TOWN OF BERLIN
DEBT MANAGEMENT POLICY

Introduction: The purpose of this policy is to guide Town officials (elected and appointed) as they consider the proper use of debt. The primary objective is to establish conditions for the use of debt and to create policies that minimize the Town's debt service and issuance costs, achieve and retain the highest credit rating and maintain full and complete financial disclosure and reporting practices. The debt policy is intended to guide the prudent use of resources to provide needed services to the citizens of the Town of Berlin and to maintain sound financial management practices. These policies, therefore, are intended to be flexible in design so as to allow for reasonable exceptions under changing and extraordinary circumstances.

The Town's debt policy is a guideline for Town staff to use in requesting and issuing debt. The policy shall be reviewed on an annual basis by the Finance Director. Any substantive modifications made to the policy shall be approved by the Town Council prior to becoming effective.

Guidelines for Using Debt Financing: Debt is a financing tool which should be utilized judiciously. Debt will be considered when some or all of the following circumstances exist:

1. Estimated future revenue is sufficient to ensure the repayment of the debt obligation;
2. Other financing options have been explored and are not viable for the timely or economically advantageous acquisition or completion of a capital project;
3. A capital project is mandated by federal or state authorities with no other viable funding option available; and
4. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on expected useful life and/or the Town's ability to pay debt service.

Debt shall not be used to fund ongoing operating expenses of the Town of Berlin. Operating expenses shall be defined to include the "wages-salaries", "fringe benefits" and "professional/technical" sections of the annual budget.

The Town shall manage its cash so as to prevent borrowing to meet needed operating expenses. The Town shall rely on current revenue and reserved cash balance as a primary source of financing for capital projects. The Town supports funding a significant portion of capital improvements on a "pay-as-you-go" basis. Therefore, each year, the Town will strive to increase the percentage of its capital improvements financed by current revenues.

The Town's General Fund unassigned fund balance has been built over the years to provide the Town with sufficient working capital and enable it to finance unforeseen costs and costs due to emergencies without borrowing. To conserve the General Fund unassigned balance and to avoid reliance on this balance, the Town shall not finance ongoing operations from the General Fund unassigned fund balance.

Target Debt level: The Town shall comply with statutory debt limits. Additionally, in an effort to reduce long-term financial obligations and ensure financial flexibility for future capital projects, the Town shall adhere to the following debt levels:

1. Total General Fund debt (principal and interest) shall not exceed 2.5% of the most recent certified grand list of the Town; and
2. Annual principal and interest payments shall not exceed 10% of the Town's current total operating budget.

The Town Council shall have the authority to implement policies and/or present capital projects for referendum that will exceed the parameters listed above. If the Town exceeds the parameters listed above, the Finance Director shall design a plan that will bring the Town into compliance with the parameters listed above. This plan shall be reviewed and adopted by the fiscal/budgetary and legislative bodies of the Town.

For purposes of this policy, the term Operating Budget is defined as total expenditures within the Adopted Annual General Fund budget **excluding** Principal/Interest payments (Town & School) and Transfers.

Financing Options: The Town will strive to utilize cash to fund capital projects/assets; however, circumstances may require the use of debt financing. The Town will endeavor to fund capital projects/assets based on the following guidelines:

Project/Asset Total Cost	Cash	Capital Lease	BAN (S-T)	Bond (L-T)
Less than $100,000	✓	✓		
$100,000 - $500,000	✓	✓	✓	
More than $500,000	✓	✓		✓

Short-term financing may be used for projects/assets over $500,000 in anticipation of securing long-term financing in the future to replace the short-term borrowing.

Short-term Financing (BANs): When the Town utilizes bond anticipation notes (BANs):

1. Payoff shall be completed in 3-5 years – intend equal installments for principal payments
2. BAN payments shall be included as Transfers in the Town's annual General Fund budget
3. BAN principal and interest (based on projected short-term interest rates) shall be included in any calculation of the Town's debt level.

