# Memorandum

MIAMI-DADE COUNTY

Agenda Item No. 8(E)(1)(A)

Resolution No. R-307-11

| | |
|---|---|
| **Date:** | May 3, 2011 |
| **To:** | Honorable Chairman Joe A. Martinez and Members, Board of County Commissioners |
| **From:** | George M. Burgess County Manager |
| **Subject:** | Resolution Approving Comprehensive Debt Management Policy Guidelines |

**RECOMMENDATION**

It is recommended that the Board of County Commissioners (Board) approve the Debt Management Policy (Policy) outlined in Appendix A of the attached Resolution. This Policy provides information and guidance to County staff, financial and legal advisors, and financial institutions regarding the policies that should govern the management of County debt.

Development of the debt management policy, as directed by the Board through Resolution R-388-10, is consistent with the Government Finance Officers Association recommendation for governmental agencies to adopt a formal policy for managing debt. The County's debt management policy complements the existing Board approved Investment and Swap policies and together provide a comprehensive set of finance management guidelines.

**SCOPE**

These policy guidelines apply to all County debt issuances and will have countywide impact.

**FISCAL IMPACT**

Approval and implementation of the Policy will not have a fiscal impact. The County has been adhering to these guidelines for several years and their adoption formalizes current practices and safeguards.

**BACKGROUND**

Miami-Dade County has consistently adhered to sound financial practices when issuing County debt. County professional staff in conjunction with the County's professional financial consultants ensure adherence to local, state and federal laws, and Internal Revenue Service regulations. On April 6, 2010, the Board approved Resolution R-388-10 requiring that the County develop a formal Debt Management Policy for Board approval. This is also consistent with the Government Finance Officers Association Recommended Practice requiring governmental entities to adopt a formal debt management policy.

This Debt Management Policy provides guidance regarding the use of a capital improvement programs to govern the issuance of debt to fund approved and authorized projects; the role of national rating agencies to determine investment grade credit rating for each debt issuance; governing rules and regulations; methods of issuing debt (competitive or negotiated); and the approvals necessary for debt issuances.

Assistant County Manager

# MEMORANDUM

(Revised)

TO: Honorable Chairman Joe A. Martinez and Members, Board of County Commissioners

DATE: May 3, 2011

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 8(E)(1)(A)

Please note any items checked.

_______ "3-Day Rule" for committees applicable if raised

_______ 6 weeks required between first reading and public hearing

_______ 4 weeks notification to municipal officials required prior to public hearing

_______ Decreases revenues or increases expenditures without balancing budget

_______ Budget required

_______ Statement of fiscal impact required

_______ Ordinance creating a new board requires detailed County Manager's report for public hearing

_______ No committee review

_______ Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous _____ ) to approve

_______ Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required

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|---|---|---|---|---|
| Approved | ______________ Mayor | | Agenda Item No. | 8(E)(1)(A) |
| Veto | __________ | | 5-3-11 | |
| Override | __________ | | | |

RESOLUTION NO. R-307-11

RESOLUTION APPROVING MIAMI-DADE COUNTY'S DEBT MANAGEMENT POLICY

**WHEREAS,** The Government Finance Officers Association recommended practices state that governmental entities adopt a formal debt management policy; and

**WHEREAS,** this Board adopted Resolution No. R-388-10 on April 6, 2010 in which it directed the County Mayor or County Mayor's designee to prepare a formal and comprehensive debt management policy; and

**WHEREAS,** this Board wishes to approve the formal debt management policy prepared by the County Manager as the County Mayor's designee after consultation with the County's financial advisor and the County Attorney's office, as more fully described in the accompanying memorandum which is incorporated in this resolution by reference,

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA,** that this Board approves the formal debt management policy prepared by the County Manager in the form attached to this resolution as Appendix "A".

