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June 29, 2009

Mr. Robert S. Patrick
Director of Finance
Bowie
Finance Department
2614 Kenhill Drive
Bowie, MD 20715

Dear Mr. Patrick:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

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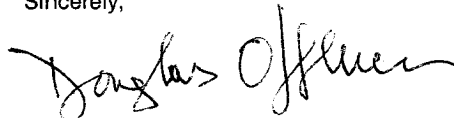
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We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,



Douglas Offerman
Senior Director
U.S. Public Finance

DO/jh

Enc: Notice of Rating Action
(Doc ID: 127970)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Bowie (MD) GO pub impvt bonds ser 2009	Long Term	New Rating	AA+	RO:Sta	25-Jun-2009	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Tax Supported
New Issue

Bowie, Maryland

Rating

New Issue

General Obligation Public
Improvement Bonds of 2009 AA+

Rating Outlook

Stable

Analysts

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New Issue Details

Sale Information: Approximately \$15,500,000 General Obligation Public Improvement Bonds of 2009, scheduled for competitive sale on July 7.
Security: General obligations of the city of Bowie, for which the full faith, credit, and unlimited taxing power of the city are pledged.
Purpose: To fund the construction and equipping of a new city hall building.
Final Maturity: July 1, 2029.

Related Research

- *Prince George's County, Maryland, May 29, 2008*
- *State of Maryland, Feb. 23, 2009*

Rating Rationale

- Bowie's financial flexibility is extremely high, exemplified by high reserve levels and a longstanding commitment to pay-as-you-go funding of capital needs.
- The city's history of positive financial operations is largely the result of strong management, including long-term fiscal and capital planning and prudent policies.
- The city's direct debt burden is very low, rising to a more moderate level when overlapping debt is included.
- While the local economy is somewhat limited, economic indicators are above average relative to state and national levels.

Key Rating Drivers

- Maintenance of overall financial flexibility despite increasing pressures related to the real estate market and the broader recessionary economy.
- Economic development, which will continue to add depth and breadth to the employment and tax bases.

Credit Summary

The 'AA+' rating reflects the city's strong financial flexibility, guided by prudent policies and excellent management, a low direct debt burden complemented by significant pay-as-you-go capital spending, and a somewhat limited economy with low unemployment and high wealth levels. While the city's fund balance policy stipulates that the unreserved fund balance in the general fund must be no lower than 25% of expenditures, the city closed fiscal 2008 with an unreserved balance equal to an extraordinary 65% of expenditures, transfers out, and other uses. Fund balances are forecast to decline over the next five years, remaining within policy parameters, largely as a result of pay-as-you-go capital spending. Given the city's long history of cash funding capital needs, the 2009 bonds will be Bowie's only outstanding general obligation (GO) debt, as evidenced by the extremely low direct debt ratios.

The city is located roughly 20 miles from Washington, D.C. and 30 miles from Baltimore in Prince George's County, MD (GO bonds rated 'AA+' with a Stable Rating Outlook by Fitch Ratings). While the population of Bowie increased 34% during the 1990s, growth since the 2000 census has been more moderate, rising roughly 6% to the 2008 estimate of 53,193. The city's top private employers include several large retailers (Giant Foods, Safeway, and Lowe's), MedAssurant (a leading medical informatics service provider), and Larkin Chase Nursing Home. Additionally, Bowie residents benefit from employment opportunities at the National Security Agency, Fort Meade, and Bowie State University, which are all located within 10 miles of the city limits. Economic development efforts include the revitalization of several retail centers, as well as the Maryland Science and Technology Center, a 466-acre business park with significant office space capacity and plans for three hotels. Bowie's annual unemployment rate has remained comfortably below the state and national averages for at least the past 10 years, increasing to 4.8% in April 2009, which is still below the state's 6.6% and the national average of 8.6%.

Rating History

Rating	Action	Outlook/ Watch	Date
AA+	Assigned	Stable	6/25/09

Wealth levels are well above average, with median household income 48% higher than the state's and 98% higher than the nation's in 2007.

Reflecting the real estate market downturn across the nation and the Washington, D.C. metropolitan area, the city has seen declines in sales prices and an increase in foreclosures. Despite the softening market, Bowie's assessed value (AV) growth is projected to remain healthy through at least fiscal 2011, partly attributable to the three-year phase-in of reassessment growth and the homestead tax credit.

