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**By: Chairman, Ways and Means Committee (Departmental - Housing and Community Dev.)**

Introduced and read first time: January 31, 1996

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Department of Housing and Community Development - Community Development**  
3 **Administration - Infrastructure Financial Assistance**

4 FOR the purpose of authorizing local governments to issue local infrastructure financing  
5 obligations, make such obligations payable solely from revenues of the issuer, and  
6 adopt certain other provisions; specifying certain mandatory and optional local  
7 government infrastructure debt issuance procedures; providing for certain security  
8 in connection with local infrastructure financing; and generally relating to the  
9 Community Development Administration and infrastructure financing.

10 BY repealing and reenacting, with amendments,  
11 Article 83B - Department of Housing and Community Development  
12 Section 2-204(16)  
13 Annotated Code of Maryland  
14 (1995 Replacement Volume)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
16 MARYLAND, That the Laws of Maryland read as follows:

17 **Article 83B - Department of Housing and Community Development**

18 2-204.

19 The Administration shall have the following functions and responsibilities:

20 (16) (i) Make, purchase, and participate in making loans for any  
21 infrastructure project or to purchase any local obligations issued to finance any  
22 infrastructure project or to provide any other form of financial assistance that the  
23 Administration may deem appropriate for the financing of infrastructure projects, except  
24 grants. The making, purchasing, or participating in making loans, the purchase of any  
25 local obligations, or the providing of any other financial assistance shall be evidenced by  
26 an agreement or other instrument indicating the terms and conditions necessary to secure  
27 repayment to the Administration of any moneys provided by the Administration, any  
28 interest charged by the Administration, and any other charges in connection with such  
29 financial assistance. Subject to the provisions of any contract with holders of the  
30 Administration's bonds, notes, or other obligations, the Administration may consent to  
31 the modification, with respect to rate of interest, time of payment of any installment of

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1 principal or interest, security, or any other term of any loan, local obligation,  
2 commitment, contract, instrument, or agreement of any kind to which the Administration  
3 is a party or which the Administration has acquired. In connection with any security  
4 received by or owned by the Administration (including any local obligations), the  
5 Administration may commence any action to protect or enforce the rights conferred upon  
6 it by any law or agreement or acquire or take possession of such security, and in such  
7 events, the Administration may administer, pay the principal of or interest on any  
8 obligation incurred in connection with the security, dispose of and otherwise deal with the  
9 security in a manner that the Administration considers necessary or desirable to protect  
10 its interests. The Administration may sell any loan, agreement, local obligation, or other  
11 obligation held by it at public or private sale with or without public bidding.

12 (ii) In the case of the purchase of local obligations, the procedures and  
13 requirements for the issuance or sale of such local obligations shall [apply, except that,  
14 BE AS PROVIDED IN SUBPARAGRAPHS (IV), (V), AND (VI) OF THIS PARAGRAPH, AND  
15 notwithstanding any other provision of public general or public local law, charter, or  
16 ordinance, any issuer of local obligations may sell local obligations to finance  
17 infrastructure projects to the Administration:

18 1. At private or public sale, with or without public bidding;

19 2. Without regard to any limitations on the denomination of  
20 such obligations; and

21 3. At any interest rate or cost or at any price that the issuer  
22 considers necessary or desirable. The issuer of the local obligations may pay any fees or  
23 charges necessary to enable the Administration to sell its bonds, notes, or other  
24 obligations or to provide the financial assistance authorized by this subsection, including  
25 any fees for the insurance of local obligations or of notes, bonds, or obligations of the  
26 Administration, or to provide any other guarantee, credit enhancement, or additional  
27 security for any such obligations.

