

## **PUBLIC FINANCIAL MANAGEMENT TERMS**

**ACCRUED INTEREST** In general, interest that has been earned on a bond but not yet paid—usually because it is not yet due. (Source: Municipal Securities Rulemaking Board)

**ADDITIONAL BONDS** A term found in indentures, trust agreements, bond resolutions, and other bond documents referring to bonds that may be issued in the future in addition to the bonds being issued under the current document. Additional bonds are generally on a parity with the bonds being issued initially and may not be issued without meeting certain conditions involving the level of revenues available to repay the initial bonds and additional bonds, maximum amount limitations, and other conditions. (Source: Municipal Securities Rulemaking Board)

**AD VALOREM TAX** A tax based on value—typically property tax. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**ARBITRAGE** Arbitrage generally refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the tax-exempt bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds or other federally tax-advantaged bonds. (Source: Municipal Securities Rulemaking Board)

**ASSESSED VALUE** The appraised value of a property as set by a taxing authority for purposes of ad valorem taxation. (Source: Municipal Securities Rulemaking Board)

**AVERAGE LIFE** With respect to an issue of bonds, the weighted period of time required to repay half of the issue through scheduled principal payments (e.g., maturity, sinking fund redemption, etc.). The average life, also referred to as the “weighted average life” or “weighted average maturity” or “WAM,” is a reflection of the rapidity with which the principal of an issue is expected to be paid. (Source: Municipal Securities Rulemaking Board)

**BALANCE SHEET** Financial report that indicates the financial position of the organization at a specific point in time; officially referred to as the statement of financial position. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**BLUE SKY LAWS/BLUE SKY SURVEY OR MEMORANDUM** Blue Sky laws are the state statutes that regulate the manner of offering and selling of securities, bonds, investment contracts, and stocks. (Source: Municipal Securities Rulemaking Board)

**BOND ANTICIPATION NOTES (BANs)** Debt obligations anticipated to be paid from the proceeds of to be issued debt obligations. (Source: Municipal Securities Rulemaking Board)

**BOND COUNSEL** An attorney or law firm retained by the issuer to assist the issuer in connection with a municipal debt issuance and to give a legal opinion that the proposed debt is a legally valid obligation of the issuer and, to the extent applicable, that the interest on the proposed debt is exempt from federal or state income tax. (Source: Municipal Securities Rulemaking Board)

**BOND INSURANCE** Non-cancellable insurance purchased, generally by the issuer, from a bond insurer under which the insurer is obligated to make scheduled payments of interest, principal, and mandatory sinking fund payments on an issue if the issuer fails to make timely payments. Payment of an installment by the insurer does not relieve the issuer of its obligation to pay that installment. The issuer remains liable to pay that installment to the insurer. (Source: Municipal Securities Rulemaking Board)

**BOND PURCHASE CONTRACT OR AGREEMENT** In a negotiated sale, the bond purchase contract is an agreement between an issuer and an underwriter or a group of underwriters who have agreed to purchase the issue. In a competitive sale, the notice of sale, the underwriter's bid, and the issuer's acceptance of the bid together constitute a bond purchase contract. Generally, these three items taken together contain items similar to those in a negotiated bond purchase contract. (Source: Municipal Securities Rulemaking Board)

**BOND RESOLUTION** Either the resolution of the issuer's governing board approving the issuance of bonds and the execution and delivery of related documents, or the document providing for the issuance and specifying the terms of and security for bonds. (Source: Municipal Securities Rulemaking Board)

**CALLABLE BOND** A bond that the issuer is permitted to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract. (Source: Municipal Securities Rulemaking Board)

**CAPITAL BUDGET** Plan for the acquisition of buildings and equipment that will be used for the organization in one or more years beyond the year of acquisition. (Source: "Financial Management for Public, Health, and Not-for-Profit Organizations")

**CAPITALIZED INTEREST (FUNDED INTEREST)** Bond proceeds reserved to pay interest on an issue for a period of time early in the term of the issue—also called funded interest. Capitalized interest may also refer to the interest to be so paid. Interest is commonly capitalized through the date on which it is anticipated that construction of the projects being financed with the proceeds will be completed and ready for use. (Source: Municipal Securities Rulemaking Board)