Financial performance is strong, as illustrated by high reserve levels, with prudent fiscal policies and long-term planning guiding the history of positive operating results. Fiscal 2008 closed with a small surplus in the general fund and an unreserved balance of approximately \$22 million, equal to an extraordinary 65% of spending. The city's long-term forecast projects that the unreserved fund balance will moderate over the next five years as a result of pay-as-you-go capital spending and softening revenues, reaching a still strong 27% of expenditures in fiscal 2015. City officials expect to close fiscal 2009 with a \$2.2 million surplus, despite some pressure on intergovernmental revenues. The \$43 million adopted fiscal 2010 budget incorporates further cuts to intergovernmental revenues and an increase in pay-as-you-go capital spending.

General Fund Financial Summary

(\$000; Audited Fiscal Years Ended June 30)

	2006	2007	2008
Taxes	15,696	18,277	19,927
Intergovernmental Revenues	9,654	9,976	9,781
Other Revenues	3,713	4,220	3,926
Total Revenues	29,063	32,473	33,634
Total Expenditures	22,267	25,721	27,807
Net Transfers and Other Sources/(Uses)	(2,805)	(4,190)	(5,667)
Net Income/(Deficit)	3,991	2,562	160
Total Fund Balance	19,478	22,040	22,200
Unreserved Fund Balance	18,706	21,585	21,950
As % of Expenditures, Transfers Out, and Other Uses:			
Total Fund Balance	76.7	72.9	65.6
Unreserved Fund Balance	73.7	71.4	64.9

Note: Numbers may not add due to rounding.

The city's overall debt burden, including overlapping debt issued by Prince George's County and the Maryland-National Capital Park and Planning Commission, is moderate at approximately \$2,000 per capita and 1.8% of market value. As previously mentioned, the city's direct debt burden is exceptionally low. Amortization is average, with 50% of principal retired within 10 years. Projected capital needs and debt plans are very manageable; the city's capital improvement plan for fiscal years 2010-2015 totals roughly \$68 million. Major projects include an indoor sports facility, upgrades for the wastewater treatment plant, and the construction of the new city hall. Future liabilities related to pension and OPEB are also expected to be manageable.

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Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

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June 26, 2009

Mr. Robert Patrick
Finance Director
City of Bowie, MD
2614 Kenhill Drive
Bowie, MD 20715

Dear Mr. Patrick:

We wish to inform you that on June 25, 2009, Moody's Investors Service reviewed and assigned a rating of **Aa1** to City of Bowie, MD's General Obligation Public Improvement Bonds of 2009.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Alicia Stephens, at 212-553-7812.

Sincerely,

M. Geordie Thompson
Vice President/Senior Analyst

cc: Mr. Samuel Ketterman
Davenport & Company, LLC
8600 LaSalle Road, Suite 324
Towson, MD 21286



Moody's Investors Service

New Issue: MOODY'S ASSIGNS INITIAL Aa1 RATING TO CITY OF BOWIE'S (MD) \$15.5 MILLION G.O. PUBLIC IMPROVEMENT BONDS OF 2009

Global Credit Research - 26 Jun 2009

Municipality
MD

Moody's Rating

ISSUE	RATING
General Obligation Public Improvement Bonds of 2009	Aa1
Sale Amount	\$15,500,000
Expected Sale Date	07/07/09
Rating Description	General Obligation Unlimited Tax

Opinion

NEW YORK, Jun 26, 2009 -- Moody's Investors Service has assigned an initial Aa1 rating to the City of Bowie's (MD) \$15.5 million General Obligation Public Improvement Bonds of 2009. The bonds are secured by the city's unlimited ad valorem tax pledge and will finance the construction of a new City Hall complex. The Aa1 rating reflects the city's strong financial position, characterized by comprehensive fiscal policies and planning, long-term operating stability, ample reserve levels, and a low direct debt burden. The rating also considers the city's strategic geographic position proximate to major employment centers and the ongoing diversification of the largely-residential tax base.