Long-term Financing (Bonds): Long-term bonds shall be used to finance capital projects of at least $500,000 and the payoff term will not exceed 20 years. Notwithstanding these general guidelines, long-term bonds:

1. Shall seek payoff terms between 50% and 75% of the capital assets useful life. This rapid repayment results in the majority of the indebtedness being repaid within ten years. This policy minimizes the interest payments made over time. The Town shall seek to continue this practice, unless General Fund revenues are projected to be insufficient to provide adequately for debt service payments; and
2. Shall make every effort to meet the criteria for "bank qualified" status to increase the pool of potential bidders in a competitive bond sale.

Continuing Disclosures: The Town shall comply with all continuing disclosure requirements as outlined in the debt documents (in accordance with U.S. Securities and Exchange (SEC) Rule 15c2-12). The Finance Director shall be responsible to submit the annual audited CAFR and any other required financial disclosures (to conform with the "updated financial and operational" continuing disclosure requirements) to the EMMA filing service immediately following the issuance of the audited CAFR. The Finance Director shall be responsible to file with the EMMA within **10 business days** of the occurrence of a special event that may have an impact on the Town's outstanding bonds. The Finance Director should work with bond counsel to ensure compliance with the EMMA reporting responsibilities.

Special events include:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, certain notices from the IRS or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the obligated person or issuer;
13. consummation of a merger, consolidation or acquisition of, or the sale of all or substantially all of the assets of, an obligated person or issuer, other than in the ordinary course of business, or the entry into or termination of an agreement relating to such actions if other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change in the name of a trustee, if material;
15. incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

16 default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person any of which reflect financial difficulties.

Bond Plan: The Finance Director shall submit an annual bond plan to the fiscal/budgetary authority as part of the annual budget process. The plan shall include:

1. Anticipated bonded capital projects, total and individual bond amounts and timing of bond issuances through the end of the **fiscal year being budgeted**.
2. Graph displaying total debt (principal and interest) separated into:
   a. Existing debt
   b. New current fiscal year debt issues
   c. New budget fiscal year debt issues.
3. Bond borrowing/paydown schedule for the next 10 years (including projected long-term borrowing based on 10-year capital improvement plan (CIP))
4. BAN borrowing/paydown schedule for the next 10 years (including projected short-term borrowing based on 10-year capital improvement plan (CIP))
5. % of outstanding debt scheduled to be redeemed in the next 10 years.

Federal Arbitrage and Rebate Compliance: The Town shall comply fully with federal arbitrage and rebate regulations. Concurrent with the policy, the Town shall take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues. All the Town's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The Finance Department and the requesting departments shall be responsible for the following:

1. Using bond proceeds only for the purpose and authority for which the bonds were issued. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds will be expended within the three-year temporary period.
2. Performing arbitrage rebate calculations on construction funds, as determined by the IRS.
3. Performing arbitrage rebate computations no later than each five-year anniversary date of the issuance and at the final maturity for all bonds.
4. Examining whether the Town met the arbitrage rebate exception calculation rules.
5. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.
6. Monitoring the expenditure of bond proceeds and exercising best efforts to spend bond proceeds in such a manner that the Town will meet one of the spend-down exemptions from arbitrage rebate.
7. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions.

To the extent any arbitrage rebate liability exists, the Town shall report such liability in the comprehension annual financial report (CAFR).

GLOSSARY OF TERMS

AD VALOREM TAXES
Real estate and personal property taxes calculated “according to the value” of property. The taxes are based on the assessed valuation of real property and, in certain cases, on the valuation of tangible personal property.

ADVANCED REFUNDING
A procedure where outstanding bonds are refinance by the proceeds of anew bond issue prior to the date on which the outstanding bonds become due or are callable. Generally, either the entire outstanding issue is refunded (full refunding) or only the callable bonds are refunded (partial refunding).

AMORTIZATION
The planned reduction of a debt obligation according to a stated maturity or redemption schedule.

ARBITRAGE
The gain that may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn arbitrage by issuing tax-exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.

ASSESSED VALUATION
The appraised worth of property as set by a taxing authority through assessments for purposes of ad valorem taxation. The method of establishing valuation is specified in the Ohio Revised Code.