28 (iii) Notwithstanding any other provision of public general or public  
29 local law, charter, or ordinance, in order to enhance the security or the marketability of  
30 the bonds, notes, or obligations of the Administration sold to finance an infrastructure  
31 project, a county or municipality may agree with the Administration to pledge any moneys  
32 that the county or municipality is entitled to receive from the State, including without  
33 limitations the county or municipality share of income tax. In the event of such pledge,  
34 the State Comptroller and the State Treasurer shall cause in accordance with the terms of  
35 such agreement such moneys to be paid to the Administration or any trustee designated  
36 by the Administration.

37 (IV) 1. NOTWITHSTANDING ANY OTHER PROVISION OF PUBLIC  
38 GENERAL OR PUBLIC LOCAL LAW, CHARTER, OR ORDINANCE, A COUNTY OR  
39 MUNICIPALITY, OR ANY OF ITS AGENCIES OR INSTRUMENTALITIES, MAY ISSUE  
40 LOCAL OBLIGATIONS TO BE PURCHASED BY THE ADMINISTRATION UNDER THIS  
41 PARAGRAPH. LOCAL OBLIGATIONS SHALL BE ISSUED IN ACCORDANCE WITH THIS  
42 SUBPARAGRAPH. ALL LOCAL OBLIGATIONS SHALL BE AUTHORIZED BY  
43 RESOLUTION OR ORDINANCE OF THE GOVERNING BODY OF THE ISSUER WHICH  
44 SHALL CONTAIN THE FOLLOWING:

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1                           A. A STATEMENT OF THE PUBLIC PURPOSE UPON WHICH  
2 THE PROCEEDS OF THE LOCAL OBLIGATION ARE TO BE EXPENDED;

3                           B. THE FORM OF THE LOCAL OBLIGATIONS, WHICH SHALL  
4 INCLUDE:

5                           I. THE PLACE OR PLACES AND TIME OR TIMES OF PAYMENT  
6 THEREOF;

7                           II. THE RATE OR RATES OF INTEREST PAYABLE THEREON  
8 OR A NOT TO EXCEED RATE OR RATES OF INTEREST PAYABLE THEREON;

9                           III. THE TITLES OF THE OFFICIALS WHOSE SIGNATURES  
10 SHALL BE AFFIXED TO OR IMPRINTED ON THE LOCAL OBLIGATIONS;

11                          IV. A REFERENCE TO THIS PARAGRAPH AS THE AUTHORITY  
12 FOR THE ISSUANCE THEREOF; AND

13                          V. THE TAXES OR ANY SPECIAL REVENUES FROM WHICH  
14 THE PRINCIPAL OF AND INTEREST ON THE LOCAL OBLIGATIONS WILL BE PAYABLE;

15                          C. SPECIFIC PROVISION FOR THE DISPOSITION OF THE  
16 PROCEEDS OF SALE OF ANY LOCAL OBLIGATIONS AND A SPECIFIC PROVISION FOR  
17 THE PAYMENT OF THE PRINCIPAL THEREOF AND THE INTEREST THEREON, WHICH  
18 PROVISION SHALL SPECIFY THE SOURCE OR SOURCES OF PAYMENT AND SHALL  
19 CONSTITUTE A COVENANT BINDING THE ISSUER TO PROVIDE THE FUNDS FROM THE  
20 SPECIFIED SOURCE OR SOURCES AS AND WHEN PRINCIPAL AND INTEREST SHALL BE  
21 DUE AND PAYABLE;

22                          D. A PROVISION THAT THE PRINCIPAL OF AND INTEREST ON  
23 THE LOCAL OBLIGATIONS SHALL BE PAYABLE TO THE ADMINISTRATION OR ITS  
24 DESIGNEE;

25                          E. A PROVISION THAT, IN THE EVENT ANY OFFICIAL WHOSE  
26 SIGNATURE APPEARS ON ANY LOCAL OBLIGATIONS SHALL CEASE TO BE AN  
27 OFFICIAL PRIOR TO THE DELIVERY OF THE LOCAL OBLIGATIONS, OR, IN THE EVENT  
28 ANY OFFICIAL WHOSE SIGNATURE APPEARS ON ANY LOCAL OBLIGATIONS BECOMES  
29 AN OFFICER AFTER THE DATE OF THE ISSUE, THE LOCAL OBLIGATIONS SHALL  
30 NEVERTHELESS BE VALID AND BINDING OBLIGATIONS OF THE ISSUER IN  
31 ACCORDANCE WITH THEIR TERMS; AND

