment Lease Financing. Lease obligations are an appropriate means of financing capital equipment. Under a capital lease, the title (or ownership) of the assets purchased remains with the lessor during the lease period. At the end of the lease the lessee may have the option to acquire ownership of the assets by paying a pre-determined amount to the lessor.

d) Refunding Bonds. Refunding bonds are bonds issued to refinance (or refund) previously issued and currently outstanding debt.

e) Secured Debt. A debt is secured when the lender holds a lien on the capital asset. The lien can be created by the Lender's filing of a financing statement in the case of personal property or by the Lender's recording of a mortgage or deed of trust in the case of real property.

f) Long Term Debt. For purposes of this Debt Policy, long term debt is defined as an obligation that has a final maturity date of five years or longer. Any long term debt incurred by the Town shall be spread over a period commensurate with expected useful life of the asset which the debt finances.

g) For purposes of this municipal debt policy, short-term debt is defined as any debt with a final maturity date of less than five years. The Town may incur short term debt as tax anticipation notes to provide operating expenses or interim financing for capital projects.

7. Periodic Review. The Council and the Town Clerk/Treasurer shall review this Debt Policy from time to time, and recommend any changes to the Town Council for its consideration.

This resolution shall become effective on October 1, 2009.

Robert Crosswell

Walter Chase

Norm Fegel

Rosalee Potter

Richard Dorbin

I hereby certify that the above Resolution was passed by a ye and nay vote of the Council of Trappe on the _____ day of October, 2009.

Attest: _____
Joedy Cecil, Clerk/Treasurer
Town of Trappe