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I. PURPOSE

The purpose of the City of Hyattsville debt management policy is to manage the issuance of the City's debt obligations and maintain the City's ability to incur debt and other long term obligations at favorable interest rates for capital improvements, facilities and equipment beneficial to the City and necessary for essential services and to issue tax anticipation notes when cash flow necessitates.

II. COMPREHENSIVE CAPITAL PLANNING AND FINANCING SYSTEM

The City plans long and short-term debt issuance to finance its capital improvement program based on its cash flow needs, sources of revenue, capital construction periods, available financing instruments and market conditions. The City Treasurer oversees and coordinates the timing and issuance process. Any debt must be authorized by the City Council.

III. AUTHORITY TO ISSUE BONDS

City of Hyattsville is authorized and empowered by Sections 31 to 37, inclusive of Article 23A of the Annotated Code of Maryland (the "Enabling Act") to borrow money for any proper public purpose and to evidence such borrowing by the issuance of general obligation bonds. Such sections also authorize the City to issue tax anticipation notes. Pursuant to provisions of Section 24 of Article 31 of the Annotated Code of Maryland (the "Refunding Act"), the City is further authorized to issue bonds for the purpose of refunding any of its bonds or other evidence of obligation outstanding for the public purposes of realizing debt service savings or debt restructuring. Section 12 of Article 31 of the Annotated Code of Maryland authorizes the City to issue bond anticipation notes to provide interim financing in anticipation of the issuance of long-term debt and grant anticipation notes in anticipation of receipt of State and federal grants.

In addition the City Charter contains authority for the issuance of certain types of debt and other public laws of the State of Maryland provide authorization for certain types of debt.

IV. CRITERIA

Except for tax anticipation notes, the City will issue debt only for the purposes of acquiring or constructing capital improvements, and for making major renovations to existing capital improvements, for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interests of the City.

Before issuing any new debt the City will consider the following factors:

- Global, national and local financial environment
- Current interest rates
- Expected interest rate changes
- Robustness of local and broad economy
- Cash position

- Current debt position
- Availability of funds to repay
- Flexibility to cover future needs
- Urgency of current capital needs
- Appropriate Debt issuance practices
- Appropriate Debt structuring

The City will issue tax anticipation notes only when absolutely necessary after considering cash on hand, projected cash flows and the ability or inability to engage in inter-fund borrowing.

V. LIMITATIONS ON INDEBTEDNESS

The City will maintain a conservative debt position based on the criteria listed above and within any debt limit mandated by its Charter. Pay-as-you-go ("PAYGO") and replacement programs will be utilized whenever feasible to avoid financing costs. Debt will be issued only if the benefits outweigh the costs of the debt. See Part XVI (Glossary) for the definitions of capitalized terms/

VI. TYPES OF DEBT

A. Long Term Debt: Depending on the specific circumstances, the City may use the following types of long-term (long-term is defined as having a term of more than one year) financing instruments:

1. **General Obligation Bonds**: The City may issue bonds payable from ad valorem taxes as permitted by the Enabling Act, the Charter and other applicable law.
2. **Revenue Bonds**: The City may issue bonds secured by a specific revenue stream other than ad valorem taxes.
3. **Lease Agreements**: The City may enter into a lease agreement with a provider or bank to lease equipment. The terms of the lease should coincide with the life of the equipment to be leased and a tax- exempt rate shall be sought unless use, payment or security for the financial improvements dictate that the obligations must be issued on a taxable basis. The City will strive to obtain the lowest rate possible using a competitive solicitation or a private placement.
4. **Pooled Financing**: If it is financially or strategically beneficial, then the City may participate in debt pools with other entities and low-interest loans from state agencies or other organizations on either a long-term or short-term basis.
5. **Tax Increment Financing/Special Taxing District Bonds**: The City may issue tax increment financing bonds and/or special taxing district bonds to finance allowable capital improvements and related costs. In determining whether to issue any such debt, the City will consider: public purposes being served by financed improvements, impact on City resources if such improvements must be owned/maintained by the City, status of development to be served by financed improvements, financial resources of developer for developer-initiated financings, and other available sources of funding for

contemplated improvements. The City will retain appropriate professionals to advise it in connection with any such financings.