**CASH FLOW STATEMENT** Statement that examine the organization's sources and uses of cash. (Source: "Financial Management for Public, Health, and Not-for-Profit Organizations")

**CERTIFICATE OF PARTICIPATION (COP)** A certificate representing an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment sale agreement. (Source: Municipal Securities Rulemaking Board)

**COLLATERAL** Specific asset pledged to a lender as security for a loan. (Source: "Financial Management for Public, Health, and Not-for-Profit Organizations")

**COMMERCIAL PAPER (CP)** Notes of varying, very short term maturities (no more than 270 days and generally 1 to 90 days) that are generally rolled over in a series of current refundings as portions of the issue mature from time to time. (Source: Municipal Securities Rulemaking Board)

**COMPETITIVE SALE** The sale of bonds to the bidder presenting the best bid at the time and place specified in a published notice of sale (also called a public sale). (Source: Municipal Securities Rulemaking Board)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)** A report issued by a governmental entity that includes the entity's audited statements for the fiscal year as well as other information about the entity meeting specific standards established by the Governmental Accounting Standards Board (GASB). (Source: Municipal Securities Rulemaking Board)

**COSTS OF ISSUANCE (COI)** The expenses paid by or on behalf of the issuer in connection with the sale and issuance of bonds. These expenses may include, but are not limited to, bond counsel's fees, disclosure counsel fees, trustee's fees, financial advisor's fees, feasibility consultant's fees, accounting fees, costs of printing the bonds, costs of printing the Official Statement or other disclosure documents, costs associated with obtaining a credit rating, and underwriter's gross spread. (Source: Municipal Securities Rulemaking Board)

**COVENANTS** Contractual obligations in financing agreements whereby the party making the promises agrees to perform or refrain from performing certain actions or to comply with certain requirements. (Source: Municipal Securities Rulemaking Board)

**COVERAGE** The extent to which revenues in addition to the amount necessary to pay operating expenses and debt service are required to be collected by a rate covenant or by the conditions to the issuance of additional parity bonds. For example, the bond resolution under which water revenue bonds are issued may require the issuer to maintain fees and charges for the sale of water at levels sufficient to enable it to collect in each year the amount necessary to pay all of its water system operating expenses, debt service on the bonds, plus an amount equal to 25% of debt service on the bonds. The additional 25% is referred to as coverage. (Source: Municipal Securities Rulemaking Board)

**CREDIT ENHANCEMENT** A facility providing security for the timely payment of principal and interest on debt whether or not those amounts are paid by the issuer. (Source: Municipal Securities Rulemaking Board)

**DAYS CASH ON HAND** Ratio that compares cash and marketable securities to daily operating expenses to assess the ability of the organization to meet its obligations in the event of a delay in collecting cash owed to the organization. (Source: "Financial Management for Public, Health, and Not-for-Profit Organizations")

**DEBT SERVICE** The total of interest, principal, and mandatory sinking fund payments. (Source: Municipal Securities Rulemaking Board)

**DISCOUNT** The amount, if any, by which the sale price of a bond is less than its principal amount or par value. Original issue discount (OID) is the amount by which the principal amount or par value of a bond exceeds the offering price to the public at the time it is originally sold, or if sold in a private placement, the price to its first purchaser. (Source: Municipal Securities Rulemaking Board)

**ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA)** The Electronic Municipal Market Access (EMMA) system is a centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market operated by

the Municipal Securities Rulemaking Board (MSRB). Among other things, EMMA serves as the official source for official statements and other primary market disclosure documents for new issues of municipal securities as well as the official source for continuing disclosures for outstanding issues of municipal securities for which the issuer or obligated person has entered into a continuing disclosure agreement as contemplated under SEC Rule 15c2-12. (Source: Municipal Securities Rulemaking Board)

**ELIGIBLE COSTS** “Eligible costs” generally refers to the costs that issuers can pay or be reimbursed for with the proceeds of a particular type of bond under the Internal Revenue Code of 1986 or under the statutes and authorizations pursuant which particular bonds are issued. (Source: Municipal Securities Rulemaking Board)