The foregoing resolution was offered by Commissioner **Audrey Edmonson**, who moved its adoption. The motion was seconded by Commissioner **Lynda Bell** and upon being put to a vote, the vote was as follows:

Joe A. Martinez, Chairman nay
Audrey M. Edmonson, Vice Chairwoman aye

| | | | |
|---|---|---|---|
| Bruno A. Barreiro | aye | Lynda Bell | aye |
| Jose "Pepe" Diaz | aye | Sally A. Heyman | aye |
| Barbara J. Jordan | aye | Jean Monestime | aye |
| Dennis C. Moss | aye | Rebeca Sosa | aye |
| Sen. Javier D. Souto | aye | | |

The Chairperson thereupon declared the resolution duly passed and adopted this 3rd day of May, 2011. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF COUNTY
COMMISSIONERS

HARVEY RUVIN, CLERK

**DIANE COLLINS**
By:______________________
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency

Gerald T. Heffernan

# APPENDIX A

# MIAMI-DADE COUNTY, FLORIDA
# DEBT MANAGEMENT POLICY

MIAMI-DADE

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December 2010
Revised: ____________



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## I. PURPOSE

This Debt Management Policy (Policy) establishes specific guidelines formulated to ensure that Miami-Dade County (County) adheres to sound financial practices whenever it incurs Debt. The County Mayor or Mayor's designee (collectively, Mayor or County Mayor) shall follow this Policy when recommending the issuance of Debt. This Policy may be amended from time to time by the Miami-Dade Board of County Commissioners (Board) to reflect innovative but prudent financial and business practices. This Policy:

a. Sets forth a management structure to facilitate sound and efficient management of County Debt;

b. Provides guidelines to control the overall Debt management processes such that all liabilities are managed in accordance with stated business and financial objectives; and

c. Encourages and requires communication between the administration, the Board, the Mayor, the County's legal counsel, Financial Advisor and Underwriter.

This Policy was developed in accordance with generally accepted recommended practices as outlined by the Government Finance Officers Association and national rating agency services. This Policy does not include derivative products such as interest rate swaps which are governed by a separate County swap policy.

A glossary of capitalized terms used but not defined in the text of this Policy is included in Appendix A.

## II. LEGAL CONSIDERATIONS

The County shall comply with all legal requirements when it incurs Debt, including the Constitution of the State of Florida (State), applicable State Statutes including Chapters 125 and 166; the County's Home Rule Amendment and Charter and County Code (collectively Charter and Code); and when applicable, the Internal Revenue Code of 1986, as amended (Code).

Pursuant to such legal requirements, the County shall not:

a. issue or enter into General Obligation Debt with a maturity of more than twelve months without a referendum;

b. mortgage any County asset as collateral;

c. finance working capital;

d. issue Debt for a purpose that is not public;

e. lend its credit for the benefit of a third party without a corresponding public purpose;

f. other than General Obligation Debt, issue Debt without enacting an authorizing ordinance after conducting a duly noticed public hearing; and

g. sell Debt except through a competitive sale unless a finding is made that the circumstances warrant a negotiated sale as described in Section X of this Policy.

## III. IMPLEMENTATION AND WAIVER

The Mayor shall be responsible for implementation of the policies set forth in this Policy. The Mayor shall review this Policy from time to time in light of changes in the financial markets and shall submit amendments as needed to the Board for consideration and approval.

To the extent permitted by law, the Board may waive all or any part of this Debt Management Policy with respect to a particular Debt issuance upon the recommendation of the Mayor or upon the Board's own initiative provided it can be demonstrated that such waiver would result in a benefit to the County.

## IV. MANAGER'S FINANCE COMMITTEE

The Board created the Manager's Finance Committee (MFC) when it enacted Ordinance No. 99-7, amended by Ordinance No. 04-202, to oversee County-incurred Debt. The MFC serves as the County's Debt advisory committee, and in that capacity, reviews all Debt and makes recommendations to the County Mayor on the merits of each debt issuance. The MFC also assigns underwriting firms from the County's underwriting pool to each negotiated Debt transaction. The MFC is comprised of the following members:

a. Voting Members:

   County Representatives – One representative from each of the following:
   - The County Executive Office (Chair)
   - The Water and Sewer Department
   - Aviation Department
   - Solid Waste Management
   - Seaport Department
   - Transit Department
   - Office of Strategic Business Management
   - (or any successor)

   Non-County Representatives – All of whom shall be familiar with municipal finance
   - Two representatives from the public sector (non-County) and
   - One member from the private sector

   The Non-County members shall be appointed by the County Mayor.

b. Non-Voting Member:
   - Director, Miami-Dade County Finance Department.