B. Short-Term and Interim Debt: Short-term obligations (those due in less than one year or such longer period as allowed by applicable law) may be issued in anticipation of particular revenues such as taxes or grants, and such revenue may be pledged for repayment of the debt issuance. Short-term debt may also be issued to finance projects or portions of projects for which the City ultimately intends to issue long-term debt. Under certain other circumstances, short-term obligations may be warranted upon the recommendation of the City Treasurer.

Interim financing may be appropriate when long-term interest rates are expected to decline in the future or long-term debt is not readily available upon favorable terms. In addition, some forms of short-term obligations can be obtained quicker than long-term obligations and thus can be used in urgent situations until long-term financing can be obtained. Short-term obligations include:

1. **Line of Credit**: The City may establish a tax-exempt or taxable line of credit with a financial institution or other provider in the form of Bond Anticipation Notes, Grant Anticipation Notes or such other structure as permitted under state laws. Draws shall be made on the line of credit when the need for financing is so urgent that time, or market conditions do not permit or support the issuance of long-term debt.

2. **Pooled Financing:** If it is financially or strategically beneficial, then the City may participate in debt pools with other entities and low-interest loans from State agencies or organizations on either a long-term or short-term basis.

3. **Interfund Borrowing:** Interfund borrowing, a short-term cash lending from one fund to another fund, shall be discouraged. However, the use of this type of interim financing may be considered if it is in the City's best interests to do so as determined by the City Treasurer.

4. **Internal Interim Financing**: Should the City desire to issue bonds for capital projects, the City can, upon passage of a declaration of official intent resolution, use available cash to pay project expenditures that will then be reimbursed from bond proceeds. This type of financing will be reviewed by Bond Counsel to ensure the City is in compliance with applicable federal tax rules.

5. **Other types:** To the extent permitted by applicable law, the City may consider the use of Tax Anticipation Notes, Bond Anticipation Notes, Grant Anticipation Notes, derivatives[1] or other such structured borrowings if it is in the best financial interests of the City to do so.

[1] As of the effective date of adoption of these policy guidelines, the City of Hyattsville has no outstanding variable rate indebtedness, nor has it entered into any municipal derivatives contracts (i.e. interest rate swap agreements). Prior to undertaking the issuance of variable rate debt or committing itself to any derivatives contracts, the City shall develop, in consultation with a Financial Advisor, appropriate policies and procedures to safeguard the financial interest of the City.

VII. CONDUIT DEBT

The City may sponsor conduit financings for those activities that serve a public purpose, are in the best interest of the City, and adhere to Maryland law. All conduit financings must insulate the City to the greatest extent possible from any credit risk or exposure.

VIII. STRUCTURAL FEATURES OF DEBT

A. Taxable and Tax-exempt Debt: The cost of taxable debt is higher than the cost of tax-exempt debt. However, the issuance of taxable debt is mandated in some circumstances, and may allow flexibility in subsequent contracts with users or managers of the improvements constructed with the bond proceeds. Therefore, the City will usually issue obligations on a tax-exempt basis, but may occasionally issue taxable obligations when there is an expected benefit from doing so.

B. Maturity: The term of City debt issues shall not exceed the useful life of the projects or equipment financed. The repayment of principal on tax supported debt should generally not extend beyond 20 years unless there are compelling factors which make it necessary to extend the term beyond this point and applicable law allows a longer term.

C. Bond Insurance: Bond insurance is an insurance policy that guarantees the payment of principal and interest to the bondholders. This security provides a higher credit rating and thus a lower borrowing cost for an issuer. For debt sold by competitive (public) sale or negotiated underwriting the City shall consider whether to obtain bond insurance or, as applicable, allow bidders to bid using bond insurance.

D. Surety and Debt Service Reserve Funds: Surety and Debt Service Reserve Funds are used to provide a ready reserve to meet current debt service payments should monies not be available from current revenues for the protection of the bondholders. The City shall utilize the methodology that best serves its needs on a case-by-case basis.

E. Debt Ratios: In determining whether or not to consider general obligation debt (excluding Bond Anticipation Notes, Tax Anticipation Notes or Grant Anticipation Notes, the City shall adhere to the following:

1. Debt as a Percentage of Assessed Value

The City will maintain its long-term general obligation bonded debt within stated Charter debt limits.

2. Debt Service as a Percentage of General Government Expenditures

The City will maintain its annual net bonded debt service costs at a ceiling of 17 percent of the General Fund expenditures, with a target ratio of 15 percent. (Net bonded debt service costs are the costs for debt to be paid out of general tax revenues). This ratio is a measure of the City's ability to repay debt without hampering other City services. A smaller ratio indicates a lesser burden on the City's operating budget.