**ENTERPRISE FUND** A fund established by a governmental entity to account for operations of an enterprise activity. Enterprise funds generally are segregated as to purpose and use from other funds and accounts of the governmental entity with the intent that revenues generated by the enterprise activity and deposited to the enterprise fund will be devoted principally to funding all operations of the enterprise activity. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**EXEMPT FACILITIES** As defined in the Internal Revenue Code, airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water, sewage facilities, solid waste disposal facilities, qualified residential rental projects, facilities for the local furnishing of electric energy or gas, local district heating or cooling facilities, and qualified hazardous waste facilities. (Source: Municipal Securities Rulemaking Board)

**FISCAL YEAR** One-year period defined for financial purposes. A fiscal year may start at any point during the calendar year and finishes one year later. For example, “fiscal year 2019 with a June 30 year-end” refers to the period from July 1, 2018, through June 30, 2019. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**FUND** An accounting entity with its own separate set of financial records for recording and reporting assets, liabilities, fund balance, and changes in fund balance. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**FUND ACCOUNTING** System of separate financial records and controls; the assets of the organization are divided into distinct funds with separate accounts and a complete separate set of financial records. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)** Set of rules that must be followed for the organization’s financial statements to be deemed a fair presentation of the organization’s financial position and results of operations. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**GENERAL FUND** The predominant fund for financing state/local government programs, used to account for revenues that are not specifically designated to be accounted for by any other fund. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)** Authoritative body that develops governmental GAAP. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**INCOME STATEMENT** Compares the entity’s revenues with its expenses for a period of time, such as a year. It is also commonly referred to as a statement of revenues and expenses. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**INDEX DEBT** A debt obligation, the interest on which is adjusted periodically in accordance with a published formula. (Source: Municipal Securities Rulemaking Board)

**INFRASTRUCTURE** Stationary assets with extremely long lifetimes, including bridges, tunnels, dams, roads, and similar assets. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**INITIAL OFFERING PRICE** The price at which a new issue of municipal securities is offered to the public at the time of original issuance. This price is sometimes referred to as the “public offering price.” The initial offering price may be at a discount to par, par, or a premium to par. (Source: Municipal Securities Rulemaking Board)

**INTEREST/INTEREST RATE** A charge paid to the bondholder by the issuer for the use or borrowing of money. The interest rate is the interest charge expressed as a percentage of principal (which generally corresponds roughly to the amount borrowed) accruing over a specified period (generally a year) so long as the debt remains unpaid. Interest may be paid or may compound at intervals different from the period used to express the interest rate. For example, interest on current interest fixed rate bonds generally is expressed as an annual rate, but is paid twice per year, with each payment being one half of the amount that would accrue over an entire year. Interest on compound interest, fixed-rate bonds generally is compounded twice per year and paid at maturity. Interest on variable-rate bonds accrues at a rate that changes from time to time (perhaps as often as daily), but each such rate is nevertheless generally expressed as a percentage per year. The amount of interest that has accrued over a period shorter than the payment or compounding interval may be determined by one of several different rules. For example, if interest accrues “on the basis of a 360-day year of 12 30-day months,” the amount of interest that has accrued since the last payment or compounding date is calculated assuming that 1/12 of 1 year’s interest accrues for each complete calendar month and 1/360 of 1 year’s interest accrues for each additional day. On the other hand, if interest is calculated on the basis of a year of 365 days and the actual number of days elapsed, the amount of interest accrued since the last payment or compounding date is calculated assuming that 1/365 of 1 year’s interest accrues each day. (Source: Municipal Securities Rulemaking Board)

**LETTER OF CREDIT** A commitment, usually issued by a bank, used to guarantee the payment of principal and interest on debt issues. The LOC is drawn if the issuer is unable to make the principal and/or interest payments on a timely basis. (Source: “Fundamentals of Municipal Bonds”)

**LEVEL DEBT SERVICE** A debt service schedule in which the combined annual amount of principal and interest payments remains relatively constant over the life of the issue of bonds. (Source: Municipal Securities Rulemaking Board)

**LEVEL PRINCIPAL** A debt service schedule in which the annual amount of principal payments remains relatively constant over the life of the issue of bonds, resulting in declining annual debt service as the annual amount of interest payments declines. This is sometimes referred to as “declining debt service.” (Source: Municipal Securities Rulemaking Board)

**LONDON INTERBANK OFFERED RATE (LIBOR)** Represents the average rate at which a leading bank can obtain unsecured funding in the London interbank market. LIBOR serves as a benchmark for various interest rates. Obligations of parties to such transactions are typically expressed as a spread to LIBOR. (Source: Municipal Securities Rulemaking Board).

