RESOLUTION 2017-17
RUSSELL TOWNSHIP, OHIO
DEBT POLICY

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Debt Policies

Debt Issuance Policies

- **Reliance on current revenues to finance operations**
  The Township will use current revenues to meet daily operations and working capital needs. The Township will not issue any debt to fund its operations.

- **Reliance on current revenues vs. debt to finance capital improvements**
  The Township plans to use current revenues to pay for short-term capital projects, repair and maintenance items and plans to reserve long-term debt for capital improvements with useful lives of ten years or more and special assessment projects.

- **Use of outside funding sources for capital projects**
  The Township will pursue all known outside funding sources, for example local, state or federal grant or low interest loan programs, before issuing debt. Where outside funding is available only on a matching basis, the Township will attempt to maximize the leverage of its available cash and debt resources.

- **Parameters for annual note issues**
  Bond anticipation notes may be issued as necessary during the construction or acquisition phases of capital projects or to finance on-going capital needs of the Township that exceed current revenue sources. Notes may be renewed and remain outstanding until the projects are complete and final costs are known or can be reasonably estimated. At that time, bonds will be issued to retire the notes, unless market conditions warrant that the debt remain in notes. For amounts remaining in notes, the Township's goal is to annually pay down the maximum amount allowable within the budget, but not less than 5% of the outstanding note balance.

- **Selection of outside service providers for debt issues**
  Professional service providers (underwriters, municipal advisors, bond registrars, paying agents, trustees, escrow agents, bond insurers, etc.) selected in connection with the Township's debt issues will be selected according to the Township's procurement policies. In most cases this will require a request for proposal process. The objectives of the process will be to:

  - Promote competition
  - Be as objective as possible
  - Incorporate clear and rational selection criteria
  - Be independent of political influence
  - Be perceived as fair by the respondents
  - Result in a cost-effective transaction
  - Result in the selection of the most qualified firm(s)

- **Bond structuring considerations**
  Bond amortization schedules will be structured to minimize interest expense within the constraints of revenues available for debt service. The structure may include features such as serial and term bonds, original issue discounts, premiums and mandatory sinking funds in any configuration that enhances the marketability of the bonds in order to minimize the total cost of the financing. The bonds should include call features to maximize the Township's ability to advance refund or retire the debt early. However, the call features should be balanced with market conditions to ensure that the total cost of financing is not adversely affected.
- **Use of variable rate debt**
  The Township will monitor interest rate markets and may use variable rate debt for long-term capital improvements if conditions warrant.
- **Debt not to exceed useful life of assets**
  The Township will not issue debt for any capital improvement for a term that exceeds the useful life of that improvement.
- **Credit enhancement considerations**
  For each debt issue, the Township will analyze the potential economic benefit of utilizing credit enhancement (bond insurance, bank letters of credit, etc.) and will pursue such enhancement provided cost savings are obtainable. Further, the Township will only pursue credit enhancement from companies that maintain the highest possible rating by nationally recognized rating agency(ies) for their products.
- **Use of derivative products**
  The Township may use derivative products to reduce interest costs, enhance the efficiency of debt service reserve funds and escrow accounts, or reduce market risk exposures. Should derivative products be used, a description of the risks and potential rewards of a derivative product must be provided, in writing, before the structure is selected. Both the County Prosecutor and bond counsel must review the transaction to ensure that the Township is authorized to enter into the necessary agreements under all existing statutes and Administration policies.
- **Method of sale for bonds and notes**
  The Township will determine, on an issue by issue basis, the most advantageous method of sale. The Township will generally follow the Government Finance Officers Association guidelines for selecting the method of sale (these guidelines are outlined in the Township's Long Term Financing Plan). If the sale is to be competitive, the Township may consider engaging a municipal advisor to assist with the sale.

Debt Management Policies

- **Revenues committed to fund capital projects**
  To minimize the need for issuing debt, the Township will strive to commit 10% of property taxes raised from the balance of available inside millage, to capital. The Township will also maintain the Miller Dodson Capital Reserve Study and use the report to allocate anticipated capital needs to the appropriate departments. These revenues will be used to fund annual capital projects, as well as to meet debt service requirements and pay down on outstanding debt.