## V. CAPITAL IMPROVEMENT PLAN AND DEBT ISSUANCE

Pursuant to the Charter and Code and State statutes, the Board utilizes a five year Capital Improvement Plan (CIP) that identifies and prioritizes the County's capital needs including the Enterprise Operations, and sets forth a plan to address those needs. The CIP, which is reviewed and updated annually, also identifies the means and methods of meeting such capital needs through funding sources such as cash on hand or proceeds from the incurrence of Debt. The CIP, which will guide capital plans and funding requirements, shall include:

a. All Capital Projects that shall be funded on a pay-as-you go basis, including outside funding sources such as grant funding and related aid, as available;

b. All Capital Projects that are proposed to be financed, including their proposed start and completion dates;

c. The projected Debt service requirements for all such Capital Projects, including the security pledged for the repayment of the Debt; and

d. The fiscal impact these Capital Projects, once completed, will have on the County's operating budget.

Prior to issuing Debt for Capital Projects, the Mayor shall submit the current market interest rates and projected Debt Service schedules to the appropriate Board Committee and to the full Board at the time the related authorizing resolution is to be considered by each as required by Resolution No. R-1313-09. The submittal by the Mayor shall include the following items for Board consideration:

a) Current market interest rates provided by the County's Financial Advisor;

b) Projected annual interest and principal payments on the proposed Debt;

c) Total annual Debt service payments on all outstanding Debt that have a prior or equal lien on the revenues that are being pledged to support the proposed new Parity Debt; and

d) Projected Debt service coverage on the combined total Debt service for the proposed Debt and any outstanding Parity Debt.

## VI. TYPES OF SECURITY TO BE USED FOR DEBT SERVICE

The County shall utilize the following types of security or any variation or combination of each when it incurs Debt. The security shall be based on the revenue stream pledged to service the Debt and the nature of the Capital Projects to be financed.

a. *Ad Valorem Revenues* – are ad valorem tax revenues generated from an unlimited millage rate assessed against all taxable real property in the County approved by the voters. Any Debt secured by such ad valorem revenues constitutes a general obligation of the County (General Obligation Debt).

b. *Enterprise Revenues* –are non ad valorem revenues derived from fees and charges set by the County with respect to its Enterprise Operations i.e. Aviation Revenues, PHT Revenues which can only be used for Enterprise Operation purposes such as security for Revenue Bond/Debt issued to finance Capital Projects for the related Enterprise Operation.

c. *Non Enterprise Revenues* – are legally available non ad valorem revenues derived from sources other than Enterprise Revenues such as tourist development taxes, convention development tax, sales tax, public service tax and traffic fees which are pledged individually on a first lien basis to secure Special Obligation Bonds/Debt issued to finance eligible Capital Projects of the County, including those located in unincorporated areas of the County.

d. *Covenant to Annually Budget and Appropriate Legally Available Non Ad Valorem Revenues* – a covenant by the County to appropriate in its annual budget a sufficient amount of legally available non-ad valorem revenues from all sources to pay the Debt Service on Debt issued for Capital Projects (Covenant Debt). Legally available non ad valorem revenues are all revenues other than ad valorem revenues on deposit in the County's General Fund (or any successor fund), including any excess Enterprise Funds transferred to the General Fund, that are unrestricted and unallocated after all first lien obligations with respect to the Special Obligation Bonds/Debt have been satisfied and all essential services of the County have been addressed.

## VII. TYPES OF DEBT

The County shall consider the recommendations of the MFC and its assigned Financial Advisor when contemplating the type of Debt to incur. The County is authorized to issue both long term and short term Debt which are defined as follows.

a. *Long Term Debt* –Long term Debt has a maturity of more than 360 days (one year) but less than the maximum permitted by law (currently 40 years). The actual maturity is dependent upon the useful life of the Capital Projects being financed with Debt proceeds.

b. *Short Term Debt* –Short term Debt has a maturity that ranges from 1 day to 360 days.