**LINE OF CREDIT** A commitment by a bank to provide funds to a borrower if certain conditions have been met or if certain conditions do not exist. (Source: “Fundamentals of Municipal Bonds”)

**LIQUIDITY** Refers to how quickly an asset can be converted to cash. The more quickly an asset can become cash, the more liquid it is. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**MAKE-WHOLE CALL** A type of redemption provision allowing the issuer to pay off debt early that is designed to protect the investor from losses as a result of the earlier call, with the redemption provision derived from a formula based on the net present value of future interest payments that will not be paid as a result of the call. (Source: Municipal Securities Rulemaking Board)

**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)** An objective and easily readable analysis of the government’s financial activities prepared by the government and based on currently known facts, decisions, or conditions. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”).

**MATURITY SCHEDULE** A schedule listing the dates upon which the issuer is obligated to repay principal on the debt and the corresponding amount of the issuer’s repayment obligation. (Source: Municipal Securities Rulemaking Board)

**MUNICIPAL ADVISOR** A person or entity (with certain exceptions) that (a) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning the financial products or issues, or (b) solicits a municipal entity, for compensation, on behalf of an unaffiliated municipal securities dealer, Municipal Advisor, or investment advisor to engage that party in connection with municipal financial products, the issuance of municipal securities, or investment advisory services. (Source: Municipal Securities Rulemaking Board)

**NEGATIVE ARBITRAGE** Investment of bond proceeds and other related funds at a rate below the bond yield or the amount of investment earnings below the amount of earnings that would have been earned had the investment of funds earned interest at the bond yield. (Source: Municipal Securities Rulemaking Board)

**NEGOTIATED SALE** A sale of bonds, the terms and price of which are negotiated by the issuer through an exclusive agreement with a previously selected underwriter and/or underwriting syndicate. (Source: Municipal Securities Rulemaking Board)

**NET INTEREST COST (NIC)** A measure of the interest cost of an issue derived by adding together all interest payments for the term of the issue and dividing that sum by the sum for all bonds of the amount of each bond multiplied by the number of years it is outstanding. If the bonds are to be issued at a discount, the amount of the discount is added to the interest total as if it had been paid by the issuer. If the bonds are to be issued at a premium, that amount is subtracted from the interest total. The formula is as follows: 
$$\text{NIC} = \frac{\text{Total Interest Payments} + \text{Discount (or - Premium)}}{\text{Bond Year Dollars}}$$
 Bond Year Dollars. The denominator, bond year dollars, measures the amount of bonds outstanding over the time they are outstanding. Bond years equal the number of bonds outstanding (in \$1,000 denominations) multiplied by the number of years they are outstanding. One bond year is one \$1,000 bond outstanding for one year. Bond year dollars are the number of bond years multiplied by \$1,000 for each bond. NIC is distinguished from the True Interest Cost (TIC) measure in that the NIC does not take into account the time value of money. The NIC is sometimes used to compare bids at a competitive sale. (Source: Municipal Securities Rulemaking Board)

**OPERATING BUDGET** Plan for the day-in and day-out operating revenues and expenses of the organization. It is generally prepared for one year. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**PAR/PAR VALUE** Par or par value refers to the principal amount of a bond. A bond may be purchased at par, meaning the price of the bond is equal to its principal amount; below par, meaning the price is below its principal amount; or above par, meaning the price is above its principal amount. (Source: Municipal Securities Rulemaking Board)

**PENSION FUNDED RATIO** A pension plan’s funded ratio measures the extent to which a government has set aside and invested assets to fund pension benefits earned by current and past employees. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”).