32                          F. ANY OTHER PROVISIONS, NOT INCONSISTENT WITH THIS  
33 PARAGRAPH, AS THE GOVERNING BODY OF THE ISSUER MAY CONSIDER  
34 APPROPRIATE, WHICH MAY PROVIDE:

35                           I. THAT THE CHIEF ELECTED OFFICIAL OF THE ISSUER MAY  
36 MAKE MODIFICATIONS IN THE FORMS ADOPTED BY THE RESOLUTION OR  
37 ORDINANCE THAT DO NOT ALTER THE SUBSTANCE OF THE FORMS;

38                           II. THAT THE OFFICIAL SIGNATURES AND SEALS TO BE  
39 AFFIXED TO ANY LOCAL OBLIGATIONS SHALL BE IMPRINTED ON THE LOCAL  
40 OBLIGATIONS IN FACSIMILE, EXCEPT FOR THE SIGNATURE OF THE CLERK OR  
41 SECRETARY OF THE ISSUER WHICH SHALL BE AFFIXED MANUALLY;

1 III. THAT, SUBJECT TO TERMS SPECIFIED BY THE  
2 ADMINISTRATION, ANY LOCAL OBLIGATIONS SHALL BE REDEEMABLE IN WHOLE OR  
3 IN PART AT THE OPTION OF THE ISSUER AT ANY TIME PRIOR TO THEIR RESPECTIVE  
4 MATURITIES AT THE PRICE OR PRICES, EITHER AT OR ABOVE THE PAR VALUE OF  
5 THE LOCAL OBLIGATIONS, AS MAY BE ACCEPTABLE TO THE ADMINISTRATION AND  
6 THE ISSUER PRESCRIBES IN THE ENABLING RESOLUTION OR ORDINANCE,  
7 PROVIDED THAT ANY LOCAL OBLIGATIONS SHALL CONTAIN A STATEMENT OF  
8 REDEMPTION PROVISIONS, ALL AS MAY BE ACCEPTABLE TO THE ADMINISTRATION;  
9 AND

10 IV. THAT ANY ISSUE OF LOCAL OBLIGATIONS MAY BE IN  
11 DENOMINATIONS AS MAY BE ACCEPTABLE TO THE ADMINISTRATION AND SHALL BE  
12 IN FULLY REGISTERED FORM.

13 2. A. PRIOR TO THE ISSUANCE OF ANY LOCAL  
14 OBLIGATION UNDER THIS PARAGRAPH, THE ISSUER SHALL PUBLISH IN A  
15 NEWSPAPER OF GENERAL CIRCULATION IN THE JURISDICTION OF THE ISSUER A  
16 NOTICE OF THE PROPOSED ISSUANCE, AND THE GOVERNING BODY OF THE ISSUER  
17 SHALL HOLD A PUBLIC HEARING ON THE PROPOSED ISSUANCE.

18 B. THE NOTICE SHALL INCLUDE THE PROPOSED AMOUNT OF  
19 THE ISSUE, THE NATURE OF THE PROJECT TO BE FINANCED, THE TIME AND PLACE  
20 OF THE PUBLIC HEARING, AND THE NAME AND ADDRESS OF THE GOVERNING BODY  
21 WHERE WRITTEN COMMENTS MAY BE SENT.