BALLOON MATURITY
A maturity within a serial issue of securities that contains a disproportionately large percentage of the principal amount of the original issue. A balloon maturity is generally distinguished from a term bond by the fact that a term bond generally has the benefit of a sinking fund to smooth out the amount of principal paid from any single year’s operations.

BASIS POINTS
The measure of the yield to maturity of an investment calculated to four decimal places. A basis point is 1/100th of 1% (.01 percent).

BEARER BOND
A security that does not identify its owner on its face or by registration. The security is presumed to be owned by the person possessing it. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) curtailed the issuance of tax-exempt bearer bonds.

BOND
A written promise, generally under seal, to pay a specified amount of money, called the face value, at a fixed time in the future, called the date of maturity, and carrying interest at a fixed or variable rate, usually payable periodically. NOTE: The difference between a note and a bond is that the latter usually runs for a longer period of time and requires greater legal formality.

BOND ANTICIPATION NOTE (BAN)
A short-term interest-bearing security issued in anticipation of a long-term bond issue. The investors typically rely upon the sale of a subsequent issue of securities to pay a BAN upon maturity.

BONDED DEBT
That portion of indebtedness represented by the outstanding bonds.

BOND COUNSEL
An attorney or firm of attorneys retained by the issuer to give a legal opinion concerning the validity of the securities. The bond counsel's opinion usually addresses the subject of tax exemption. 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
A type of credit enhancement where a monocline insurance company indemnifies an investor against a default by the issuer. In the event of a failure by the issuer to pay principal and interest in-full and on-time, investors may call upon the insurance company to do so. Once assigned, the municipal bond insurance policy generally is irrevocable. The insurance company receives an up-front fee, or premium, when the policy is issued.

BOND ISSUED
Bonds sold.

BOND RATING
A rating (made by an established bond rating company) from a schedule of grades, indicating the probability of timely repayment of principal and interest on bonds issued.

BOOK-ENTRY-ONLY
Bonds that are issued in fully registered form but without certificates of ownership. The ownership interest of each actual purchaser is recorded on computer.

CALL OPTION
The right to redeem a bond prior to its stated maturity, either on a given date or continuously. The call option is also referred to as the optional redemption provision.

CAPACITY
A measure of an organization's ability to provide customers with the demanded service or products, in the amount requested and in a timely manner.

CAPITAL APPRECIATION BOND
A bond without current interest coupons that is sold at a substantial discount from par. Investors are provided with a return based upon the accretion of value in the bond through maturity.

CAPITAL IMPROVEMENT
Land, buildings, structures and all facilities other than buildings, traffic lights, machinery, equipment, automobiles, etc., with a unit cost in excess of $5,000 and a useful life of five or more years.

CAPITAL IMPROVEMENT PROGRAM
A plan for capital expenditures to be incurred each year over a fixed period of several future years setting forth each capital project, identifying the expected beginning and ending date for each project, the amount and the method of financing.

CAPITAL LEASE
The 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 for a nominal price at the scheduled termination of the lease, is referred to as a capital lease.

CAPITAL PROJECT
Major construction, acquisition or renovation activities which add value to a government's physical assets or significantly increase their useful life - also called capital improvements.

CERTIFICATE OF PARTICIPATION
A financial instrument representing a proportionate interest in payments such as lease payments by one party (such as a city acting as a lessee) to another party (often a trustee).

COMMERCIAL PAPER (TAX-EXEMPT)
By convention, short-term, unsecured promissory notes issued in either registered or bearer form with a stated maturity of 270 days or less.

COMPETITIVE SALE
The sale of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.

CONDUIT FINANCING
The issuance of securities by a governmental entity to finance a project that will primarily benefit a third party, typically a private corporation, college or university. The security for this type of financing is usually the credit of the private entity, rather than the governmental unit. Usually such securities do not constitute general obligations of the issuer since the private entity is liable for generating the pledged revenues for repayment. Industrial development bonds or economic development bonds are a common type of conduit financing.

CONTINUING DISCLOSURE
The requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the informational repositories for access by the general marketplace.

