

Ordinance No. 2181

AN ORDINANCE OF THE CITY OF SALISBURY TO AUTHORIZE AND EMPOWER CITY OF SALISBURY TO ISSUE AND SELL FROM TIME TO TIME, UPON ITS FULL FAITH AND CREDIT, GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED EIGHT MILLION DOLLARS (\$8,000,000.00) (THE "ORIGINAL REFUNDING BONDS") PURSUANT TO THE AUTHORITY OF SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND, SECTION 24 OF ARTICLE 31 OF THE ANNOTATED CODE OF MARYLAND, SECTIONS SC7-45 AND SC7-46 OF THE CHARTER OF THE CITY OF SALISBURY, AND ANY OTHER APPLICABLE LAW, THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF (I) REFUNDING OR ADVANCE REFUNDING IN WHOLE OR IN PART ALL OR ANY PORTION OF THE CITY'S OUTSTANDING (A) CITY OF SALISBURY, MARYLAND GENERAL OBLIGATION PUBLIC IMPROVEMENTS BONDS OF 1994, (B) CITY OF SALISBURY, MARYLAND PUBLIC IMPROVEMENTS BOND OF 1999, (C) CITY OF SALISBURY INFRASTRUCTURE BONDS, 2001 SERIES A AND/OR (D) CITY OF SALISBURY, MARYLAND INFRASTRUCTURE BONDS, 2003 SERIES A, INCLUDING PAYING REDEMPTION OR PREPAYMENT PREMIUMS AND/OR ACCRUED AND UNPAID INTEREST THEREON, (II) PAYING COSTS OF ISSUANCE OF THE ORIGINAL REFUNDING BONDS, AND/OR (III) TO THE EXTENT DETERMINED BY THE COUNCIL, PAYING INTEREST ON THE ORIGINAL REFUNDING BONDS; AUTHORIZING THE CITY TO ISSUE AND SELL FROM TIME TO TIME, UPON ITS FULL FAITH AND CREDIT, GENERAL OBLIGATION BONDS IN ONE OR MORE SERIES (THE "SUBSEQUENT REFUNDING BONDS") IN ORDER TO REFUND OR ADVANCE ANY OF THE ORIGINAL REFUNDING BONDS ISSUED PURSUANT TO THE AUTHORITY OF THIS ORDINANCE, INCLUDING PAYING REDEMPTION OR PREPAYMENT PREMIUMS AND/OR ACCRUED AND UNPAID INTEREST ON SUCH REFUNDED ORIGINAL REFUNDING BONDS, COSTS OF ISSUANCE OF SUCH SUBSEQUENT REFUNDING BONDS AND/OR INTEREST ON SUCH SUBSEQUENT REFUNDING BONDS, PROVIDED THAT, THE AGGREGATE PRINCIPAL AMOUNT OF ANY SUCH ISSUE OF SUBSEQUENT REFUNDING BONDS SHALL NOT EXCEED ONE HUNDRED THIRTY PERCENT (130%) OF THE AGGREGATE PRINCIPAL AMOUNT OF THE ORIGINAL REFUNDING BONDS REFUNDED THEREFROM; PROVIDING FOR THE ADOPTION OF A RESOLUTION OR RESOLUTIONS OF THE COUNCIL TO DETERMINE, APPROVE OR PROVIDE FOR VARIOUS MATTERS RELATING TO THE AUTHORIZATION, SALE, SECURITY, ISSUANCE, DELIVERY, PAYMENT, REDEMPTION OR PREPAYMENT OF AND FOR EACH SERIES OF THE ORIGINAL REFUNDING BONDS AND THE SUBSEQUENT REFUNDING BONDS (THE "OBLIGATIONS"); PROVIDING FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR, AND PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO, THE PROMPT PAYMENT OF PRINCIPAL AND INTEREST ON EACH SERIES OF THE OBLIGATIONS; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON EACH SERIES OF THE OBLIGATIONS ALSO MAY BE PAID FROM ANY OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH PURPOSE; PROVIDING THAT ANY OF THE OBLIGATIONS AUTHORIZED HEREBY MAY BE CONSOLIDATED WITH ANY

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BONDS AND/OR REFUNDING BONDS AUTHORIZED BY THE COUNCIL AND ISSUED AS A SINGLE SERIES OF BONDS AND/OR REFUNDING BONDS; PROVIDING THAT THIS TITLE SHALL BE DEEMED A STATEMENT OF THE SUBSTANCE OF THIS ORDINANCE FOR ALL PURPOSES; AND OTHERWISE GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF THE OBLIGATIONS AUTHORIZED HEREBY.