22 3. A. EACH ORDINANCE OR RESOLUTION ENACTED  
23 UNDER THIS PARAGRAPH SHALL BE ADOPTED BY THE GOVERNING BODY OF THE  
24 ISSUER, AND APPROVED BY THE CHIEF EXECUTIVE OFFICER OF THE ISSUER, IF ANY,  
25 AND SHALL HAVE THE FORCE OF LAW, AND, EXCEPT AS PROVIDED IN  
26 SUB-SUB-SUBPARAGRAPH B OF THIS SUB-SUBPARAGRAPH, IT IS NOT NECESSARY TO  
27 SUBMIT AN ORDINANCE OR RESOLUTION OR THE QUESTION OF THE ISSUANCE OF  
28 LOCAL OBLIGATIONS AUTHORIZED THEREBY TO A REFERENDUM OF THE  
29 QUALIFIED VOTERS OF THE ISSUER.

30 B. IN THE EVENT THAT THE CHARTER OF A COUNTY OR  
31 MUNICIPALITY AUTHORIZES QUALIFIED VOTERS TO PETITION AN ORDINANCE OR  
32 RESOLUTION FOR REFERENDUM, QUALIFIED VOTERS OF THE COUNTY OR  
33 MUNICIPALITY MAY PETITION AN ORDINANCE OR RESOLUTION AUTHORIZING THE  
34 ISSUANCE OF LOCAL OBLIGATIONS FOR REFERENDUM WITHIN 20 DAYS OF  
35 ADOPTION BY THE GOVERNING BODY OF THE ISSUER.

36 C. THE ORDINANCE OR RESOLUTION AUTHORIZING THE  
37 ISSUANCE OF LOCAL OBLIGATIONS MAY BE ADOPTED BY THE GOVERNING BODY OF  
38 THE ISSUER AT THE PUBLIC HEARING REQUIRED UNDER SUB-SUBPARAGRAPH 2 OF  
39 THIS SUBPARAGRAPH OR AT ANY OTHER REGULAR OR SPECIAL SESSION OF THE  
40 GOVERNING BODY OF THE ISSUER AND THE ORDINANCE OR RESOLUTION SHALL BE  
41 EFFECTIVE ON THE DATE ON WHICH IT IS ADOPTED AND APPROVED.

42 (V) ALL ISSUANCES OF LOCAL OBLIGATIONS UNDER THIS  
43 PARAGRAPH SHALL BE SECURED, AT THE DISCRETION OF THE ADMINISTRATION,  
44 BY EITHER A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR A PLEDGE OF

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1 SPECIFIC REVENUE OF THE ISSUER OR THE FACILITY BEING FINANCED AS  
2 DESIGNATED AND DESCRIBED IN THE AUTHORIZING ORDINANCE OR RESOLUTION,  
3 OR BOTH, AND SHALL BE SUBJECT TO THE FOLLOWING PROVISIONS:

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1. FAITH AND CREDIT OBLIGATIONS:

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A. IF LOCAL OBLIGATIONS ISSUED BY AN ISSUER UNDER  
6 THIS PARAGRAPH CONSTITUTE PLEDGES OF THE FAITH AND CREDIT OF THE ISSUER  
7 TO MAKE PROMPT PAYMENT, FROM THE TAX AND OTHER REVENUES DESCRIBED IN  
8 THE ENABLING RESOLUTION OR ORDINANCE, OF THE PRINCIPAL OF AND INTEREST  
9 ON THE LOCAL OBLIGATIONS WHEN DUE, THEN THE PLEDGE SHALL CONSTITUTE A  
10 COVENANT ON THE PART OF THE ISSUER TO LEVY UPON ALL REAL AND TANGIBLE  
11 PERSONAL PROPERTY WITHIN ITS CORPORATE LIMITS SUBJECT TO ASSESSMENT  
12 FOR UNLIMITED AD VALOREM TAXATION, SUFFICIENT IN EACH YEAR IN WHICH  
13 ANY OF THE LOCAL OBLIGATIONS ARE OUTSTANDING TO PROVIDE FOR THE  
14 PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON THE LOCAL OBLIGATIONS.