The County is authorized to issue the following types of Debt depending on market conditions, County cash flow needs and the purpose for issuing the Debt.

*Fixed and Variable Rate Debt:* The County may issue Debt with either fixed or variable interest rates. However, the County shall issue its Debt with a fixed rate of interest unless the MFC and the assigned Financial Advisor recommend that Debt be issued with a variable rate of interest. At no time shall outstanding variable rate Debt be greater than twenty five percent (25%) of the outstanding

County direct Debt without the prior approval of the Board. Additionally, within each Enterprise Fund, at no time shall outstanding variable rate Debt be greater than twenty-five percent (25%) of outstanding Debt for the applicable Enterprise Fund without the prior approval of the Board.

*Tax-Exempt and Taxable Debt:* The County may issue Debt as tax-exempt Debt or taxable Debt. Taxable Debt shall only be approved by the Board upon a favorable recommendation from the MFC and the assigned Financial Advisor and a demonstration by the County Mayor that there is an economic benefit to the County from issuing taxable Debt or there is no other economically feasible alternative.

Taxable Debt may include Debt such as Build America Bonds (BABS) or any other taxable Debt structure permitted under the Code from time to time.

## VIII. FINANCING STRUCTURES FOR ISSUING COUNTY DEBT

The financing structure of County Debt includes consideration of factors such as principal amortization, call provisions, coupons/yields, and credit enhancement. The structure of each Debt issuance shall be developed with input from the appropriate Financial Advisor and will include consideration of the Capital Projects to be financed, the security being pledged, Debt service coverage requirements, and market conditions. The goal is to provide the lowest effective financing cost while providing the greatest flexibility to realize added value as market conditions change over time. Some conditions that affect the structure of any Debt issuance include the following.

a. *Debt Service Payments*– The County shall structure its long term Debt with level Debt service payments, either on a series or aggregate basis, unless the County's assigned Financial Advisor recommends an alternative structure. An alternate structure may be a preferred course of action due to factors such as the projected growth in revenues pledged to service the Debt, the nature of the Capital Projects being financed and current cash flow positions.

b. *Maturity* – The County's obligations on long term Debt shall mature no later than the limitation set forth in Florida law (currently forty years from the date of the issuance of the Debt) or the useful life of the Capital Projects being financed as required by the Code and related regulations.

c. *Premium and Discount Bonds* – The County may sell both Premium and Discount Bonds depending on market conditions and the County's needs. These Bonds shall only be issued upon the recommendation of the assigned County's Financial Advisor and upon a determination by the County Mayor that such sale shall not negatively impact the amount of bond proceeds available to fund the Capital Projects approved for funding.

d. *Bond Insurance/Credit Enhancement* –The County may purchase bond insurance and/or reserve fund surety policies which guarantee timely Debt Service payments on Debt to be issued to enhance the attractiveness of the Debt to the financial markets. . Such credit enhancement shall only be used if the County Mayor can demonstrate that at the time the Debt is priced, there is an economic benefit to the County which exceeds the cost of the credit enhancement.

## IX. CREDIT CONSIDERATIONS

The County shall obtain a rating from one or more of the national credit rating agencies each time the County issues Debt. The County shall not issue Debt with a rating of less than Investment Grade without a County Mayor's recommendation to the Board demonstrating a compelling reason to issue Debt that is below investment grade. Accordingly, the County will exercise prudence and diligence in preparing its budget and managing its finances to maintain satisfactory credit ratings and to obtain rating upgrades when possible to ensure the County's Debt is investment grade. The County Mayor, from time to time, shall advise the MFC and the Board of any enhancement of, or deterioration to, the County's credit rating.