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland (the "City"), is authorized and empowered by Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Enabling Act"), and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as currently published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, and as replaced, supplemented or amended (the "Charter"), to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds; and

WHEREAS, pursuant to Section 24 of Article 31 of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Refunding Act"), the City is further authorized to issue bonds for the purpose of refunding any of its bonds then outstanding for the public purpose of realizing debt service savings or debt restructuring; and

WHEREAS, pursuant to the Refunding Act, the procedures for the issuance of refunding bonds shall be the same as those applicable to the bonds being refunded, except that refunding bonds may be sold on a negotiated basis without solicitation of bids if the City determines in a public meeting that such procedure is in the public interest; and

WHEREAS, on March 1, 1994, the City issued and delivered its City of Salisbury Public Improvements Bonds of 1994 in the aggregate principal amount of \$6,975,000 (the "1994 Bonds") pursuant to the authority of the Enabling Act, the Charter, Ordinance No. 1581, passed by the Council of the City (the "Council") on January 24, 1994, approved by the Mayor of the City (the "Mayor") on January 24, 1994 and effective on January 24, 1994, which specified that the proceeds of the 1994 Bonds would be applied for the purpose of financing, reimbursing or refinancing costs of certain projects identified therein as (i) General – (A) Police Building and Communications, (B) Upgrade City Yard, (C) Road Improvements, and (D) Fire Engine (Pumper), (ii) Water and Sewer - New Chlorine Building and (iii) Costs of Issuance and Contingency including, without limitation, the costs of the planning, construction, reconstruction, demolition, improvement, refurnishing, renovation, restoration, extension, alteration, installation, repair, acquisition, conversion, and modernization of structures, the acquisition of sites, rights-of-way, and any interests in land, the planning, construction, installation, repair, improvement, acquisition, and development of projects, the planning, construction, installation, repair, improvement, acquisition, and relocation of storm drainage systems and sanitary water and sewer rate systems, architectural, engineering, legal and other related professional services, including preparation of surveys, reports, plans, drawings, and specifications, all customary and necessary furnishings and fixed permanent equipment for the above, and expenses incurred in applying for any Federal or State of Maryland

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grants related to the above, and Resolution No. 448, adopted by the Council on February 10, 1994, approved by the Mayor on February 10, 1994 and effective on February 10, 1994; and

WHEREAS, as originally issued and delivered, the 1994 Bonds mature on February 1 in the years 1995 to 2014, inclusive, the 1994 Bonds bear interest at rates per annum ranging from 4.00% to 6.00%, and interest on the 1994 Bonds is payable each February 1 and August 1 until maturity or prior redemption; and

WHEREAS, on May 18, 1999, the City issued and delivered its City of Salisbury, Maryland Public Improvements Bond of 1999 in the aggregate principal amount of \$4,860,000 (the "1999 Bond") pursuant to the authority of the Enabling Act, the Charter, Ordinance No. 1724, passed by the Council on May 10, 1999, approved by the Mayor on May 10, 1999 and effective on May 10, 1999, which specified that the proceeds of the 1999 Bonds would be applied for the purpose of financing, reimbursing or refinancing costs of certain projects identified therein as (i) General Fund – (A) Northeast Collector Road, (B) Isabella Street Box Culvert, and (C) Fire Engine, (ii) Water Fund – (A) Northeast Collector Road Water Main Route 50 to Old Ocean City Road, (B) Northeast Collector Road Water Main Old Ocean City Road to Middle Neck Drive and (C) Water Main Upgrade-Isabella Street, (iii) Sewer Fund – (A) Northeast Collector Road Sewer Main Route 50 to Old Ocean City Road, (B) Northeast Collector Road Sewer Main Old Ocean City Rd. to Middle Neck Drive and (C) Sewer Main Upgrade-Isabella Street, and (iv) Costs of Issuance and Contingency including, without limitation, the costs of the planning, construction, reconstruction, demolition, improvement, refurbishing, renovation, restoration, extension, alteration, installation, repair, acquisition, conversion, and modernization of structures, the acquisition of sites, rights-of-way, and any interests in land, the planning, construction, installation, repair, improvement, acquisition, and development of projects, the planning, construction, installation, repair, improvement, acquisition, and relocation of storm drainage systems and sanitary water and sewer rate systems, architectural, engineering, legal and other related professional services, including preparation of surveys, reports, plans, drawings, and specifications, all customary and necessary furnishings and fixed permanent equipment for the above, and expenses incurred in applying for any Federal or State of Maryland grants related to the above, and Resolution No. 642, adopted by the Council on May 8, 1999, approved by the Mayor on May 8, 1999 and effective on May 8, 1999; and

