Debt Policy for Section 3

Adopted: November 11, 2015

In accordance with Maryland State Law and to provide guidelines for current and future Councils in the management of our assets, The Council reaffirms its borrowing authority as published in its charter:

"Section 704, <u>Borrowing Authority</u>

(a) The Council is authorized and empowered to borrow money on the credit of Section 3 in the manner prescribed in Sections 31 to 39 inclusive of Article 23A of the Code, in amounts not exceeding, in total at anytime, ten percent of the assessed valuation of real property within Section 3.

(b) To effect such borrowing, the Council is authorized and empowered to issue bonds, notes or other certificates of indebtedness in a form designated by the Council. Such bonds, notes or other certificates of indebtedness shall be signed by the Chairman and Treasurer and, to the extent by law, shall be free from all federal, state, county and location [local] taxation.

(c) Before the Council shall borrow any money or issue any bonds, notes or certificates of indebtedness, the Council shall give written notice of its proposed action and call a meeting of the qualified voters to consider and ratify the borrowing. The Council shall provide written notice at least 15 days in advance of such a meeting. All qualified voters of Section 3 shall be eligible to vote at such a meeting and those qualified voters of Section 3 unable to attend the meeting for any reason shall be allowed to vote by absentee ballot. The Council shall determine rules for absentee voting. If the majority of votes cast are in favor of the proposed borrowing or any amendment thereof, then the Council may proceed in accordance with such authorization."

To further clarify its policy towards indebtedness, The Council also affirms its desire to refrain from incurring any debt unless the Council finds itself under extreme duress and unable to finance capital improvements from its Capital Improvement Fund and/or reserves. Such debt would only be taken on if there were a clear path to repayment of that debt within a reasonable amount of time and certainly no longer than the life of the capital improvement causing the need to turn to debt instruments. Except under the most extreme emergency situations, debt will not be used for non-capital expenditures.

Initially adopted September 9, 2009. Revised to include the last paragraph in November, 2015.