- **Enhance year-to-year financial stability**
  The Township will prepare annually a five-year projection of revenues and expenditures in order to enhance year-to-year financial stability and to better analyze the need to issue debt. Included with the projections will be a determination as to whether the Township should modify the portion of general fund revenues dedicated to financing capital improvements.

- **Annual preparation of Capital Improvements Plan (CIP)**
  The Township will produce a five-year capital improvement plan and update the plan annually. The plan will remain flexible to permit changes in project priorities. Debt will be issued in accordance with CIP as necessary.

- **Credit rating**
  If appropriate, the Township will pursue a credit rating for individual debt issues. The Township will work to maintain and improve its potential long-term debt credit, provided this effort is consistent with good fiscal management policies. The Township does not currently believe it would be cost effective to pursue ratings from multiple agencies, but will continue to monitor the market to determine whether additional ratings provide economic benefit in the occurrence of a new debt issuance. The Township will consider having bond anticipation note issues rated if doing so will provide economic benefit.

- **Bond and Note Retirement**
  The Township will retire all debt on or before the maturity date.

- **Debt limitations compliance**
  The Township will fully comply with all statutory debt limitations imposed by the Ohio Revised Code. Since overlapping sub-divisions have an impact on the Township's debt limitations, the Township will monitor the impact of debt issued by overlapping entities and initiate discussions with those issuers should the Township's debt limit become adversely affected.

- **Arbitrage compliance**
  The Township will fully comply with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform arbitrage rebate calculations for each issue subject to rebate, on an annual basis. All necessary rebates will be filed and paid when due.

- **Reserve millage**
  The Township's goal will be to maintain a 1 mill inside millage reserve for emergencies. Based on 2016 assessed valuation figures, this amounts to approximately $257,500 of annual debt service capacity, or a $3.75 million 20-year bond issue at 3.25%.

- **Bank Qualified Status**
  The Township will manage its bank qualified debt issuance status carefully. Should conduit issuers request access to the Township's tax-exempt issuance capabilities, the Township will analyze the impact of the request on its bank qualified status and its debt issuance plans, then determine whether to negotiate a fee with the conduit issuer that would "make the Township whole" for the conduit issue causing the Township to lose its bank qualified status in any given year.

- **Investment of bond proceeds**
  The Township will invest bond proceeds according to its general investment of funds policies.

- **Bond retirement fund**
  The Township will maintain a segregated bond retirement fund to provide for principal and interest payment on its debt. The Township's goal will be to maintain a fund balance adequate to meet current obligations.

- **Debt service reserve funds**
  The Township will maintain a segregated debt service reserve funds for revenue issues as required by any trust and/or indenture agreements.

- **Refunding criteria**
  The Township will monitor its debt portfolio for refunding opportunities on a regular basis. The Township will consider refundings for various reasons, including to:

  - Achieve interest rate savings in a declining interest rate environment,
  - Update covenants on outstanding debt which impair efficient operations,
  - Restructure the pattern of debt service associated with outstanding bond issues; and
  - Alter bond characteristics, such as call provisions or payment dates, on existing debt.

  If the Township pursues a refinancing for interest rate savings, it should initiate the transaction (select method of sale, engage outside service providers and begin Preliminary Official Statement preparation) when the present value savings exceed 2% of the par amount of the outstanding issue (inclusive of all costs of issuance). Generally, the Township may execute the refunding once present value savings exceed 3% of the outstanding par.

- **External reporting**
  The Township will provide rating agencies, national information repositories such as the Electronic Municipal Market Access (EMMA) and other interested parties with current versions of its CAFR in a timely manner. The Township will remain in compliance and file reports in accordance with Municipalities Continuing Disclosure Cooperation Initiative (MCDC). The Township plans to include all information required by the Security and Exchange Commission's rule 15c2-12(b)(5) in the statistical section of the CAFR, unless this information is otherwise available in the form of a current Annual Information Statement or Official

Statement prepared in connection with the issuance of debt. In addition, the Township's debt limitations will be updated at least annually and reported in the statistical section of the CAFR.