WHEREAS, as originally issued and delivered, principal of the 1999 Bond is payable on June 1 and December 1 of each year, commencing December 1, 1999 and ending June 1, 2014, the 1999 Bond bears interest at the rate per annum of 4.39% and interest on the 1999 Bond is payable each June 1 and December 1 until maturity or prior prepayment; and

WHEREAS, on May 3, 2001, the City issued and delivered its City of Salisbury Infrastructure Bonds, 2001 Series A in the aggregate principal amount of \$1,201,900 (the "2001 Bonds") pursuant to the authority of the Enabling Act, the Charter, Subtitle 2 of Title 2 of Article 83B of the Annotated Code of Maryland, as amended (now codified at Subtitle 2 of Title 4 of the Housing and Community Development Article of the Annotated Code of Maryland, and as amended, the "CDA Act"), and Ordinance No. 1793, passed by the Council on January 22, 2001, approved by the Mayor on January 23, 2001 and effective on January 23, 2001, which specified that the proceeds of the 2001 Bonds would be applied to the fund a portion of the costs necessary to

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construct a parking garage extension and pay issuance costs, bond insurance premiums and other related costs; and

WHEREAS, as originally issued and delivered, principal of the 2001 Bonds is payable on May 1 in the years 2002 through 2021, inclusive, the 2001 Bonds bear interest at rates per annum ranging from 4.00% to 5.00%, and interest on the 2001 Bonds is payable each May 1 and November 1 until maturity or prior prepayment; and

WHEREAS, on June 18, 2003, the City issued and delivered its City of Salisbury, Maryland Infrastructure Bonds, 2003 Series A in the aggregate principal amount of \$5,614,000 (the "2003 Bonds") pursuant to the authority of the Enabling Act, the Charter, the CDA Act and Ordinance No. 1870, passed by the Council on January 27, 2003, approved by the Mayor on February 3, 2003 and effective on February 3, 2003 ("Ordinance No. 1870"), which specified that the proceeds of the 2003 Bonds would be applied for the purpose of providing a portion of the funds necessary for the construction or rehabilitation of a new fire station, renovation of fire station no. 1, a public works garage, Beaver Dam Creek stabilization, WOR-WIC sewer and water project and paying costs of issuance, bond insurance premiums and other related costs; and

WHEREAS, pursuant to Ordinance No. 1888, passed by the Council on December 22, 2003, approved by the Mayor on January 5, 2004 and effective on January 5, 2004 ("Ordinance No. 1888"), the City amended Ordinance No. 1870 in order to allow proceeds of the 2003 Bonds to be applied to complete the Northeast Collector Project and to provide that proceeds of the 2003 Bonds would be applied only to costs of the architectural design portion of the public works garage contemplated by Ordinance No. 1888; and

WHEREAS, pursuant to Ordinance No. 2081, passed by the Council on August 10, 2009, approved by the Mayor on August 10, 2009 and effective on August 10, 2009, the City further amended Ordinance No. 1870, as amended by Ordinance No. 1888, to provide that proceeds of the 2003 Bonds would also be applied to fund costs of the projects identified therein as: (i) Mill Street Storm Drain Upgrade Engineering, (ii) South Baptist Street Storm Drain Construction, (iii) Northeast Collector Road Hike and Bike Trail, (iv) Circle Avenue Bridge Repair, and (v) Springfield Circle Storm Drain Repair Construction, in addition to the projects and costs identified in Ordinance No. 1870, as amended by Ordinance No. 1888; and