COMPREHENSIVE FISCAL POLICIES SUPPORT SOUND FINANCIAL POSITION

The City of Bowie has a solid record of healthy financial performance, supported by proactive management, budgetary flexibility, and ample fund balance levels. According to city policy, unreserved General Fund balance is maintained at a minimum 25% of annual operations; fund balance available above the policy requirement is restricted to one-time capital projects and other non-recurring expenditures. In practice, the city has carried actual unreserved fund balance at levels well above the policy requirement, equal to an average 62% of annual revenues since fiscal 2004. Notably, conservative budgeting and structurally-balanced operations have supported annual transfers to the city's capital project and equipment acquisition funds (averaging \$3.8 million annually) while yielding additional operating surplus at year end. During fiscal 2008 alone, \$1.9 million in expenditure savings replenished \$534,000 appropriated from fund balance, funded \$1.2 million in additional capital transfers (above the \$4.8 million as budgeted), and yielded a net \$160,000 operating surplus at year end (June 30). Accordingly, General Fund balance increased to \$22.2 million (65.3% of fund revenues), including a \$21.9 million unreserved portion (64.6% of revenues).

Solid financial performance is expected to continue in fiscal 2009, driven by \$2.0 million in expenditure savings that reportedly will further boost fund balance levels at year end. Total General Fund revenues are expected to meet budgeted levels despite projected shortfalls in state-allocated Highway User Revenues (\$450,000 below budget) and economically-sensitive income tax receipts (\$188,000 below budget), both of which will be offset by \$750,000 in surplus property taxes. Fiscal 2009 operations reflect full staffing for the new voter-authorized police function (established in fiscal 2007), the ongoing cost of which has been funded through two property tax rate increases during the past three fiscal years. Moody's notes that although the original budget appropriated \$8.0 million from unreserved General Fund balance for the new City Hall project, the city did not move forward with capital spending for the project during fiscal 2009. Alternatively, the city plans to draw down the full \$8.0 million for the project during fiscal 2010 and fiscal 2011; to that end, the fiscal 2010 budget appropriates \$5.5 million from unreserved fund balance for the City Hall project. The 2010 budget conservatively reflects a 6.6% decline in income tax revenues (from 2009 projections) and a 5% decline in license and permit revenues; however, total General Fund revenues are projected to increase by 3.8%, driven by 9% growth in property tax revenues (related to healthy 13% growth in assessed valuation). Financial flexibility is retained in a \$2.3 million transfer for capital projects and equipment acquisition, all of which will be funded from recurring sources, consistent with historical practice.

The use of \$5.5 million from General Fund equity in fiscal 2010 will reduce unreserved fund balance to \$18.5 million at year end, equal to a still-strong 49% of budgeted revenues. Management reports that accumulated fund balance in excess of the policy requirement will finance capital needs (including the City Hall project) on a pay-as-you-go basis during the next three to five years. Moody's believes that the planned use of General Fund balance for capital projects aligns with the city's conservative management approach and long-range planning. We also note that fund balance levels

remain solidly above the city's already-healthy policy requirement and well above median levels for similarly-rated credits nationwide.

WEALTHY COMMUTER BASE BENEFITS FROM PROXIMITY TO REGIONAL EMPLOYMENT CENTERS

Located half way between Washington, D.C. (G.O. rated A1/stable) and the City of Annapolis (G.O. rated Aa2) along U.S. Route 50, the City of Bowie is the largest municipality in Prince George's County (G.O. limited tax rated Aa1/stable). The city's strategic location in the metropolitan area has spurred new capital investment and annexation activity since 2000, increasing the city's land area from 16.4 square miles to the current 18.1 square miles. The assessed valuation of the city's tax base has grown by more than 80% during the same period to a sizeable \$5.2 billion as of fiscal 2009. Officials report that the city's growth boundary includes an additional 12 square-mile land area; this region is expected to support the continued growth of the city's residential and commercial base for the next 20 years. The city's population has increased more than 10% since 2000, notably less than the 34% growth experienced during the prior decade and reflective of the relatively built-out nature of the existing land area. In addition to limited land capacity, new residential construction has been impacted by the market downturn. Existing homes remain on the market for longer periods and the average home sales price declined in three of the city's four zip codes during 2008. However, the statewide requirement to phase in reassessment-related tax base growth over a three-year period smoothes the impact of any near-term property value devaluation. Further, the city's 5% homestead tax credit restricts the city's ability to capture homestead appreciation of more than 5% annually for tax levy purposes, assuring steady annual growth in the tax levy as pent-up appreciation is added to the tax rolls.