COUPON RATE
The interest rate on specific maturities of a bond issue. While the term “coupon” derives from the days when virtually all municipal bonds were in bearer form with coupons attached, the term is still frequently used to refer to interest rates on different maturities of bonds in registered form.

CUSIP NUMBER
The term CUSIP is an acronym for the Committee on Uniform Securities Identification Procedures. An identification number is assigned to each maturity of an issue, and is usually printed on the face of each individual certificate of the issue. The CUSIP numbers are intended to help facilitate the identification and clearance of municipal securities.

DEBT BURDEN
The ratio of outstanding tax-supported debt to the market value of property within a jurisdiction. The overall debt burden includes a jurisdiction’s proportionate share of overlapping debt as well as the municipality’s direct net debt.

DEBT LIMITATION
The maximum amount of debt that is legally permitted by a jurisdiction’s charter, constitution, or statutes.

DEBT SERVICE
The amount necessary to pay principal and interest requirements on outstanding bonds for a given year or series of years.

DEBT SERVICE FUND
A fund established to finance and account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Also called a SINKING FUND.

DEBT SERVICE FUND REQUIREMENTS
The amounts of revenue which must be provided for a debt service fund so that all principal and interest payments can be made in full, on schedule.

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.

DEFAULT
The failure to pay principal or interest in full or on time. An actual default should be distinguished from technical default. The latter refers to a failure by an issuer to abide by

certain covenants but does not necessarily result in a failure to pay principal or interest when due.

DEFEASANCE
Providing for payment of principal of premium, if any, and interest on debt through the first call date or scheduled principal maturity in accordance with the terms and requirements of the instrument pursuant to which the debt was issued. A legal defeasance usually involves establishing an irrevocable escrow funded with only cash and U. S. Government obligations.

DEPOSITORY TRUST COMPANY (DTC)
A limited purpose trust company organized under the New York Banking Law. DTC facilitates the settlement of transactions in municipal securities.

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 burrower and include interest rate swaps, stations, caps, floors, collars, and forward purchase agreements.

DISCOUNT
The difference between a bond's par value and the price it is sold when the latter is less than par.

DOUBLE-BARRELED BOND
A bond secured by a defined source of revenue (other than general property taxes) and the full faith and credit of an issuer.

EMMA: the Electronic Municipal Market Access website; an online platform dedicated to bringing greater transparency to the municipal bond market. The Municipal Securities Rulemaking Board (MSRB) operates the EMMA website. EMMA is the official repository for information on all municipal securities and a key way the MSRB promotes a fair and efficient municipal market.

ENTERPRISE ACTIVITY
A revenue-generating project or business. The project often provides funds necessary to pay debt service on securities issued to finance the facility. The debts of such projects are self-liquidating when the projects earn sufficient monies to cover all debt service and other requirements imposed under the bond contract.

EQUITY
Balance remaining after liabilities is deducted from assets.

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.

FINAL OFFICIAL STATEMENT (FOS)
A document published by the issuer that disclose material information on a new issue of municipal securities including the purposed of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.

FINANCIAL OBLIGATION
As defined by SEC Rule 15c2-12, (A) a debt obligation, (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or a guarantee of (a) or (B).

FITCH INVESTORS SERVICE
A financial services company, founded in 1913, which provides investors with independent assessments of the creditworthiness of debt obligations.

FLOW OF FUNDS
The order in which pledged revenues must be disbursed as set forth in the trust indenture or bond resolution.

FULL FAITH AND CREDIT
A pledge of the General Taxing power of a government to repay debt obligations (typically used in reference to bonds).

GAAP
Generally Accepted Account Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

GENERAL FUND
The fund that is available for any legal authorized purpose and which is therefore used to account for all revenue and all activities except those required to be accounted for in another fund.
NOTE: The General Fund is used to finance the ordinary operations of a governmental unit.

GENERAL LEDGER
A book, file or other devise which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal; therefore, the debit balances equal the credit balances.