WHEREAS, as originally issued and delivered, principal of the 2003 Bonds is payable on May 1 in the years 2004 through 2023, inclusive, the 2003 Bonds bear interest at rates per annum ranging from 2.00% to 4.50%, and interest on the 2003 Bonds is payable each May 1 and November 1 until maturity or prior prepayment; and

WHEREAS, each of the 2001 Bonds and the 2003 Bonds was sold to the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the "Administration"), in connection with the Local Government Infrastructure Financing Program of the Administration (the "Program") in order to evidence loans from the Administration to the City to finance costs of the projects and costs identified in the applicable authorizing legislation, as amended or modified to date; and

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WHEREAS, the loans made by the Administration to the City with respect to the 2001 Bonds and the 2003 Bonds were each made from the proceeds of certain revenue bonds issued by the Administration to fund such loans to the City and loans to other local government borrowers (in each such case, the "CDA Bonds"); and

WHEREAS, in connection with the 2001 Bonds and the 2003 Bonds, the City entered into both a Repayment Agreement and a Pledge Agreement with CDA (each, as amended or modified to date, a "Repayment Agreement" or a "Pledge Agreement"); and

WHEREAS, the 1994 Bonds maturing on or after February 1, 2005 are subject to redemption at the option of the City prior to maturity (following prior written notice and publication of the redemption date) as a whole at any time or in part on any interest payment date, in any order of maturities selected by the City, at a redemption price expressed as a principal amount of the 1994 Bonds to be redeemed as set forth in the table below, together with interest accrued to the date fixed for redemption:

Redemption Date (Both Dates Inclusive)	Redemption Price
February 1, 2004 through January 31, 2005	102.0%
February 1, 2005 through January 31, 2006	101.0
February 1, 2006 and thereafter	100.0; and

WHEREAS, the 1999 Bond is subject to redemption at the option of the City prior to maturity (following prior written notice) as a whole or in part at any time on or after June 1, 2009, at a redemption price expressed as a principal amount of the 1999 Bond to be redeemed as set forth in the table below, together with interest accrued to the date fixed for redemption:

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<u>Redemption Date</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
June 1, 2009 through May 31, 2010	101.0%
June 1, 2010 through May 31, 2011	100.5
June 1, 2011 and thereafter	100.0; and

WHEREAS, the 2001 Bonds are subject to prepayment at the option of the City prior to maturity (following prior written notice and subject to certain other considerations specified in the related Repayment Agreement) in whole or in part, at any time on or after June 1, 2011, in an amount equal to the principal amount of the 2001 Bonds to be prepaid, together with unpaid interest accrued thereon to the date fixed for redemption of the corresponding CDA Bonds to be redeemed from such prepayment, and accompanied by the following prepayment premiums:

(i) if prepayment occurs during the period from June 1, 2011 to and including May 31, 2012, a prepayment premium of one percent (1%) of the principal amount to be redeemed;

(ii) if prepayment occurs during the period from June 1, 2012 to and including May 31, 2013, a prepayment premium of one-half of one percent (0.5%) of the principal amount to be redeemed; and

(iii) if prepayment occurs on and after June 1, 2013, no prepayment premium shall be due and payable; and

WHEREAS, the 2003 Bonds are subject to prepayment at the option of the City prior to maturity (following prior written notice and subject to certain other considerations specified in the related Repayment Agreement) in whole or in part, at any time on or after June 1, 2013, in an amount equal to the principal amount of the 2003 Bonds to be prepaid, together with unpaid interest accrued thereon to the date fixed for redemption of the corresponding CDA Bonds to be redeemed from such prepayment; and

WHEREAS, the financial advisor working with the City has advised that under current market conditions the City may achieve favorable interest rate savings by refunding or advance refunding in whole or in part the outstanding 1994 Bonds, 1999 Bond, 2001 Bonds and/or 2003 Bonds; and