Debt Service Costs for FY 2008	Debt Service Fund
Debt	$926,034
Interest	$309,440
Fees	$423
	$1,235,897

	General Fund
General Fund Expenditures FY 2008	**$10,184,451**
Debt Service as % Of General Fund	**12.14%**

3. Debt Payout Ratio

The City will maintain a ten-year payout ratio (i.e. rate of principal amortization) for its net bonded debt of not less than 65%. This ratio is a measure of how quickly the City retires its outstanding indebtedness. A higher payout ratio preserves the City's capacity to borrow for future capital needs.

F. Use of Variable-Rate Securities: When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities or reset rate determined by the bondholder.

G. Validation: To the extent permitted by applicable law, the City may seek judicial validation if it is deemed in the best interest of the City and if there is risk of a legal challenge.

IX. INVESTMENT OF BOND PROCEEDS

Investment of bond proceeds will be consistent with those authorized by existing State law and by the City's investment policy and applicable bond covenants. When financially in the best interests of the City, bond proceeds shall be invested and tracked separately from other investments.

X. REFINANCING OF OUTSTANDING DEBT

A. Refundings: The City Treasurer will continually review the City's outstanding debt and recommend issues for refunding as market opportunities arise. Debt shall be refinanced only for the purpose of achieving debt service savings, unless required to achieve specific debt management goals of the City. The City will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. The City is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

B. <u>Advance Refundings</u>: The City may issue advance refunding bonds (as defined for federal tax law purposes) when advantageous, legally permissible, prudent and a net present value savings is achieved. Exceptions to the requirement shall be made only upon the recommendation of the City Treasurer. Advance refunding transactions will generally be completed when net present value savings equal at least three and one-half percent of the amount of debt being refunded. Advance refunding transactions are those undertaken in advance of the first date on the refunded debt can be called for optional redemption, and will require the establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

C. <u>Current Refundings</u>: The City may issue current refunding bonds (as defined for federal tax law purpose) when advantageous, legally permissible, prudent and a net present value savings is achieved. Current refunding transactions shall be considered whenever possible. Current refunding transactions are those undertaken at or after the call date on outstanding debt, and provide for redemption and replacement of refunded debt within 90 days of issuance of the refunding debt. The savings level required for a current refunding should take into account the number of years remaining on the bonds, within the following general guidelines:

Years Between Refunding and Final Redemption	Present Value Savings Target
1 – 2 years	1%
3 – 4 years	2%
5 – 6 years	2.5 – 3%
7 – 9 years	3.5%

The City may purchase its bonds in the open market for the purpose of retiring the obligations, when it is cost effective. In certain instances, it may be advantageous for the City of Hyattsville to issue refunding bonds that do not produce 3% positive economic savings. These instances will serve to restructure debt or retire a bond issue in order to remove undesirable bond covenants. The benefits (both tangible and intangible) will be evaluated before issuing such bonds.

D. <u>Restructuring of Debt</u>: The City may choose to refund outstanding indebtedness when existing bond covenants or other financial structures impinge on prudent and sound financial management. Savings requirements for current or advance refundings undertaken to restructure debt may be waived upon a finding that such a restructuring is in the City's overall best financial interests.

XI. CREDIT OBJECTIVES

For any publicly offered long-term general obligation debt, the City will strive to achieve an underlying rating in the "A-" range from one or more of the major rating agencies with respect to any rated debt. To that end, prudent financial management policies will be established and adhered to in all areas. Full disclosure of operations will be made to the bond rating agencies.

XII. ONGOING DISCLOSURE

In accordance with the Securities and Exchange Commission (SEC), Rule 15c2- 12, the City will provide financial and operating information to the repository or repositories designated by the SEC. Where applicable, the City will also provide its annual financial statements and other relevant information to rating agencies, corporate trustees, and as required by Continuing Disclosure Requirements within all debt documents. Factors that will be considered in determining method of sale include: size of issue; structure of issue; type of debt; state of municipal capital markets and municipal private placement market; costs; and timing of issue

XIII. METHOD OF SALE

There are three ways the City may sell bonds: competitive (public) sale, negotiated sale and private placement. The City, as a matter of policy, shall seek to issue its debt obligations in a competitive (public) sale unless it is recommended by the City Treasurer that such a sale method would not produce the best results for the City.