- **Debt policy responsibility and maintenance**
  The debt policies are considered Administration policies will be modified by the Administration, from time to time, as deemed necessary. However, the policies are the primary responsibility of the Russell Township Fiscal Officer. The policies shall be reviewed annually during the Budget Workshop preparation process and should be updated at that time as necessary.

Appendix A - List of Material Events

The occurrence of any of the following material events must be disclosed to the MSRB through EMMA in a timely manner:

- Principal and interest payment delinquencies
- Non-payment-related defaults
- Unscheduled draws on debt charges reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds
- Modifications to rights of holders or beneficial owners
- Bond calls
- Defeasances
- Release, substitution, or sale of property securing repayment of the Bonds
- Rating changes
- The Issuer's failure to provide the Annual Information within the time specified in the Issuer's Continuing Disclosure Agreement.
- Any change in the accounting principles applied in the preparation of its annual financial statements, any change in its Fiscal Year, its failure to appropriate funds to meet costs to be incurred to perform the Continuing Disclosure Agreement, and of the termination of this Agreement.

Appendix B - Glossary

Accrued Interest: Accrued interest is interest that is due on a bond or other fixed income security since the last interest payment was made.

Advance Refunding: Financing transactions under which new bonds are issued to repay an outstanding bond issue prior to its first call date. Money raised from the new issue is usually placed in an escrow account and invested in government securities. The interest and principal repayments of these escrowed securities are used to pay the old bonds until they can be called.

Agency Debt: Debt the Township incurs from making loans from Federal or State agencies.

Amortization: It is the process of paying the principal amount of an issue of securities by periodic payments either directly to holders of the securities or to a sinking fund for the benefit of security holders.

Annual Financial Information: This is financial information of operating data of the type included in the final official statement with respect to the issuer. Rule 15c2-12 obligates underwriters for most primary offerings of municipal securities to ensure that the issuer or other obligated person have undertaken to provide such information or data on an annual basis to EMMA.

Assessed Valuation or Assessed Value: The appraised worth of a property as set by a taxing authority for purposes of ad valorem taxation.

Auditor of State: The Auditor of State is the Constitutional Officer responsible for auditing all public offices in Ohio, including cities; villages; schools; universities; counties; townships; and State agencies, boards and commissions.

Arbitrage: It is, generally, the difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

Bank Qualified: It refers to bond issuers who issue no more that $10 million of general obligation debt by a local unit of government. Currently 501(c) (3) issuers have their own designations, and lease obligations in a year. Certain financial institutions like commercial banks are allowed to deduct 80% of the interest expense associated with the purchase of bank qualified issues.

Basis Point: 1/100 of a percent of yield. Often a basis point is referred to as “bp”.

Bidding Agent: A firm engaged in developing written terms for a request for securities for an escrow, receives competitive offers for the securities, and coordinates the settlement of the Escrow Securities.

Blue Sky Laws: A colloquial term for state securities laws.

Bond Anticipation Notes (BANs): Bans are notes which are paid from the proceeds of the issuance of long-term bonds. Typically issued for capital projects.

Bond Counsel: Nationally recognized legal experts hired to negotiate, prepare and supervise proceedings for the issuance of an issue of debt and to provide an opinion as to, validity and binding effect of the debt and related agreements and obligations and the tax-exempt nature of the debt (if tax-exempt).

Book Entry Bonds: The process of registering bonds through an electronic book-entry system. This system replaces the need to provide investors with physical bonds.

Bond Purchase Agreement: An agreement between issuer and the underwriter, in a negotiated transaction, who agrees to purchase a bond issue. A bond purchase agreement generally contains the following: 1) the purchase price to be paid by the underwriter, including any premium or discount; 2) certain terms of the bonds, such as interest rates, maturities, redemption provisions, and original issue discount; 3) the circumstances under which the under-writer may cancel its obligation to purchase the issue such as changes in the tax treatment of the bonds and other events which would make it substantially more difficult for the underwriter to sell the bonds to investors; 4) good faith deposit, if any; 5) the condition to the closing of the issue, which often include documents, certificates and opinions which are to be delivered on the closing date; and 6) any restrictions on the liability of the issuer. Other common names for a bond purchase agreement are "contract of purchase" or "bond purchase contract."