WHEREAS, with the expectation that market conditions will continue to remain favorable, the City has determined to authorize the issuance from time to time of one or more series of its general obligation bonds in order to (i) refund or advance refund all or a portion of the then-outstanding and unpaid principal amounts of the 1994 Bonds, the 1999 Bond, the 2001 Bonds and/or the 2003 Bonds and, in connection therewith, to pay all or any portion of any applicable redemption or prepayment premium and/or to pay all or any portion of interest accrued or to accrue to the dates of maturity, redemption or prepayment of such refunded bonds, for the public purpose of (X) realizing savings in the aggregate cost of debt service on a direct comparison or present value

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basis, or (Y) debt restructuring that in the aggregate effects such a reduction in the cost of debt service or is determined by the Council to be in the best interests of the City, to be consistent with the City's long-term financial plan, and to realize a financial objective of the City, as contemplated in the Refunding Act and as to be determined pursuant to a resolution or resolutions of the Council, (ii) to pay all or a portion of the related costs of issuance of such refunding bonds, and/or (iii) to the extent determined by the Council by a resolution or resolutions, to pay interest on such refunding bonds; and

WHEREAS, subsequent to the issuance of any original refunding bonds authorized hereby to refund the 1994 Bonds, the 1999 Bond, the 2001 Bonds and/or the 2003 Bonds, the City may desire to refund or advance refund all or a portion of such original refunding bonds through the issuance from time to time of one or more series of its refunding bonds pursuant to the authority of the Refunding Act; and

WHEREAS, the City pledged its full faith and credit and unlimited taxing power to the prompt payment of each of the 1994 Bond, the 1999 Bond, the 2001 Bonds and the 2003 Bonds, and the City has determined to pledge its full faith and credit and unlimited taxing power to the prompt payment of debt service on the original refunding bonds and the subsequent refunding bonds authorized hereby; and

WHEREAS, it is the present expectation of the Council, that, as authorized by the Refunding Act, each series of the original refunding bonds and the subsequent refunding bonds authorized hereby shall be sold on a negotiated basis without solicitation of bids due to the ability to time the market, negotiate terms and the lower costs of issuance typically incurred with a negotiated sale as opposed to public sale by competitive bid, but the Council, based on then-current market conditions and the advice of any professionals engaged by the City, and as authorized by the Enabling Act and the Refunding Act, may determine by resolution to sell any such series of original refunding bonds or subsequent refunding bonds by public sale at competitive bid; and

WHEREAS, as provided by Section SC7-46 of the Charter, the City shall issue any original refunding bonds or subsequent refunding bonds authorized hereby in accordance with the terms and conditions provided for in a resolution or resolutions to be adopted by the Council.

SECTION 1. NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that the Recitals to this Ordinance are deemed a substantive part of this Ordinance and incorporated by reference herein. Capitalized terms used in the Recitals to this Ordinance and not otherwise defined in the Sections of this Ordinance shall have the meanings given to such terms in the Recitals.

SECTION 2. BE IT FURTHER ORDAINED that pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and any other applicable law, the City hereby determines to borrow money and incur indebtedness for the public purpose of (i) refunding or advance refunding all or a portion of the then-outstanding and unpaid principal amounts of the 1994 Bonds, the 1999 Bond, the 2001 Bonds and/or the 2003 Bonds (collectively, the "Prior Obligations") and, in connection therewith, paying all or a portion of any applicable redemption or prepayment premiums and/or paying all or a portion of interest accrued or to accrue to the dates of

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maturity, redemption or prepayment of such refunded Prior Obligations, in order to realize an objective authorized by the Refunding Act, as determined in the Resolution (as hereinafter defined), (ii) paying or reimbursing all or a portion of related costs of issuance of such refunding bonds, including, without limitation, legal and financial costs and costs of any credit enhancement, and/or (iii) to the extent determined by the Council pursuant to the Resolution, paying interest on such refunding bonds (collectively, the "Original Refunding Project"). The total cost of the portion of the Original Refunding Project to be paid from proceeds of the bonds authorized by this Section 2 will not exceed Eight Million Dollars (\$8,000,000.00).