## X. METHOD OF SALE AND GOOD FAITH DEPOSITS

Pursuant to County Code Section 2-10.6, all Debt shall be sold at public sale by Competitive Bid unless waived by the Board under the following circumstances:

a. upon written recommendation of the County Mayor and Financial Advisor assigned to the Debt transaction, and by majority vote of the entire membership of the Board that a waiver of competitive bids is in the best interest of the County. The County Mayor's written recommendation shall set forth specific findings as to the reasons a negotiated sale is recommended; or

b. by an affirmative two-thirds (2/3) vote of the entire membership of the Board, provided that the Board makes specific findings as to the reasons why a negotiated sale is in the best interest of the County.

The County shall receive a Good Faith Deposit at the time of award to the Underwriters regardless of the method of sale. The purchaser of the Debt or Underwriter shall pay the good faith deposit (security deposit on the bonds) to the County in an amount equal to approximately two percent (2%) of the par amount of the Debt being issued.

## XI. REFUNDING OF DEBT

The refunding of outstanding Debt is regulated by Resolution No. R-1313-09, as amended. That Resolution currently provides that the County Mayor shall only issue, or enter into, (subject to the exception below) a refunding Debt obligation when the present value savings is five percent (5%) or more and the final maturity of the proposed refunding obligations is no longer than the maturity of the Debt obligations to be refunded. If the present value savings is less than five percent (5%) or will result in a present value loss and/or the maturity is greater than the maturity on the debt obligations to be refunded, the County Mayor may issue or enter into refunding Debt obligations but only after a finding by the Board that a compelling public policy objective would be achieved by the refunding such as eliminating restrictive bond covenants or providing additional financial flexibility. The Board's findings may be based on the report presented with the legislation authorizing the refunding.

The caption of such legislation and the Report that accompanies the legislation shall include:

a. the estimated net present value savings or net present value loss;

b. the estimated cost of issuance; and

c. estimated final maturity on the proposed refunding Debt.

The County Mayor shall provide the most current estimates of the above information to the Board at the time the resolution authorizing refunding is considered by the Board.

## XII. PROFESSIONAL CONSULTANTS

The County shall work with financial consultants to advise the County, structure, price and sell County Debt. The County shall employ the following financial professionals to assist with Debt management.

a. *Underwriters:* In all Negotiated Sales, the County shall appoint Underwriters pursuant to Section 2-10.6 of the County Code, as amended from the County established Underwriters Pool, which shall be established from time to time pursuant to a qualification process.

b. *Bond Counsel and Disclosure Counsel:* The County shall utilize three pools of joint venture law firms as bond counsel and disclosure counsel to represent both the County and its peripheral authorities. The pools shall be established from time to time through a competitive process with no law firm serving in more than one pool. Each bond counsel joint venture shall include one law firm that is a nationally recognized bond counsel firm and one law firm that is local with gross annual revenues of less than $5 million (Bond Counsel).

c. *Financial Advisors:* The County shall utilize qualified firms, selected from time to time through a competitive process, to serve as Financial Advisor to the County. A Financial Advisor shall be assigned to Debt transactions based on its expertise. Currently, the County utilizes three Financial Advisors. One has been assigned to the County General Fund (General Segment), another one to the Aviation Department (Aviation Segment) and the third one to the Enterprise Operations (Enterprise Segment).

The County shall select all other ancillary services (paying agents, registrars, escrow agents, printers, etc.) through competitive bid prior to each Debt issuance. All professional services are paid from Debt proceeds.

## XIII. DISCLOSURE (PRIMARY AND SECONDARY MARKET)

The County shall provide the annual financial information and any material disclosure notices pursuant to the provisions of the secondary disclosure requirements of Rule 15c2-12 and other applicable provisions of the Securities and Exchange Commission, as amended from time to time. Currently, the County provides the following annual financial disclosure for its outstanding Debt:

a. Historical collections of Pledged Revenues and other statistical data in a form that is generally consistent with the presentation of such information as it appears in the Official Statement for any Series of Bonds issued after July 3, 1995.

b. The County's Comprehensive Annual Financial Report utilizing generally accepted accounting principles applicable to local governments.