While the city's residential sector benefits from a proximity to regional employment centers, Bowie also has a local employment base that includes growing research and development, technology, and life science sectors. The 466-acre Maryland Science and Technology Center at Melford supports the computing operations of the U.S. Census Bureau and the Institute for Defense Analysis and also includes 305,000 square feet of Class A office space for science and technology, half of which was delivered during 2008. Notwithstanding corporate and professional firms, the services sector - a mainstay of the local employment base - includes several mixed-use retail centers throughout the city. City residents also benefit from a close proximity to several large federal and state employers, lending stability to local unemployment levels. City unemployment of 4.8% as of April 2009 compares favorably to the 6.4% countywide and 6.6% statewide rates, and resident wealth levels also exceed county and state norms, with 1999 per capita income equal to 131% of the county and 120% of the state.

DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The city's debt burden is expected to remain manageable given the average rate of bond retirement and the use of pay-go funding for a portion of the city's capital program. The city's direct debt burden increases to 0.3% of full valuation with the current offering and the overall debt burden of 1.7% includes the overlapping debt of the county. Principal amortization is average, with 55% of debt retired within 10 years. Favorably, the city's water and sewer enterprise operation is self-supporting, with related debt service fully supported by net revenues of the system. The city's five-year capital improvement program includes approximately \$10 million of bond funding in fiscal 2014. All of the city's debt is in a fixed-rate mode and the city is not party to any derivative agreements.

KEY STATISTICS

2008 population: 55,691 (10.8% increase since 2000)

FY 2009 full valuation: \$5.2 billion

Full valuation per capita: \$94,210

1999 Per Capita Income: \$30,703 (120% of state and 142% of nation)

1999 Median Family Income: \$82,403 (133% of state and 165% of nation)

April 2009 unemployment rate: 4.8%

Debt burden: 1.7%

Payout of principal (10 years): 55%

Fiscal 2008 General Fund balance: \$22.2 million (65.3% of revenues)

General obligation debt outstanding: \$15.5 million

RATING METHODOLOGIES USED

The principal methodology used in rating the current issue was "Local Government General Obligation and Related Ratings," which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Rating Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer also can be found in the Credit Policy & Methodologies directory.

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Moody's Investors Service

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June 26, 2009

Summary:
**Bowie, Maryland; General
Obligation**

Primary Credit Analyst:

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Table Of Contents

Rationale

Outlook

Financial Management Assessment: 'Strong'

Related Research

Summary: Bowie, Maryland; General Obligation

Credit Profile

US\$15.5 mil GO pub imp bnds ser 2009 dtd 07/01/2009 due 07/01/2029

Long Term Rating

AAA/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating, and stable outlook, to Bowie, Md.'s series 2009 general obligation (GO) public improvement bonds.

In our opinion, the rating reflects the city's:

- Substantial and diversifying local economic base with participation in the greater Washington metropolitan statistical area (MSA) economic and employment bases;
- Very strong resident income levels;
- Sizable, growing, and very diverse property tax base, coupled with extremely strong per capita property wealth indicators;
- Continued strong financial operations, characterized by favorable historical financial performance, strong and well-embedded financial management policies and practices, and the historical maintenance of very strong general fund reserves; and
- Low overall net debt burden with average amortization, low projected debt service carrying charges, and nominal expected additional capital needs.

The bonds are a GO of the city, secured by its full faith and credit pledge. Officials will use bond proceeds to finance or reimburse the costs of acquiring, constructing, improving, furnishing, or equipping a new City Hall and fund the costs of related site and utility improvements, including, without limitation, parking and landscaping; related legal, financial, and inspection expenses; and costs of issuance. This issuance will represent the city's only GO debt outstanding.

Bowie, with a 2008 population estimate of 53,167, is an affluent residential community encompassing approximately 18.1 square miles in Prince George's County (AAA/Stable). The city is located midway between Washington and Baltimore, and it benefits from access to the deep and diverse Washington metropolitan area economy and employment base. City residents can also commute into Annapolis, Md., which is approximately 15 minutes away, for employment. From 1993-2002, the city maintained an aggressive annexation program that led to about 33% population growth; population has held stable since 2003 and declined by just 0.28% from 2003-2008. City income levels are, in our opinion, very strong: 2008 median household effective buying income is 138.0% and 175.2% of state and national averages, respectively.