SECTION 3. BE IT FURTHER ORDAINED that to evidence the borrowing and indebtedness authorized in Section 2 of this Ordinance, the City, acting pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and any other applicable law, hereby determines to issue and sell from time to time, in one or more series, upon its full faith and credit, its general obligation bonds in an aggregate principal amount not to exceed Eight Million Dollars (\$8,000,000.00) (the "Original Refunding Bonds"). Any series of the Original Refunding Bonds may consist of one or more bonds and any such bond may be issued in installment form.

SECTION 4. BE IT FURTHER ORDAINED that the proceeds of the Original Refunding Bonds shall be used and applied by the City exclusively and solely for the public purposes described in Section 2 of this Ordinance, unless a supplemental ordinance is enacted by the Council to provide for the use and application of such proceeds for some other proper public purpose authorized by the Refunding Act, the Enabling Act, the Charter and/or other applicable law.

SECTION 5. BE IT FURTHER ORDAINED that pursuant to the authority of Section SC7-46 of the Charter and this Ordinance, the Council, prior to the issuance, sale and delivery of each series of the Original Refunding Bonds, shall adopt a resolution or resolutions (in each such case and, collectively, the "Resolution") specifying, prescribing, determining, providing for or approving such matters, details, forms (including, without limitation, the complete forms of the Original Refunding Bonds of such series and the bond purchase agreement or any similar agreement with the purchaser or purchasers of such series of Original Refunding Bonds, if deemed necessary or desirable, or if such series of the Original Refunding Bonds are sold by solicitation of competitive bids at public sale, the form of notice of sale of such series of Original Refunding Bonds), documents or procedures as may be required by the Refunding Act, the Enabling Act, the Charter, other applicable law or this Ordinance or as the Council may deem appropriate for the authorization, sale, security, issuance, delivery, payment or prepayment of or for such series of the Original Refunding Bonds, including the purposes of the Refunding Act to be achieved by the issuance of such series of the Original Refunding Bonds. The Resolution shall set forth, determine or provide for the determination of, or approve or provide for the approval of, among other things, the designation, date of issue, denomination or denominations, form or forms and tenor of the Original Refunding Bonds of such series; the aggregate principal amount of the Original Refunding Bonds of such series; the maturities of or principal installments payable on the Original Refunding Bonds of such series; the rate or rates of interest, or the method of determining the rate or rates of interest, which may be fixed or variable or may be determined by a method approved or provided for, and may include provisions for the payment of late fees and additional interest or penalties in appropriate circumstances, payable on the Original Refunding Bonds of such series; provisions relating to the redemption or prepayment of the Original Refunding Bonds of such series; the

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procedure for the sale of the Original Refunding Bonds of such series; with respect to any Original Refunding Bonds of such series issued to refund or advance refund all or any portion of the outstanding 2001 Bonds and/or 2003 Bonds, any amendments, modifications or supplements to, or replacements for, any documents, certificates or instruments delivered by the City in connection with the 2001 Bonds and/or the 2003 Bonds, including, without limitation, the related Repayment Agreement and/or Pledge Agreement, and any additional documents, certificates and instruments deemed necessary or desirable in connection with such refunding; and all other terms and conditions pursuant to which the Original Refunding Bonds of such series will be issued, sold and delivered, including, without limitation, any determinations to be made or provided for by resolution as contemplated by Charter Section SC7-46.A. Among other matters, the Council, pursuant to the Resolution, may authorize, approve or otherwise provide for (i) the commitment of the City to pay to the purchaser or purchasers of such series of the Original Refunding Bonds (A) any commitment fee or similar fee and any other costs in connection with such purchaser's or purchasers' agreement to purchase such series of the Original Refunding Bonds and/or (B) any breakage compensation or other amount that may be determined to be due to such purchaser or purchasers in the event the City fails to deliver such series of the Original Refunding Bonds and, in connection therewith, to approve or provide for the approval, and the execution and delivery of, any agreement relating to such payment or payments (which such agreement may, but shall not be required to be, contained within any purchase or similar agreement for such series of the Original Refunding Bonds), (ii) the obtaining of credit enhancement for such series of the Original Refunding Bonds (and the execution and delivery of any agreements or documents relating thereto), and (iii) any other agreements necessary to enhance the marketability of or as security for such series of the Original Refunding Bonds, including (without limitation) any ratings, any official statement or similar disclosure document and any continuing disclosure undertaking required to satisfy the requirements of Securities and Exchange Commission Rule 15c2-12.