**PENSION OBLIGATION BONDS** Debt issued to finance a public agency’s pension funding obligation. (Source: Municipal Securities Rulemaking Board)

**PLEDGE** To grant a security interest in or lien on an asset to provide security for the repayment of bonds or the performance of some other obligation. A pledge may cover an existing asset (such as a reserve account) or a stream of revenues to be received in the future (such as the income of a defined enterprise). (Source: Municipal Securities Rulemaking Board)

**PREMIUM** The amount by which the price of a bond exceeds its principal amount or par value. A redemption premium is the premium an issuer is required (by the terms of a bond) to pay to redeem (call) the bond before its stated maturity. (Source: Municipal Securities Rulemaking Board)

**PREMIUM BOND** A security purchased at a price in excess of the par value. (Source: Municipal Securities Rulemaking Board)

**PRESENT VALUE** The current value of a payment or stream of payments expected to be received in the future, discounted at a given interest rate or rates. (Source: Municipal Securities Rulemaking Board)

**PRESENT VALUE SAVINGS** Difference expressed in terms of current dollars between the debt service on a refunded bond issue and the debt service on a refunding bond issue for an issuer, calculated by discounting the difference in the future debt service payments on the two issues at a given rate. (Source: Municipal Securities Rulemaking Board).

**PRICING/REPRICING** The determination (or redetermination) by the underwriters in a negotiated sale of the interest rates and reoffering prices at which an issue will be offered to investors. On the pricing date, bonds are offered at yields proposed by the underwriters and agreed to by the issuer. If not enough or too many orders are received from investors on the original terms, the issue may be repriced to be more attractive to investors or to give a better rate to the issuer, as the case may be. (Source: Municipal Securities Rulemaking Board)

**PRINCIPAL** With respect to a loan, the amount loaned and to be repaid, i.e., the amount for the use of which interest is charged. Similarly, with respect to a bond, principal is the amount on which interest accrues and which is to be paid to the bondholder on the maturity date (not including interest). The principal of a bond is sometimes referred to as its face amount because the amount to be paid at maturity is printed on the front (the face) of the bond. (Source: Municipal Securities Rulemaking Board)

**PRIVATE ACTIVITY BONDS** In general, bonds of which 10% or more of the proceeds are used in the trade or business of nongovernmental persons and 10% or more of the debt service is secured by or derived from property used in the trade or business of nongovernmental persons, or 5% or more of the proceeds are loaned to nongovernmental persons. (Source: Municipal Securities Rulemaking Board)

**PUBLIC PRIVATE PARTNERSHIPS (P3)** A generic term for a wide variety of financial arrangements whereby governmental and private entities agree to transfer an ownership interest of, or substantial management control over, a governmental asset to the private entity in exchange for upfront or ongoing payments. (Source: Municipal Securities Rulemaking Board)

**RATE COVENANT** A covenant to establish rates and charges at levels that will generate revenues sufficient to achieve a stated minimum ratio of net revenues to debt service. (Source: Municipal Securities Rulemaking Board)

**RATIO ANALYSIS** Comparison of one number to another in order to gain insight from the relationship between the numbers. i.e. revenue to assets ratio is the total revenues divided by total assets; a measure of the amount of revenue generated per dollar of assets used by the organization. (Source: “Financial Management for Public, Health, and Not-for-Profit Organizations”)

**REFUNDING** An issue of bonds (the refunding bonds) to pay debt service on a prior issue (the refunded bonds). Advance Refunding A refunding in which the refunding bonds are issued more than 90 days before the date upon which the refunded bonds will be repaid. This is not allowed in the post-tax reform passed in 2017. The ability to advance refund with tax-exempt proceeds is not allowed but issuer still have other options including advance refund with taxable proceeds. Current Refunding A refunding in which refunding bonds are issued not more than 90 days before the date upon which the refunded bonds will be paid. (Source: Municipal Securities Rulemaking Board)

**RESERVE ACCOUNT (BOND RESERVE ACCOUNT OR DEBT SERVICE RESERVE ACCOUNT)** An account from which monies may be drawn to pay debt service on an issue if pledged revenues and other amounts available to satisfy debt service are temporarily insufficient. (Source: Municipal Securities Rulemaking Board)

**SECONDARY MARKET** The market in which bonds are purchased from bondholders who have held the bonds for investment purposes, as opposed to being purchased directly from the issuer or from the issuer through an underwriter. (Source: Municipal Securities Rulemaking Board)