## XIV. INVESTMENT OF DEBT PROCEEDS AND DEBT FUNDS AND ACCOUNTS

The County Mayor, in consultation with the appropriate Board committee and Investment Advisor, shall adhere to the written County Investment Policy, Debt agreements and State Statute 218.415 when investing the proceeds from issued Debt, and when managing moneys on deposit in funds and accounts set aside to pay Debt service on County Debt. When investing such proceeds and moneys, the County shall comply with Sections 141 and 148(f) of the Code and all other related Code regulations.

## APPENDIX A

## GLOSSARY OF TERMS

**Ad Valorem Tax** – has the meaning ascribed to it in Section VI.

**Advance/Current Refunding** – a procedure whereby outstanding Debt is refinanced with the proceeds of new Debt provided that a current refunding occurs within 90 days of the next call date of the Debt being refunded and an advance refunding occurs more than ninety (90) days from the next call date of the Debt being refunded.

**Basis Point** – one one-hundredth of one percent (.01 percent, or 0.0001).

**Bond or Bonds** –Tax Exempt or Taxable bond or bonds issued by the County to fund a Capital Project.

**Bond Anticipation Note** – a short term note that will be paid off with the proceeds of an upcoming Bond issue.

**Bond Counsel** – has the meaning ascribed to it in Section XII. 2.

**Bond Insurance** – a municipal insurance policy purchased by the County which guarantees the timely payment of principal of, and interest on, Debt.

**Bond Purchase Agreement/Purchase Contract** – an agreement/contract between the County and the senior Underwriter setting forth the terms of a Negotiated Sale of County Debt, including the price of the Debt, the interest rate or rates which the Debt are to bear, and the conditions of closing.

**Callable** – means Debt that is eligible to be called prior to maturity, with or without payment of a Call Premium.

**Call Premium** – a dollar amount stated as a percentage of the principal amount of the Debt called before maturity paid to the holder of the Debt at the time the Debt is redeemed.

**Capital Appreciation Bond** – A bond where no periodic interest payments are made and one payment is made at maturity equal to the principal plus interest compounded semiannually at the original interest rate.

**Capital Lease** – is a lease-purchase agreement in which the County makes periodic payments to lease a capital project and provision is made for transfer of its ownership for a nominal price at the scheduled termination of such agreement.

**Capital Project(s)** – any capital project or capital projects of the County or its Enterprise Operations that the Board deems to be for a public purpose.

**Closing Date** – the date on which the Debt is delivered to the purchaser and all or a portion of the sales proceeds are received by the County.

**Commercial Paper** – a short-term promissory note issued for periods up to 270 days.

**Competitive Bid** – a sealed bid or a bid submitted via the internet, containing price and terms, submitted by a prospective Underwriter (or syndicate of Underwriters) to the County.

**Continuing Disclosure** – the requirement by the Securities and Exchange Commission that the County make certain annual filings as described in Section XIII.

**Coverage** – the ratio of pledged revenues available to pay Debt service on Debt to the actual Debt Service due on that Debt in a given year.

**Cover Bid** – the second highest bidder in a competitive sale of Debt.

**Credit Enhancement** - means Bond Insurance, Debt Service Reserve Fund surety, letter of credit or any other third party guaranty of the Debt.

**Current Interest Bonds** – Bonds for which periodic interest payments are made.

**Dated Date** – the date from which a bondholder is entitled to receive interest.

**Debt** – means Bonds, Commercial Paper, Bond Anticipation Notes, Revenue Anticipation Notes, Tax Anticipation Notes, Variable Rate Demand Obligations, notes and any form of indebtedness of the County other than a Capital Lease.

**Debt Service** – required principal and interest payments due on Debt at any point in time before such Debt is retired.

**Debt Service Reserve Fund** – the fund into which moneys or a credit facility are deposited which may be used to pay Debt Service on Debt if pledged revenues are insufficient to satisfy the Debt Service requirements when due.

**Defeasance** – the termination of the rights and interests of the holders of the Debt in the pledged revenues because the County has deposited sufficient revenues with an escrow agent to be used to pay principal and interest on the Debt as it becomes due and/or to redeem the Debt on a specific date.

**Direct County Debt** — means General Obligation Debt, Special Obligation Debt and Covenant Debt less all self-supporting Debt, any sinking funds and short-term Debt.