SECTION 6. BE IT FURTHER ORDAINED that pursuant to the authority of the Refunding Act, the Enabling Act, the Charter and any other applicable law, the City is hereby authorized and empowered to issue and sell from time to time, in one or more series, upon its full faith and credit, its general obligation refunding bonds (collectively, the "Subsequent Refunding Bonds"), for the public purpose of (i) refunding or advance refunding all or a portion of the then-outstanding and unpaid principal amounts of one or more series of the Original Refunding Bonds issued under this Ordinance and, in connection therewith, paying all or a portion of any applicable redemption or prepayment premiums and/or paying all or a portion of interest accrued or to accrue to the dates of maturity, redemption or prepayment of such refunded Original Refunding Bonds, in order to realize an objective authorized by the Refunding Act, as determined by the Council by resolution, (ii) paying or reimbursing all or a portion of related costs of issuance of such Subsequent Refunding Bonds, including, without limitation, legal and financial costs and costs of any credit enhancement, and/or (iii) to the extent determined by the Council by resolution, paying interest on such Subsequent Refunding Bonds; provided that, the aggregate principal amount of any issue of the Subsequent Refunding Bonds shall not exceed one hundred thirty percent (130%) of the aggregate principal amount of the Original Refunding Bonds refunded therefrom. Any such series of the Subsequent Refunding Bonds may consist of one or more bonds and any such bond may be issued in installment form. Prior to the issuance, sale and delivery of any series of the Subsequent Refunding Bonds, the Council shall adopt a resolution or resolutions authorizing such series of the Subsequent Refunding Bonds and specifying, determining, providing for or

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approving with respect to such series of the Subsequent Refunding Bonds the types of matters, details, forms, documents or procedures and determinations specified to be made in Section 5 hereof by the Resolution with respect to each series of the Original Refunding Bonds, and as otherwise may be authorized or required by applicable law.

SECTION 7. BE IT FURTHER ORDAINED that (a) for the purpose of paying the principal of and interest on any series of the Original Refunding Bonds or the Subsequent Refunding Bonds (in any such case, a series of the "Obligations") when due, the City shall levy or cause to be levied, for each and every fiscal year during which any series of the Obligations may be outstanding, ad valorem taxes upon all real and tangible personal property within its corporate limits subject to assessment for unlimited municipal taxation in rate and amount sufficient to provide for the prompt payment, when due, of the principal of and interest on such series of the Obligations in each such fiscal year. If the proceeds from the taxes so levied in any such fiscal year are inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up such deficiency.

(b) The full faith and credit and unlimited taxing power of the City are hereby irrevocably pledged to the prompt payment of the principal of and interest on each series of the Obligations as and when they become due and payable and to the levy and collection of the taxes hereinabove described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of such series of the Obligations. The City hereby covenants and agrees with the registered owners, from time to time, of each series of the Obligations to levy and collect the taxes hereinabove described and to take any further lawful action that may be appropriate from time to time during the period that such series of the Obligations remains outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof and the interest due thereon.

(c) The foregoing provisions shall not be construed so as to prohibit the City from paying the principal of and interest on any series of the Obligations from the proceeds of the sale of any other obligations of the City or from any other funds legally available for that purpose (including, without limitation, with respect to the Original Refunding Bonds, from the proceeds of the Subsequent Refunding Bonds authorized hereby). Subject to the provisions of the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Regulations promulgated thereunder, if applicable, the City may apply to the payment of the principal of or interest on any series of the Obligations any funds received by it from the State of Maryland or the United States of America, or any governmental agency or instrumentality, or from any other source, if such funds are granted, paid or available to the City for the purpose of assisting the City in the types of projects which the Obligations of such series are issued to finance, reimburse or refinance, and to the extent of any such funds received or receivable in any fiscal year, the taxes hereby required to be levied may be reduced proportionately. Pursuant to the authority of Section SC7-46.A. of the Charter, by resolution the Council may provide that all or a portion of the debt service on the allocable portion of any series of the Obligations shall be payable in the first instance from specified revenues or other moneys identified in such resolution, to the extent available for such purposes.

