DEBT MANAGEMENT POLICIES:

1. Debt management will provide for the protection and maintenance of the City's AAA/Aaa bond rating, the maintenance of adequate debt service reserves, compliance with debt covenant provisions and appropriate disclosure to investors, underwriters and rating agencies.
2. The term of any City debt issue, including lease-purchases, shall not exceed the useful life of the assets being acquired by the debt issue.
3. All debt issuance shall comply with Federal, State and City charter requirements and adhere to Federal arbitrage regulations.
4. The City shall maintain an ongoing performance monitoring system of the various outstanding bond indebtedness issues and utilize this monitoring system as a performance criterion for the administration of the City's outstanding indebtedness. This is particularly important as funds borrowed for a project today are not available to fund other projects tomorrow and funds committed for debt service payments today are not available to fund operations in the future.
5. The City will maintain good, ongoing communication with bond rating agencies about its financial condition. The City will follow a policy of full disclosure on every financial report and bond prospectus (Official Statement).
6. Accompanying each debt issue will be an assessment of the City's capacity to repay the debt. The assessment will address the effects on the current operating budget, as well as identify the resources that will be utilized to repay the debt.
7. Long-term borrowing will not be used to finance current operations or normal maintenance and will only be considered for significant capital and infrastructure improvements.
8. The City will try to keep the average maturity of general obligation bonds at or below twenty years.
9. The City will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure.
10. The City will not issue tax or revenue anticipation notes.
11. The City will strive to maintain a high reliance on pay-go financing for its capital improvements.
12. **Neither Maryland State law nor the City Charter mandates a limit on municipal debt.** However, the City will strive to maintain its net tax-supported debt at a level not to exceed 1.0 percent of the assessed valuation of taxable property within the City (shown on page 3-37).
13. The City will strive to ensure that its net tax-supported debt per capita does not exceed $1,200~~700~~ for FY 2013. This per capita dollar limit is adjusted annually in accordance with the change in the Consumer Price Index for All Urban Consumers (CPI-U) in the Washington- Baltimore area. This debt measure should be calculated for the debt associated with the Debt Service Fund and for the combination of the debt associated with the Debt Service Fund and the Parking Fund.
14. The City will strive to ensure that its net tax-supported debt per capita as a percentage of Federal adjusted gross income does not exceed 2.5 percent (shown on page 3-37).
15. The City will strive to ensure that its amortization rate shall be at least 25 percent in five years and 50 percent in ten years.

~~15.~~16. Required annual tax supported debt service expenditures should be kept at or below 15 percent of the City's annual adopted General Fund expenditures. This ratio reflects the City's budgetary flexibility to respond to changes in economic conditions (shown on page 3-37).

~~16.~~17. The City will set enterprise fund rates at levels needed to fully cover debt service requirements as well as operations, maintenance, administration and capital improvement costs. The ability to afford new debt for enterprise operations will be evaluated as an integral part of the City's rate review and setting process.

~~17.~~18. Debt service coverage ratios will be calculated annually for all of the City's enterprise funds. A minimum of a 1.2 coverage ratio should be maintained for each of the enterprise funds (shown on page 3-37).