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B. IF AT THE TIME OF ISSUANCE OF ANY LOCAL  
16 OBLIGATIONS THERE IS A CHARTER OR STATUTORY LIMITATION UPON THE POWER  
17 OF AN ISSUER TO LEVY PROPERTY TAXES, THEN A PLEDGE OF THE FAITH AND  
18 CREDIT OF THE ISSUER SHALL CONSTITUTE A COVENANT OF THE ISSUER TO LEVY  
19 AD VALOREM TAXES IN RATE AND AMOUNT SUFFICIENT IN EACH YEAR IN WHICH  
20 ANY OF THE LOCAL OBLIGATIONS ARE OUTSTANDING TO PROVIDE FOR THE  
21 PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON THE LOCAL OBLIGATION  
22 WITHIN THE LIMITATIONS SO PRESCRIBED BY LAW.

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C. NO LOCAL OBLIGATIONS SHALL BE ISSUED BY AN ISSUER,  
24 IF THE ISSUANCE CAUSES THE ISSUER TO EXCEED ANY EXISTING MAXIMUM LIMITS  
25 ON THE POWER OF THE ISSUER TO INCUR INDEBTEDNESS FIXED BY THE CHARTER  
26 OF THE ISSUER OR BY STATUTE, PROVIDED THAT A MAXIMUM LIMITATION  
27 IMPOSED AFTER THE ISSUE OF ANY LOCAL OBLIGATIONS SHALL NOT IMPAIR OR IN  
28 ANY MANNER AFFECT THE OBLIGATION THEREOF, NOR SHALL ANY OUTSTANDING  
29 LOCAL OBLIGATIONS OF AN ISSUER BE IMPAIRED OR IN ANY MANNER AFFECTED BY  
30 THE ISSUANCE OF LOCAL OBLIGATIONS BECAUSE OF AN INCREASE IN THE  
31 MAXIMUM LIMITATION ON THE POWER TO INCUR INDEBTEDNESS, OR THE  
32 ELIMINATION OF THE MAXIMUM LIMITATION, ENACTED AFTER THE ISSUE OF THE  
33 OUTSTANDING LOCAL OBLIGATIONS.

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2. REVENUE OBLIGATIONS:

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A. AN ISSUER MAY SECURE PAYMENT ON ITS LOCAL  
36 OBLIGATION BY THE PLEDGE OF SPECIFIC REVENUES OF THE ISSUER, INCLUDING  
37 PAYMENTS TO THE ISSUER FROM THE STATE GOVERNMENT OR FEDERAL  
38 GOVERNMENT AND SPECIAL BENEFIT ASSESSMENTS, TAXES, FEES, OR SERVICE  
39 CHARGES WHICH THE ISSUER IS AUTHORIZED AND EMPOWERED TO IMPOSE, LEVY,  
40 OR CHARGE; OR

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B. AN ISSUER MAY SECURE PAYMENT ON ITS LOCAL  
42 OBLIGATION BY SPECIFIC REVENUES EXPECTED TO BE GENERATED BY THE  
43 FACILITY TO BE FINANCED.

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1                   (VI) ALL LOCAL OBLIGATIONS ISSUED BY ANY ISSUER UNDER THIS  
2 PARAGRAPH SHALL HAVE AND POSSESS ALL THE ATTRIBUTES OF NEGOTIABLE  
3 INSTRUMENTS AS PROVIDED IN ARTICLE 31, § 8 OF THE CODE. THE PRINCIPAL OF  
4 AND INTEREST ON ANY LOCAL OBLIGATIONS IN THE HANDS OF THE OWNER OR  
5 OWNERS THEREOF FROM TIME TO TIME, SHALL BE AND REMAIN EXEMPT FROM  
6 TAXATION OF ANY KIND OR NATURE WHATSOEVER BY THE STATE OR ANY COUNTY,  
7 MUNICIPAL CORPORATION, OR OTHER POLITICAL SUBDIVISION OF THE STATE.

8                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
9 October 1, 1996.