SECTION 8. By resolution, the Council may determine that any series of the Original Refunding Bonds or the Subsequent Refunding Bonds authorized hereby may be consolidated with

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any bonds and/or refunding bonds authorized by one or more other ordinances or resolutions of the Council and issued as a single series of obligations.

SECTION 9. BE IT FURTHER ORDAINED that the title of this Ordinance shall be deemed to be, and is, a statement of the substance of this Ordinance for publication and all other purposes.


SECTION 10. BE IT FURTHER ORDAINED that this Ordinance shall become effective following approval by the Mayor or subsequent passage by the Council in accordance with the provisions of Section SC2-12 of the Charter. Pursuant to Charter Section SC2-16, this Ordinance shall not be subject to petition to referendum.

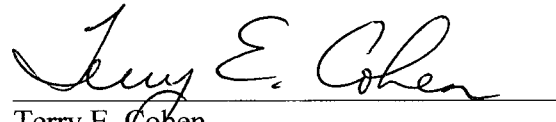
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Ordinance No. 2181

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the 14th day of November, 2011, and thereafter, a statement of the substance of this Ordinance having been published as required by law, was finally passed by the Council as introduced on the 28th day of November, 2011.

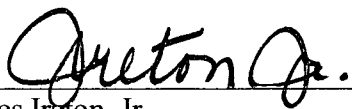
ATTEST:


Brenda J. Colegrove
CITY CLERK


Terry E. Cohen
PRESIDENT, City Council

Approved by me this 30th day of

November, 2011.


James Ireton, Jr.
MAYOR, City of Salisbury

Memo

To: John R. Pick, City Administrator

From: Gerri Moore, Acting Director of Internal Services

Gerri Moore

Date: October 29, 2011

Re: Bond Refunding Update

We met with Sam Ketterman and Joe Mason of Davenport & Company, a financial advisory firm, on September 26, 2011. During that meeting, they recommended that the City start the process of refunding four currently outstanding bond issuances (1994, 1999, 2001 CDA & 2003 CDA). This refunding could save over \$330,000 through the remaining terms of the bonds (last payment in 2023). The total amount of the refunding, excluding issuance costs, would be around \$7.2 million. Our transaction costs would increase the amount by between \$50,000 and \$136,000, depending on the type of transaction, private placement or public sale, respectively. The savings calculated above is after including financing costs of \$136,000 (the highest estimate). The savings could be structured to take place early in the refinancing term (3-5 years) or spread relatively evenly through the remaining terms.

If we refund the listed bonds the length of the outstanding terms, we would not be extending the debt repayment and the refunding would only impact our debt limit by the amount of estimated capitalized interest and any issuance costs. Davenport will only be paid if the City completes the refunding process and the City closes the refunding bond.

Davenport has stated that they will try to get banks interested in a private placement before doing a more expensive public offering. They do not believe the rates would be significantly different between the 2 products.

Thus a refunding would save the City funds in both the short and long term. The steps that would be necessary include passing an ordinance authorizing the issuance of the debt. Davenport would then solicit bids. If we got a favorable rate we could then set the terms and conditions through a resolution and close the loan. There would be no need for a budget amendment, as the amount of debt service would be less than our current debt service.

After the October 17, 2011 work session, Council reached a consensus to proceed with refunding the outstanding bond issuance 1194, 1999, 2001 CDA and 2003 CDA. Attached is the ordinance written by Bond Counsel, Lindsey Rader, authorizing the refunding of the bonds. We are requesting Council to adopt the ordinance on the first reading at the November 14, 2011 Council Meeting. Public Hearing will be on November 28, 2011 Council Meeting. In addition, on the November 28, 2011 Council Meeting we would like Council to award the bid based on prior communication with the Council in order to refund and issue the new bonds. Lindsey Rader will also provide the resolution noted in the Ordinance section 5. The resolution will explain the details of the refunding the bonds: size, amortization, which bank sold to, prepayment rights, etc. In prior GO bonds the Ordinance followed by resolution is the City's process.

If you have any questions, please let me know.