Broker-Dealer: This refers to a general term for a securities firm that is engaged in both buying and selling securities for customers and also buying and selling for its own account.

Build America Bonds: BABs, as they are known, are tax credit bonds. They can be issued as tax-exempt government use bonds, but for which the issuer has elected to forego the tax exemption of interest and either to allow (i) the holders to receive tax credits equal to 35 percent of the interest payments on the BABs or (ii) if eligible, the issuer to receive credits in the form of payments from the US Treasury in that amount.

Bullet Maturity: A maturity for which there are no principal and/or sinking fund payments prior to the stated maturity date. The par amount of the loans comes due at the stated maturity date.

Call Provisions: This is commonly referred to as the pre-payment option, the terms of an issue of bonds giving the issuer the right to redeem all or a portion of the bonds prior to their stated maturities at a specific price, usually at or above par.

Capital Appreciation Bond (CABs): A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity, at which time the investor receives a single payment (the “maturity value”) representing both the initial principal amount and the total investment return.

Capitalized Interest: A portion of the proceeds of a bond issue which is set aside to pay interest on the same bond issue for a specific period of time. Interest is sometimes capitalized for the construction period of the project.

Certificates of Participation (COPs): Lease/purchase financing enables issuers to avoid issuing general obligation debt, subject to voter approval. The financing is secured by a pledge to seek annual appropriations to make lease payments. COPs represent proportionate shares of interest in the lease payments made by the governmental entity to the trustee. Proceeds from the sale of COPs fund the purchase of equipment or other improvements. At the end of lease term, the government entity owns financed improvements.

Commercial Paper: Short-term promissory notes (less than 270 days) issued in either registered or bearer form, and usually backed by a line or letter of credit with a bank.

Compensated Absences: Remuneration for an agreed upon set or number of absences from one's job. Typically a union negotiated deal point.

Competitive Sale: A sale/auction of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. Contrast to a negotiated sale.

Conduit Financing: The issuance of municipal securities by a governmental unit (referred to as a "conduit issuer") to finance a project to be used primarily by a third party, usually a for-profit entity engaged in private enterprise or a 501©(3) organization.

Continuing Disclosure: The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

Coverage: This is a term usually connected with revenue bonds. It indicates the margin of safety for payment of debt service, reflecting the number of time gross or net income must exceed debt service payable.

Credit Enhancement: Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

Current Yield: It is the rate of actual cash flow as percent of the purchase price.

CUSIP: CUSIP stands for "Committee on Uniform Securities Identification Procedures". It is a nine-digit identifier number for a security that is used to maintain a uniform method of identifying municipal, corporate, and U.S. Government securities. CUSIP numbers are a service provided by Standard & Poor's Corporation.

Debt Service: It is the amount of money necessary to pay interest on outstanding bonds, the principal of maturing bonds and the required contributions to a sinking fund for term bonds. This amount is known as the debt service requirement.

Debt Service Coverage: It is the net revenue available for debt service divided by debt service.

Debt Service Reserve Fund (DSRF): A fund in which moneys are placed which may be used to pay debt service if current revenues of the Utility are insufficient to pay operating costs and satisfy current debt service requirements. It is designed to provide a cushion for temporary adversity. The DSRF may also be secured by a surety bond from a bond insurer or by a letter of credit.

Deep Discount Bonds: These are bonds which are priced for sale at a substantial discount from their face or par value.

Defeasance or Defeased: In a refinancing, the termination of rights and interests of the bondholders and of their lien on the pledged revenues or other security in accordance with the terms of the bond contract for an issue of securities.

Depreciation: Depreciation is a noncash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.