A. Competitive Sale: When determined appropriate by the City Treasurer, the City may sell its debt obligations in which any interested underwriter or syndicate is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice of sale. The criteria used to select an underwriter in a competitive sale shall be the true interest cost.

B. Negotiated Sale: Bonds may be sold through an exclusive arrangement between the City and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriters. This method offers flexibility for the City. In a negotiated sale, the underwriter shall be selected through the Requests For Proposal (RFP) process. The criteria used to select an underwriter or syndicate in negotiated sales should include, but not be limited to the following: overall experience, marketing philosophy, capability, previous experience, underwriter's discount, and expenses.

C. Private Placement: When determined appropriate by the City Treasurer, the City may elect to sell its debt obligations through a private placement or limited public offering. Selection of a placement agent shall be determined through the Requests For Proposal (RFP) process.

XIV. CITY'S FINANCING TEAM

A Financing Team will be assembled to provide professional services that are required to develop and implement the City's debt management program with the goal of continuity, quality service and competitive prices. The Financing Team will be composed of the following:

A. Bond Counsel: The City shall select a Bond Counsel. The Bond Counsel's role is to prepare or review and advise the issuer regarding tax status authorizing resolutions or ordinances, trust indentures, official statements, and other customary matters.

B. Disclosure Counsel: The City may select a Disclosure Counsel. The Disclosure Counsel's role is to assist in the preparation of offering documents as well as assisting the City in meeting its secondary market disclosure obligations. Bond Counsel may be Disclosure Counsel.

C. Underwriters: The City shall solicit proposals for underwriting services for all debt issued in a negotiated or private placement sale. The solicitation process used for these services shall comply fully with City purchasing requirements, to the extent applicable.

D. Financial Advisor: The City may solicit proposals for financial advisory services for all debt issued in a negotiated, competitive or private placement sale. The solicitation process used for these services shall comply fully with City purchasing requirements, to the extent applicable.

E. City Staff: The City Administrator shall direct the City Treasurer and any other City staff members deemed appropriate to coordinate the efforts of the hired consultants and the City.

XV. ARBITRAGE LIABILITY MANAGEMENT

It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculations will be performed by qualified arbitrage professionals in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates.

The City Treasurer will be responsible for identifying the amount of unspent debt proceeds including interest which is on hand, and to the extent feasible, ensure the oldest proceeds on hand are spent first. Arbitrage rebate costs shall be charged as negative interest revenue to the funds in which the related obligation proceeds were originally deposited.

XVI. MODIFICATION TO POLICY

This policy will be reviewed annually by the City Treasurer, who shall recommend any applicable changes to the City Council.

XVII. GLOSSARY

Ad Valorem Tax: a tax calculated “according to the value” of property. Such a tax is based on the assessed valuation of real and tangible personal property.

Advance Refunding: a procedure whereby outstanding bonds are refinanced by the proceeds of a new bond issue. Typically an advance refunding is performed to take advantage of interest rates that are significantly lower than those associated with the original bond issue or to remove restrictive language.

Arbitrage: the difference between the interest rate cost of a debt instrument and the rate of interest earned on the investment of the proceeds. Federal law limits the amount of interest issuers or obligors earn on proceeds of debt issuance.

Amortization: gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

Bond: includes bonds, debentures, notes, certificates of indebtedness, mortgage certificates, or other obligations or evidences of indebtedness of any type or character.

Bond Buyer: A daily trade paper containing current and historical information of interest to the municipal bond business.

Bond Anticipation Note (BAN): a short-term debt instrument issued by an issuer that will be paid off with the proceeds of an upcoming bond issue.

Bond Counsel: an attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity and tax status of the securities. Bond counsel may prepare or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.

Bond Insurance: an insurance policy purchased by an issuer or bidder at competitive (public sale), that guarantees the payment of principal and interest of an issue. This security provides a higher credit rating and thus a lower borrowing cost for an issuer.

Capital Lease: an acquisition of a capital asset over time rather than merely paying rent for temporary use. A lease-purchase agreement, in which provision is made for transfer of ownership of the property at the scheduled termination of the lease, is referred to as a capital lease.