The property tax base continues to grow rapidly, more than quadrupling in value over the past decade. Assessed value (AV) totaled \$4.87 billion in fiscal 2008, and AV growth has averaged 7.23% annually over the past five fiscal years. The completion of several sizable commercial developments, annexation, and revaluation has driven tax base growth. Residential property AV growth, which accounts for 89% of total AV, has also been strong. Market

value is an extremely strong \$115,847 per capita. In addition, the tax base remains very diverse with the 10 leading taxpayers accounting for just 7% of total property taxes.

Residents have diverse employment opportunities in Prince George's and Montgomery County, as well as the Washington MSA. Leading local employers include:

- Prince George's County Public Schools (1,000 employees);
- MedAssurant (460), medical informatics; and
- Bowie (398).

City unemployment is historically low; while unemployment averaged just 3.0% in 2008, according to the federal bureau of labor statistics, it increased to 4.8% as of March 2009, which was still low compared with the county's 6.8% rate, state's 7.0% rate, and nation's 8.9% rate.

Bowie's financial operations have historically been strong with general fund operating surpluses in each of the past six consecutive audited fiscal years, ended June 30, supporting significant general fund balances. The city has maintained very strong unreserved fund balance reserves that have averaged 76.8% of expenditures over the past decade, well in excess of the 25.0% reserve policy. Following a \$160,000 general fund operating surplus, the city closed fiscal 2008 with a total general fund equity of approximately \$22.2 million: \$21.9 million, or a very strong 78.9% of expenditures, of which was unreserved. Reserves have remained high despite a policy to draw down reserves for capital purposes. For fiscal 2009, management is projecting to generate an additional general fund operating surplus of \$2.24 million due, in part, to the pushing out of capital projects and transfers. The city's fiscal 2010 budget includes the appropriation of \$4.8 million of fund balance reserves, and it does not include an increase in the property tax millage rate.

Standard & Poor's considers Bowie's management practices "strong" under its financial management assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

Historically, the city has maintained low debt ratios because of its ability to generate cash in excess of budgeted expenditures. Following this issuance, even after the inclusion of approximately \$77 million of debt obligations from overlapping governmental units, the city's overall net debt burden will remain low at just \$1,803 per capita, or 1.9% of market value; debt service expenses represent just 0.58% of the city's 2010 general fund budget. Furthermore, direct debt of the city is very low at just \$353 per capita, or 0.4% of market value. Amortization will remain average with officials planning to retire 46% of principal over 10 years and 100% by 2030. The city has a six-year, 2010-2015 capital improvement plan; and it expects to issue roughly \$1.8 million of GO bonds later in 2009 to provide enhanced nutrient removal at its wastewater treatment plant and \$10.0 million in fiscal 2014 for the construction of a new indoor sports facility.

Outlook

The stable outlook reflects Standard & Poor's expectation that the city will continue to maintain its solid financial profile due, in part, to continued property tax base growth. The city's strong and well-embedded financial policies and procedures, coupled with its demonstrated ability to manage positively through downward economic cycles, provide additional rating stability. Rating maintenance is dependent on the city's ability to support future growth and economic diversification while maintaining its favorable financial and debt profile.

Financial Management Assessment: 'Strong'

Standard & Poor's considers Bowie's management practices "strong" under its financial management assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

The city has several conservative and well-embedded policies and procedures in place. The city maintains a six-year rolling capital improvement plan that prioritizes projects and identifies all project costs and expected funding sources. When preparing the operating budget, the city uses historical trend analysis for revenues and expenditures; and the city performs amendments when necessary through a formal process. Furthermore, the city uses multiyear forecasting for revenues and expenditures for the general and utility funds to provide a long-range strategic vision; the city also uses this in its utility rate-setting process. The city's investment policy mirrors the state's policy, and it distributes investment reports quarterly. Bowie's reserve requirement is to maintain the unreserved general fund balance at 25% of budgetary expenditures, and the city has been in compliance for well over a decade. Finally, debt issuance is limited to 0.8% of city AV; and amortization is not to exceed the project's useful life.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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