**SECURED OVERNIGHT FINANCING RATE (SOFR)** An interest rate index based on actual transactions in the Treasury repurchase market that the New York Federal Reserve began to publish in April 2018 as an alternative to LIBOR. The rate would be used, instead of LIBOR, for U.S. dollar based derivatives and loans. (Source: Municipal Securities Rulemaking Board)

**STANDBY PURCHASE AGREEMENT** An agreement between an issuer and a financial institution, usually a bank, whereby the bank agrees to purchase bonds in the event the bondholders tender them to the issuer and they are not remarketed to new purchasers. (Source: Municipal Securities Rulemaking Board)

**SURETY/RESERVE FUNDS SURETY** In the public finance context, a surety policy is a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issue. (Source: Municipal Securities Rulemaking Board)

**TAXABLE EQUIVALENT YIELD** The interest rate that must be received on a taxable security to provide the bondholder the same aftertax return as that earned on a tax-exempt bond. (Source: Municipal Securities Rulemaking Board)

**TRUE INTEREST COST (TIC)** A measure of the interest cost of an issue that accounts for the time value of money. The TIC is sometimes also called the internal rate of return or the net effective interest rate. The TIC for an issue is the annual discount rate which, when used to discount all debt service payments on the issue to the date of initial delivery of the issue, using a compounding interval equal to the interest payment periods for the issue, results in the aggregate present value of the debt service payments being equal to the original purchase price (including accrued interest) of the issue. For the purpose of calculating the TIC, sinking fund payments for any term bonds are considered principal payments. Because there is no algebraic formula for the direct computation of the TIC, it must be determined either by successive approximation on a computer or calculator or by using present value tables. The TIC is often used to compare bids at a competitive sale. (Source: Municipal Securities Rulemaking Board)

**UNDERWRITER'S GROSS SPREAD (UNDERWRITER'S DISCOUNT)** The difference between the purchase price paid to the issuer for a new issue and the sum of the prices at which the bonds are initially offered to the investing public by the underwriter.

To the extent that the initial offering prices are subsequently lowered by the underwriter, the full amount of the spread may not be realized by the underwriter. The spread is usually expressed in points or fractions thereof. The spread generally consists of:

- Management Fee. A fee paid to the managing underwriter for handling the affairs of the syndicate, including, in the case of a negotiated sale, structuring the issue and negotiating with the issuer.
- Expenses. Any advertising and printing costs to the underwriter, underwriter's counsel's fees and

expenses, travel expenses, MSRB fees, CDIAAC fees, and other similar expenses. • Takedown. Normally the largest component of the spread, similar to a commission, the takedown represents the income derived by the selling broker or dealer from the sale of the bonds. If bonds are sold by a member of a syndicate, the seller is entitled to the full takedown (also called the total takedown). If bonds are sold by a dealer, which is not a member of the syndicate, the seller receives only that portion of the takedown known as the concession or dealer's allowance, with the balance (often termed the additional takedown) retained by the syndicate. • Risk. This is the amount of compensation for risks incurred by the underwriter in underwriting the bond issue, relating to the difficulty of marketing the issue, bond market conditions, and the amount of bonds remaining to be resold after the execution of the bond purchase agreement. There is rarely a risk component in the underwriting spread. (Source: Municipal Securities Rulemaking Board)

**YIELD TO CALL** The rate of return to the investor earned from payments of principal and interest, with interest compounded twice per year at the stated yield, presuming that the security is redeemed on a specified call date (if the security is redeemed at a premium call price, the amount of the premium is also reflected in the yield). (Source: Municipal Securities Rulemaking Board)

**YIELD TO MATURITY** The rate of return to the investor earned from payments of principal and interest, with interest compounded semi-annually at the stated yield, presuming that the security remains outstanding until the maturity date. (Source: Municipal Securities Rulemaking Board)

#### Source Detail

Finkler, Steven. Purtell, Robert. Calabrese, Thad. Smith, Daniel. Financial Management for Public, Health, and Not-For-Profit Organizations. 4<sup>th</sup> Edition. Published by Pearson Education. 2013.

O'Hara, Neil. The Fundamentals of Municipal Bonds. 6th Edition. Published by Wiley Finance. 2012.

Municipal Securities Rulemaking Board. Glossary of Terms. Accessed 11/18/2019.  
<http://www.msrb.org/Glossary>