**Discount** – amount (stated in dollars or as a percentage) by which the selling or purchase price of a bond is less than its face amount and/or amount bid for a bond that is less than the aggregate principal amount of that Bond.

**Discount Bond** – a bond that is sold at less than its principal amount.

**Double-Barreled Bond** – a bond that is secured by the pledge of two or more revenue sources.

**Financial Advisor** – a consultant who advises and makes recommendations to the County on matters pertinent to Debt including compliance, issuance and market conditions.

**General Obligation Debt** – has the meaning ascribed to it in Section VI.

**Good Faith Deposit** – security deposit on Bonds in the amount equal to approximately two percent (2%) of the Par Amount of the Debt paid to the County by the purchaser or Underwriter at the time of award.

**Investment Grade** – a grade that indicates that debt is suitable for preservation of invested capital (i.e. Baa3 or better by Moody's Investors Service, BBB- or better by Standard & Poor's Corporation, or BBB- by Fitch or such other rating from each that is considered investment grade).

**Level Debt Service** –total annual principal plus interest is approximately the same throughout the life of the Debt.

**Municipal Securities Rulemaking Board (MSRB)** – a self-regulating organization that is entrusted with the responsibility of writing rules of conduct for the municipal securities market.

**Negotiated Sale** – underwriting of a Debt issuance in which the spread between the purchase price paid to the County and the public offering price is determined through negotiation with the senior Underwriter.

**Notice of Sale** – an official document disseminated by the County inviting bids in connection with a Competitive Sale.

**Official Statement (OS)** – the offering document that is distributed to potential and actual purchasers of Debt which discloses security features and economic, financial, and legal information about the Debt and the County.

**Parity Debt** – Debt issued or to be issued with equal and ratable claim on the same underlying security and source of repayment for Debt Service as other outstanding Debt.

**Par or Par Amount**– the face amount of Debt.

**Paying Agent** – an agent of the County with the responsibility for the timely payment of principal and interest to the holders of the Debt.

**Premium Bond** – a Bond that sells for more than its principal amount.

**Present Value** – the value of a future amount due or stream of payments stated in current dollars.

**Pricing** – In a Negotiated Sale, the period during which the Debt is offered to the public for sale by the Underwriters, orders are taken and the terms including the interest rates are determined.

**Rate Covenant** – a covenant in which the County agrees to keep rates and charges at a level that will equal or exceed a percentage of Debt Service due in any given year.

**Revenue Anticipation Note (RAN)** – a short-term Debt instrument of the County that is repaid out of anticipated revenues such as sales tax.

**Revenue Bonds** – has the meaning ascribed to it in Article VI.

**Serial Debt** – Debt with consecutive maturity dates upon which principal shall be paid unless called for early redemption.

**Sinking Fund** – cash or investments (including earnings on investments) deposited in a fund or account for the purpose of making timely payments of Debt Service.

**Syndicate** – a group of Underwriters formed for the purpose of participating jointly in the initial public offering of a new debt offering.

**Take-down** – the sales commission paid to the Underwriters for selling the Bonds.

**Tax Anticipation Note (TAN)** – a short-term obligation of a state or municipal government to finance current expenditures pending receipt of expected tax payments in the same fiscal year.

**Term Debt** – Debt that may be redeemed prior to its maturity date through sinking fund redemptions.

**True Interest Cost (TIC)** – the rate of interest that makes the present value of the semi-annual debt service payments equal to the net proceeds.

**Underwriters** – are investment banking firms and/or dealers which purchase Bonds for resale.

**Underwriting Spread** – the total amount paid to the Underwriters for selling the Debt which includes some or all of the following: (i) Take-down; (ii) expenses; (iii) management fee; and (iv) risk.

**Variable** -- Rate Demand Obligation – Debt that bears interest at a variable or floating rate established at specific intervals (e.g., flexible, daily, weekly, monthly, or semi-annually) which may also be referred to as VRDNs (Notes) or VRDBs (Bonds).

**Yield** – the annual percentage rate of return earned on Debt which is a function of the purchase price of, and interest rate on, the Debt.