GENERAL OBLIGATION DEBT
Bonds for whose payments the full faith and credit of the BONDS issuing body are pledged. More commonly, but not necessarily, general obligation bonds are considered to be those payable from taxes and other general revenues.

GFOA

Government Finance Officers Association. An organization founded to support the advancement of governmental accounting, auditing, and financial reporting.

INDENTURE
A contract between the issuer and a trustee stipulating the characteristics of the financial instrument, the issuer's obligation to pay debt service, and the remedies available to the trustee in the event of a default.

ISSUANCE COSTS
The costs incurred by the bond issuer during the planning and sale of securities. These costs include but are not limited to financial advisory and bond counsel fees, printing and advertising costs and other expenses incurred in the marketing of an issue.

ISSUER COUNSEL
An attorney retained by the issuer to represent its best interest in a debt transaction. Often this role is performed by bond counsel, however, at time separate counsel is engaged that does not have responsibility to issue the bond opinion as well as represent the issuer's best interests.

JUNIOR LIEN BONDS
Bonds that have a subordinate claim against pledged revenues.

LEASE
An obligation wherein a lessee agrees to make payments to a lesser in exchange for the use of certain property. The term may refer to a capital lease or to an operating lease.

LEASE REVENUE BONDS
Bonds that are secured by an obligation of one party to make annual lease payments to another.

LESSEE
The party to a lease agreement that obtains use of a facility or piece of equipment on exchange for rental payments.

LESSOR
The owner of the property being leased.

LETTER OF CREDIT
Bank credit facility whereby a bank will honor the payment of an issuer's debt, in the event that an issuer is unable to do so, thereby providing an additional source of security for bondholders for a predetermined period of time. A letter of credit often is referred to as an L/C or an LOC. Letter of Credit can be issued on a "stand-by" or "direct pay" basis.

LINE OF CREDIT
Bank credit facility wherein the bank agrees to lend up to a maximum amount of funds at some date in the future in return for a commitment fee.

LONG-TERM DEBT
Debt with a maturity of more than one year after the date of issuance.
MANAGING UNDERWRITER
The member (or members) of an underwriting syndicate charged with the primary responsibility for conducting the affairs of the syndicate. The managers take the largest underwriting commitment.

MOODY'S INVESTOR'S SERVICE
A financial service company, a subsidiary of Dun & Bradstreet Corporation, which has provided ratings for municipal securities and other financial information to investors since 1918.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)
A self-regulating organization established in September of 1975 upon the appointment of a fifteen member Board by the Securities and Exchange Agreement. The MRSB is comprised of representatives from investment banking firms, dealer bank representatives, and public representatives; it is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New Board members are selected by the MSRB pursuant to the method set forth inboard rules.

NEGOTIATED SALE
A sale of securities in which the terms of sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding.

NET INTEREST COST (NIC)
The average interest cost of a bond issue calculated on the basis of simple interest. This calculation involves a fraction in which the numerator is the gross amount of interest to be paid over the bonds' life (adjusted for the amount or premium granted at the time of sale), and the denominator is the average of the bond issue multiplied by the issue's par value.

NOTE
A written promise to pay a certain amount of money on a specific date, with interest. By convention, the maturity of a note is one year or less, making it short-term debt. However, financial instruments with a longer stated maturity sometimes are called Notes. For example, a bond anticipation note can have maturities of two years or longer.

OBLIGATIONS
Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

OFFICIAL STATEMENT (OS)
A document published by the issuer that discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.

OPERATING LEASE
A lease that enables the less to acquire the use of the asset only, not its ownership as in a capital lease. The lease term typically runs for only a portion of the asset's useful life.
ORIGINAL ISSUE DISCOUNT BONDS
Bonds sold at a substantial discount from their par value at the time of the original sale.

OVERLAPPING DEBT
The legal boundaries of local governments often overlap. In some cases, one unit of government is located entirely within the boundaries of another. Overlapping debt represents the proportionate share of debt that must be borne by one unit of government because another government with overlapping or underlying taxing authority issued its own bonds.

PAR VALUE
The face value or principal amount of a security.