Derivative or Derivative Security: It is financial product whose value is derived from an underlying security, structured to deliver varying benefits to different market segments and participants. The term encompasses a wide range of products offered in the marketplace including interest rate swaps, caps, floors, collars and other synthetic variable rate products. value or reference to an index

Double-Barreled Bond: It is a municipal bond that is secured by a combination of a general obligation tax pledge and specified revenues. The term is occasionally, although erroneously, used to refer to bonds by any two sources of pledged revenue.

EMMA: EMMA stands for The Municipal Securities Rule Making Board's Electronic Municipal Market Access Data Base. It became effective July 1, 2009. It is a comprehensive source for the official statements, continuing disclosure documents, advance refunding documents and real-time price information on municipal securities. EMMA is assuming the role as the centralized, electronic repository for all municipal bond disclosure documents and trade data.

Enterprise Funds: Enterprise funds are commonly used to account for activities that are fully financed through user charges. The Township operates its own sewer and water system utilities.

Escrow Fund: A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue in an advance refunding.

Escrow Securities: Escrow Securities means securities in which moneys in an Escrow are invested in relation to the advance refunding.

Feasibility Study: A report of the financial practicality of a proposed project and financing thereof, which may include estimates that will be generated and a review of the physical, operating, economic or engineering aspects of the proposed project. It is not uncommon for the rating services to require such studies, performed by credible third party consultants.

Floating or Variable Interest Rate: A method of determining the interest rate to be paid on a bond issue by reference to an index, formula, or an interest rate determined by the remarketing necessary to allow the bonds to trade at par, at intervals as stated in the bond contract. The latter method is most common with so-called, low floater, variable-rate demand obligations, where interest rates can be reset daily, weekly, and monthly or at other intervals.

501(c)(3) Organization: An organization recognized by the I.R.S. as a not-for-profit organization.

Fixed Rate: Means the interest rate for the debt is determined and fixed on the date the issue is sold.

Fund Accounting: The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

Generally Accepted Accounting Principles (GAAP): These are the rules adopted by the Financial Accounting Standards Board that establishes standards for preparing financial statements of an enterprise.

General Obligation Bond/Debt: Debt secured by a pledge of the full faith and credit and general property taxing power of the Township for the payment of debt service payments. Can be "self-supporting," i.e. payable from the net revenues of the Utility (or another enterprise of the Township). All Township resources other than those specifically excluded are considered available and must be used if normal sources are not sufficient

Indenture/Trust Indenture: It is a contract between the issuer of municipal securities and a trustee for the benefit of bond holders. The trust indenture establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the security for the bonds. Typically used with the issuance of revenue bonds.

Insured Bonds: Some municipal bonds are backed by municipal bond insurance that is specifically designed to reduce investment risk. In the event of a default, the insurance company guarantees payment of principal and interest to the investors for as long as the Default lasts.

Investment Grade: Bonds graded Baa and higher by Moody's Investors Service and Fitch Investors Service, or BBB and higher by Standard and Poor's are considered to have only minor speculative characteristics. These are considered to have a high probability of being paid and are considered "investment grade." Bank examiners require that most bonds held by banks be investment grade.

Legal Opinion: An opinion from bond counsel that states that the issuance of the securities is valid, that the municipal securities are legal, and in the case of tax-exempt bonds, interest on the bonds is excluded from gross income of the holders for federal income tax purposes, and where applicable, from state and local taxes.

Letter of Credit: A bank credit facility pursuant to which the bank agrees to lend a specified amount of funds for a limited term.

Level Debt Service: An arrangement of serial maturities in which the amount of principal maturing increases at approximately the same rate as the amount of interest declines, resulting in substantially equal debt service payments over the life of bonds.

Long-term: Generally means more than one year.

Material Event Disclosure: The disclosure of certain enumerated events affecting a municipal security required to be made under a continuing disclosure agreement meeting the requirements of Rule 15c2-12. See Appendix A for List of Events.

Municipal Advisors: With respect to the issuance of municipal bonds, tax-exempt or taxable, a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings.

Municipal Bond: A general term referring to securities issued by states and local government agencies such as cities, towns, counties, and special districts. Primary features of these securities are that interest on them is generally exempt from federal income taxation and, in many cases, state income taxation as well (in that state issued). Because of this feature, the interest rates on municipal bonds are lower that interest rates on other types of bonds, but when taking into account a bondholder's income taxes, often provide a comparable, or better, rate of return.