Capitalized Interest: specific interest payments of a bond issue which are funded in advance, or capitalized, through proceeds of the same bond issue. These proceeds are set aside in a specially designated fund in order to pay these designated interest

Conduit Bonds: conduit financings are securities issued by a government agency to finance a project of a non-governmental entity, whose activities serve a public purpose. The entity receives all proceeds of the tax-exempt bond issue and is responsible for payment of the debt in its entirety.

Conduit Debt: debt payable by third parties for which the issuer does not provide credit or security.

Competitive Bid: a sealed bid, containing price and terms, submitted by a prospective underwriter(s) to an issuer, who awards the contract to the bidder with the best price and terms.

Contingent Debt: debt that is not in the first instance payable as a direct obligation of the governmental unit, but has been guaranteed by a pledge of its faith and credit. The obligation to pay by the guarantor arises upon the default of the borrower. A revenue bond guaranteed by a municipality would constitute contingent debt.

Continuing Disclosure: the requirement by the Securities and Exchange Commission for most issuers of publicly-offered municipal debt to provide current financial information to the a designated repository for access by the general marketplace.

Coverage: the ratio of pledged revenues to related debt service for a given year.

Credit Ratings: Credit ratings are the most common benchmark used to assess the ability and willingness of a bond issuer to make timely payments of interest and principal. When considering a potential investment, investors carefully compare the credit qualities of available bond issues before they invest. Credit quality can be implied, as in the case of U.S. Treasuries, or it may be specified through a rating assigned by a rating agency. The SEC defines a Nationally Recognized Statistical Rating Organization (NRSRO) as an entity that meets guidelines deemed necessary to offer ratings upon issuers. Here we consider the ratings assigned by three NRSRO's: Moody's Investors Service ("Moody's"); Standard & Poor's Corporation ('S&P'); and Fitch Ratings ('Fitch').

In determining the creditworthiness of an issuer, Moody's, S&P and Fitch focus on the issuer's overall financial condition, as well as that of the industry or sector in which the issuer operates. A rating represents the opinions of the rating agency at a particular point in time. Ratings on individual issues are continuously revised to reflect any industry, sector, company or municipal developments, and these ratings changes can have a distinct effect on a bond's market price. The rating agencies classify bond issues as either 'investment grade' or 'below investment grade'.

The table below denotes the bond rating codes of the various rating agencies.

Bond Credit Ratings Rating	S & P	Moody's	Fitch
Best Quality; extremely strong capacity to pay principal and interest	AAA	Aaa	AAA
High Quality; very strong capacity to pay principal and interest	AA	Aa	AA
Upper Medium Quality; strong capacity to pay principal and interest	A	A	A
Medium Grade; adequate capacity to pay principal and interest	BBB	Baa	BBB
Somewhat Speculative	BB	Ba	BB
Low Grade, Speculative	B	B	B
Low Grade, Partial Recovery Possible	CCC	Caa	CCC
Low Grade, Default Recovery Possible	CC	Ca	CC
Recovery Unlikely	C	C	C

Debt: promise to pay back a specified sum of borrowed money, or the principal loan amount, according to a specified repayment schedule. For public entities, debt is usually incurred with a specific principal and interest repayment schedule.

Debt Issuance Practices: Practices that provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Criteria for determining the sale method (competitive, negotiated, placement) and investment of proceeds,
- Criteria for issuance of advance refunding and current refunding bonds,
- Selection and use of professional service providers,
- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results, and
- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

Debt Limits: defined specific limits or acceptable ranges for each type of debt determined by State constitution or law, local charter, by-laws, resolution or ordinance, or covenant.

Debt Service Coverage: ratio of the net revenue stream pledged against a debt to the debt service payments of the debt. Debt service coverage ratios are most often used by rating agencies to determine repayment sufficiency with respect to bonds secured by a specific revenue stream.

Debt Service Fund: governmental fund type used to account for the accumulation or resources for , and the payment of, general long-term debt principal and interest.
Debt Service Reserve Fund: the fund into which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. This is often established with debt proceeds.

Debt Structuring: the practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, and short-term debt, and limitations as to when each can be used, and
- Other structuring practices should be considered such as capitalized interest, deferral of principal and/or other internal credit support, including general obligation pledges.

Defeasance: termination of the rights and interests of the bondholders and of their lien on the pledged revenues or other security in accordance with the terms of the bond contract for an issue of bonds. Defeasance usually occurs in connection with the refunding of an outstanding issue after provision has been made for future payment of all obligations under the outstanding bonds through funds provided by the issuance of a new series of bonds.