PAYING AGENT
An agent of the issuer with responsibility for timely payment of principal and interest to bond holders.

PRELIMINARY OFFICIAL STATEMENT (POS)
The POS is a preliminary version of the official statement that is used by an issuer or underwriters to describe the proposed issue of municipal securities prior to the determination of the interest rate(s) and offerings price(s). The preliminary official statement, also called a "red herring", often is examined upon by potential purchasers prior to making an investment decision.

PREMIUM
The excess of the price at which a bond is sold over its face value.

PRESENT VALUE
The value of a future amount or stream of revenues or expenditures in current dollars.

PRIVATE ACTIVITY BONDS
A bond where the use of bond proceeds is used for private purposes. If deemed a private activity bond, the interest is not tax exempt unless the use of the proceeds meets certain requirements of the Internal Revenue Code.

PUT OPTION
The right to demand repayment of principal prior to a bond's maturity. In the case of short-term variable rate debt, this right often is referred to as a variable-rate demand option.
REFUNDING
A procedure whereby an issuer refinances an outstanding bond issue by issuing new bonds.

REGISTERED BOND
A security on which the ownership is recorded by the issuer or its agent.

RESERVE
An account used to indicate that a portion of fund equity is legally restricted for a specific purpose or not available for appropriation and spending.

RESERVE FUND
A fund established to accumulate money for a special purpose, such as the purchase of new equipment.

REVENUE BOND
A bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. They are payable from identified sources of revenue, and do not permit the bondholders to compel the City to pay debt service from any other source. Pledged revenues are derived from the operation of an enterprise. Generally, no voter approval is required prior to issuance.

SECONDARY MARKET
The market in which bonds are sold after their initial sale in the new issue market.

SENIOR LIEN BONDS
Bonds having a prior or first claim on pledged revenues.

SERIAL BONDS
A bond issue in which the principal is repaid periodic installments over the issue's life.

SPECIAL ASSESSMENTS
A charge imposed against property or parcel of land that receives a special benefit by virtue of some public improvement that is not or cannot be enjoyed by the public at large. Special assessment debt issues are those that finance such improvements and are repaid by the assessments charged to the benefiting property owners.

STANDARD & POOR'S CORPORATION (S & P)
A financial service company, a subsidiary of McGraw-Hill Company. S&P provides ratings for municipal securities and other financial information to investors.

TERM BONDS
A bond issue in which the entire principal matures on one date. Term bonds also refer to a particularly large maturity of a bond issue that is created by aggregating a series of maturities. In the latter instance. Provision is made for mandatory structuring fund installments in advance of the term bond's maturity to reduce the burden of a particular large debt service payment in any one fiscal year.

TRUE INTEREST COST (TIC)
A method of calculating the overall cost of a financing that takes into account the time value of money. The TIC is the rate of interest that will discount all future payments so that the sum of their present value equals the issue proceeds.

UNDERWRITER

The term used broadly in the municipal market, to refer to the firm that purchases a securities offering from a governmental issuer.

UNDERWRITER SYNDICATE OR GROUP
The firms which collectively purchase a securities offering from a governmental issuer.

UNDERWRITER'S COUNSEL
An attorney engaged by the underwriter(s) to represent its interests in a debt transaction. Underwriter's counsel prepares the bond purchase agreement between the issuer and the underwriter and, when appropriate, the agreement among underwriters.

VARIABLE-RATE BOND
A bond on which the interest rate is reset periodically, usually no less often than semi-annually. The interest rate is reset either by means of an auction or through an index.

YIELD CURVE
A graph that plots the market yield on securities with different maturities, at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts the time to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a wide variety of yield curve configurations.

YIELD-TO-MATURITY
The rate of return that an investor will receive if the bond remains outstanding and the investor holds the bond to maturity. The investor must take into account the price paid for the bonds, the dates of purchase and maturity, and the coupon rate on the bonds. The "yield to maturity" assumes that interest payments will be re-invested at the same coupon rate borne by the bond.

ZERO COUPON
A bond that does not pay interest periodically. Investors receive interest on the scheduled principal maturity date of the obligation.