Municipal Bond Insurance Companies:

- Assured Guaranty
- BAM (Build America Mutual)
- National Public Finance Guarantee

Municipal Bond Rating Agency:

- Moody's Investors Service
- Standard & Poor's Corporation
- Fitch
- Kroll

Municipal Lease: An obligation by a municipal agency to lease equipment or property. The lease payments usually include a component for repayment of principal and a component for interest. The interest component is usually tax-free (exempt from federal, and sometimes state, income taxation).

Municipal Notes: Capital operating short term obligations, including tax/revenue/bond anticipation notes (TANS/RANS/BANS) of a municipal agency that are sold in anticipation of tax receipts, an upcoming bond issue, or other revenues. Municipalities may issue notes for 20 years; after 5 years they must pay down principal on the notes as if they had a bond issue outstanding.

Municipal Securities Rule Making Board (MSRB): The Municipal Securities Rule Making Board is an independent self-regulatory organization, consisting of representatives of securities firms, dealer banks and the public that is charged with primary rule making authority over dealers, dealer banks and brokers in connection with their municipal securities activities. These rules are approved by the SEC and enforced by NASD.

Negative Arbitrage: Investment of bond proceeds and other related funds at a rate below the bond yield.

Negotiated Sale: It is a method of sale in which the issuer chooses one underwriter to negotiate its bond issue - terms pursuant to which such underwriter will purchase and market the bonds.

Net Interest Cost (NIC): It is the method of computing interest expense to the issuer of bonds. NIC allows for premium and discount bonds (and takes into consideration costs of issuance) and represents the dollar amount of interest payable over the life of an issue, without taking into account the time value of money (which True Interest Cost (TIC) does take into account). NIC can be stated as a percentage or a total dollar amount.

Net Revenue: Generally, Net Revenue is the difference between gross revenue and operating and maintenance expenses.

Notice of Redemption: A publication of an issuer's intention to call outstanding bonds prior to their stated maturity dates, in accordance with the bond contract.

Notice of Sale: It is publication/offering document by an issuer describing an anticipated new offering (sold through a competitive sale) of municipal bonds. It generally contains the date, time and place of sale, amount of issue, type of bond, amount of good faith deposit, basis for award, name of bond counsel, maturity schedule, method, time and place of delivery, and bid form.

Offering Circular: A document, similar to an Official Statement, generally prepared by issuers of securities expected in the primary market backed by revenues other than general obligation debt (e.g., certificates of participation or lease-revenue debt). Investors, analysts, and the rating agencies may use this information and other documents to evaluate the credit quality of an issue.

Official Statement: This is a legal document that must be prepared by an issuer of municipal securities (Over $1,000,000) that gives details of the security and financial information for an issue. It is much like a prospectus for stocks.

Original Issue Discount: A bond offered at a dollar price less that par (100%), which qualifies for special treatment under federal tax law. For tax-exempt municipal bonds, the difference between the issue price and par is treated as tax-exempt income rather than as a capital gain, if the bonds are held to maturity.

Par Bond: A bond selling at its face value.

Parity Bonds: Two or more issues of bonds that have the same priority claim or lien against pledged revenues or the issuers' full faith and credit pledge. With respect to the initial issue of bonds, called the "prior issue," the bond contract normally provides the requirements that must be satisfied before subsequent issues of bonds called "additional parity bonds," may be issued.

Pay-As-You-Go: An issuer elects to finance a project with existing cash flow as opposed to issuing debt obligations.

Paying Agent: It is the entity responsible for the payment of interest and principal on municipal bonds on behalf of the issuer, typically a bank or trust company.

Preliminary Official Statement: The legal document prepared by or for a municipal securities issuer that gives in detail the security and financial information about the issue. The Preliminary Official Statement includes all relevant material except the interest rates and prices for the securities, and is made available to prospective investors prior to the setting of rates and prices.

Premium Bond: It is a bond which sells above par to generate cash for the transaction.

Present Value: It is the current value of a future cash flow.