Derivatives: a financial product, the value of which is derived from the value of an underlying asset, reference rate, or index. Typically these agreements are contracts between a lender/investor and a borrower.

Direct Debt*:* debt payable from general revenues, including capital leases.

Financial Advisor: a consultant who advises an issuer on matters pertinent to a debt issue, such as structure, sizing, timing, marketing, pricing, terms and bond ratings.

Financing Team: the group of professionals consisting of, as applicable, City staff, Bond Counsel, Disclosure Counsel, Underwriters and Financial Advisors that work together to issue bonds.

Full Faith and Credit Obligations: pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full-faith-and-credit bonds.

General Obligation Bonds (GO): bonds which are secured by the full faith and credit and taxing power of the municipality and use funds that are legally available for payment of debt service.

Grant Anticipation Notes (GANS): short-term, interest-bearing notes issued by a government to raise capital to be repaid by State or federal grants proceeds, which are anticipated at a later date. GANS allow the recipient of the grant to begin carrying out the purpose of the grant immediately, that may be backed by a pledge of the issuer's full faith and credit and taxing power.

Interest: compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid at designated months.

Interest Rate: interest payable, expressed as a percentage of the principal available, for use during a specified period of time. It is always expressed in annual terms.

Interfund Borrowing*:* interfund loans for short-term cash flow needs.

Issuer: A company or state or municipality offering (or having already offered) securities for sale to investors. Examples include corporations, investment trusts, and government entities.

Lease Purchase: actions where the property will serve as collateral. Consequently, there can be no outstanding principal balance when the asset has no remaining value. Financed assets must serve an essential public purpose. Restricting debt financing to essential property serves to mitigate the risk of non-appropriation by the City Council. Essential does not mean generic utility. It means that the specific equipment or project must be necessary for the agency to fulfill its obligation to the public.

Maturity Date: date upon which a specified amount of debt principal or bonds matures, or becomes due and payable by the issuer of the debt.

Negotiated Sale: underwriting of a new securities issue in which the spread between the purchase price paid to the issuer and the public offering price is determined through negotiation with one or more underwriters rather than multiple competitive bidding.

Official Statement: comprehensive statement issued by a governmental entity prior to the sale of bonds, notes or other financing vehicles that contains all the salient facts concerning the issuer, the issuer's financial condition, the security pledged for the securities being offered, the projected use of the proceeds of the sale, and other facts deemed necessary to enable the investor to judge the quality of the securities being offered. Also known as the Disclosure Statement.

Overlapping Debt: city's proportionate share of the debt incurred by an overlapping government entity, such as a Prince George's County, Washington Suburban Sanitary Commission, Maryland-National Capital Park and Planning Commission, and the Washington Suburban Transit Commission.

Principal: face amount of a bond, exclusive of accrued interest.

Revenue Bond: a bond payable from a specific source of revenue and to which the full faith and credit of an issuer is not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel a jurisdiction to pay debt service from any other source. Pledged revenues often are derived from the operation of an enterprise.

Revenue Debt*:* debt payable from a specific pledged revenue source.

State: State of Maryland.

State Revolving Loan Funds and Pools: The Maryland Department of Housing and Community Development (DHCD) – Community Development Administration (CDA) – issues bonds the proceeds of which are used to make loans to counties, municipalities and/or their instrumentalities to finance projects. These projects can include, but are not limited to, streetscape improvements, transportation enhancements, and water and sewer treatment facilities*.* CDA issues tax-exempt bonds as a way of raising capital, and loans those bond proceeds to local governments. The interest rate on the local government loans is subject to market conditions at the time of sale - based upon the rate attained on CDA's pooled bond issue. Local governments are responsible for repaying the debt incurred through the bond financing and for paying their pro-rata share of the costs of issuance of the pooled bonds. To secure payment of the loans and to enhance the marketability of the bonds that are sold to fund the loans, historically each participant pledges its full faith and credit to make payment on the loan. The Maryland General Assembly amended the CDA's authorizing legislation in 2009 to allow local governments to issue other types of debt to CDA.

Tax Anticipation Note (TAN): a short-term obligation of a state or municipal government to finance current expenditures pending receipt of expected tax payments.

Underwriter: the firm that purchases a securities (bond) offering from a governmental issuer for resale.

Yield Restriction: the investment of bond proceeds in financial instruments that earn interest rates which are not significantly higher than the cost of borrowing.