Private Activity Bonds: These bonds are one of the two primary categories of tax-exempt bonds established under the 1986 Tax Act. Most are subject to state volume caps and benefit non-governmental persons; e.g. IDBs, housing bonds, exempt facility bonds.

Private Placement: It is the negotiated private sale of an issue with one or more institutional or private investors as opposed to being publicly offered or sold.

Ratings: These are evaluations of the credit quality of notes and bonds made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. The primary municipal credit rating agencies are: Standard & Poor's Corporation, Moody's Investors Service, Fitch Ratings, and Kroll Bond Rating Agency (KBRA).

Rebate: Generally, a requirement imposed by Tax Reform Act of 1986 whereby under certain circumstances, the issuer of tax-exempt bonds must pay the US Treasury profit earned from investment of tax-exempt bond proceeds at rates exceeding its tax-exempt borrowing rate. The tax-exempt borrowing rate (or "bond yield") is calculated pursuant to the IRS code.

Redemption: It is the paying off or buying back of an outstanding bond by the issuer prior to maturity by means of a cash payment. Redemption provisions are set forth in the indenture. Common types of redemption provisions include: Optional Redemption (ability to call after a stated date, usually at a premium); Mandatory Redemption (Issuer required to call outstanding bonds based on predetermined schedule or otherwise provided in the bond contract); Extraordinary Optional Redemption (Issuer has right to call bonds upon the occurrence of certain events such as when excess bond proceeds exist); and Extraordinary Mandatory Redemption (Usually derived from insurance proceeds after destruction of project collateral).

Refunding Bond: They are the bonds used in a refinancing to replace a bond issue with a new bond issue. Usually a new bond issue will refund an outstanding issue to achieve conditions more favorable to the issuer, such as reduced interest rate or more favorable borrowing conditions like the removal of liens. With "Current Refunding" bonds must be called within 90 days of the earliest call date applicable to IDBs. "Advance Refunding" establish a procedure where an issuer refinances an outstanding bond, typically far in advance of the first call date. The proceeds of new bonds are deposited in an escrow to pay debt service on outstanding bonds, called the "refunded bond." Revenues that were pledged to the outstanding bond to pay debt service are in turn, used to make debt service payments on the new bonds called "refunding bonds."

Revenue Anticipatory Debt: It is a method of improving cash flows by selling debt which will be retired with a certain revenue source to be received at a specific later date in the current year. This is typically done with short-term financing, i.e. RANs.

Revenue Bond: Bonds payable from a specific source of revenues and which do not pledge the full faith and credit of the issuer. Revenue bonds are payable from identified sources of revenue, and do not permit the bondholders to compel taxation or legislative appropriations of funds not pledged for payment of debt service. Pledged revenues may be derived from the operation of the financed project, from companies financed in the case of IDBs, etc.

Revenue Debt: This would be debt secured only by a pledge of revenues of an Enterprise Fund and certain covenants of the Township for the payment of annual principal and interest payments.

Rule 15c2-12: An SEC rule setting forth certain obligations of (i) underwriters to receive, review and distribute the official statements prepared by issuers of municipal securities, (ii) underwriters to obtain continuing disclosure agreements from issuers and to provide material event disclosures and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities in the secondary market.

Secondary Market Disclosure: The disclosure of information relating to outstanding municipal securities made following the end of an underwriting period by or on behalf of the issuer of or other obligor with respect to the securities. Certain secondary market disclosure obligations are set forth in Rule 15c2-12.

Self-Supporting Debt: This is debt that is to be repaid from proceeds derived exclusively from the enterprise activity for which the debt was issued.

Serial Bonds: These are the bonds of an issue in which some bonds mature in each year over a period of years. Serials enable issuers to access the lower end of the yield curve in a positively sloping yield curve environment.

Short-term debt: Generally means debt one year or less.

SLGS: Acronym for State and Local Government Series, SLGS are special U.S. government securities sold by the Treasury to issuers through individual subscription agreements. Interest rates and maturities of SLGS are arranged to comply with arbitrage restrictions of the Tax Code. SLGS are commonly used for deposit in an escrow account in connection with the issuance of refunding bonds.

Special Assessment: A charge imposed against a property in a particular locality because that property receives a special benefit by virtue of some public improvement, separate and apart from the general benefits accruing to the public at large.

Spread or Gross Spread: The income earned by the underwriting syndicate as a result of differences in the price paid to the issuer for a new issue of municipal bonds and the prices at which bonds are sold to the investing public. Spread is usually expressed in points or fractions thereof or per $1,000 bonds such as $8.00 per $1,000 bonds. The spread includes four components: Expenses, management fee, takedown (largest component like a sales commission), and risk.

Star Ohio: This is an acronym for the State Treasury Asset Reserve. The State of Ohio's highly rated (AAA in S&P) public investment pool offering safety, liquidity and generally higher yields.

Swap Management Policy: A swap policy is a formally approved written document intended to guide management decisions over time on interest rate derivative transactions.

Taxable Equivalent Yield: The interest rate that must be received on a taxable security to provide the holder the same after tax return as that earned on a tax-exempt bond.

Term Bond: A bond issued with a single maturity. Term bonds are typically structured at the end of a loan. Municipal Term Bonds usually include a sinking fund for the periodic redemption of a portion of the term bond.

True Interest Cost (TIC): Method of computing the issuer's borrowing cost, interest cost is defined as the rate, compounded semiannually, necessary to discount the amounts payable on the respective principal and interest maturity dates to the purchase price received for bonds; i.e. an internal rate of return calculation. Unlike NIC, TIC takes into account the time value of money. Although many analysts suggest that competitive sale bids should be awarded on the basis of the lowest TIC bid, most are awarded based on the lowest NIC bid.

Trustee: A bank designated by an issuer of bonds to act as the custodian of funds and official representative of the bondholders. Trustees are appointed to assure the bondholders have representation to enforce the contractual obligations of the issuer as provided for in the indenture.

Underwriter: An underwriter is a broker – dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering. They purchase the entire security for a specified price, usually for resale to others. The underwriter may acquire bonds either through competitive or negotiated sales.

Underwriter's Discount: The Discount is difference between the price at which bonds are bought by the Underwriter from the Township and the price at which they are reoffered to investors.

Underwriter's Expenses: Expenses of senior managers for out-of-pocket expenses including: underwriter's counsel, DTC charges, travel, syndicate expenses, dealer fees, overtime expenses, communication expenses, computer time and postage.

Variable Interest Rate: An interest rate, sometimes referred to as a "floating rate," on a security that changes at intervals according to market conditions or a predetermined index or formula Variable rate bonds can adjust the interest rate as often as daily, or as infrequently as annually.

Variable Rate Debt: Debt with an interest rate which changes at intervals according to an index or a formula or other standard of measurement as stated in the bond contract.

Verification Report: In a refunding, a report, prepared by a certified public accountant or other independent third party, that demonstrates that the cash flow from investments purchased with the proceeds of the refunding bonds that are being defeased.

Yield: It is the net annual percentage income from an investment; the annual rate of return on an investment, based on the purchase price of the investment, its coupon rate and the length of time the investment is held. The yield of a bond reflects interest rate, length of time to maturity and write-off of premium or discount.

Yield Curve: A graph that plots market yields on securities of equivalent quality but different maturities at a given point in time. The vertical access represents the yields, while the horizontal axis depicts time to maturity. The relationship of interest rates over time, as reflected by the yield curve, will vary according to market conditions.

Zero Coupon Bond: An original issue discount bond on which no periodic interest payments are made but which is issued at a deep discount from par, accreting (at the rate represented the offering yield at issuance) to its full value at maturity. Also known as capital appreciation bonds.

Appendix C – Reference Material

Below is a list of select websites with additional information about the municipal bond market:

- EMMA (Electronic Municipal Market Access): www.emma.msrb.org
- GFOA (Government Finance Officers Association): www.gfoa.org
- MSRB (Municipal Securities Rulemaking Board): www.msrb.org
- Sudsina & Associates (Municipal Advisor): www.sudsina.com