

Town of East Greenwich



Revenue Bonds

Revenue Bonds

- Require no voter authorization
 - Issued for revenue producing operating systems/projects
 - In Rhode Island, typically used for sewer systems and drinking water systems
- Secured solely by the revenues of the project or revenues pledged
- Typically sell at higher interest rates than comparably rated GO Bonds
- Usually requires a debt service reserve fund
- Must adhere to covenants set forth in the Bond Indenture
 - Rate covenants (can require raising of user fees)
 - Limit on additional bonds
 - Operating reserve funds
 - Must maintain percentage of additional operating revenues over debt service costs – coverage requirements

Difference Between Revenue and GO Debt

- Revenue Bonds are supported only by a revenue stream from an enterprise fund or a revenue producing project
- Revenue bonds are not backed by the full faith and credit of the issuer and do not require electoral approval
- Bondholders are dependent upon revenues from the specific enterprise or project to be repaid the principal and interest
- Revenue Bonds typically sell at interest rates higher than comparably rated General Obligation Bonds

Difference Between Revenue and GO Debt

General Obligation Bonds (GO)

- Require bond election for authorization
- Issued for any public purpose generally not to exceed 20 years, but may be longer
 - Town Capital Improvements
 - School Capital Improvements
 - Road & Bridge Construction and Reconstruction
 - Sewer System or Drinking Water System
- Secured by issuer's full faith, credit and ad valorem taxing power

Revenue Bonds

- Typically require no voter authorization; approved by Board or City/Town Council
- Issued for revenue producing operating systems/projects
 - Sewer System
 - Drinking Water System
- Secured solely by revenues of the operating system
- Typically sell at interest rates higher than comparable GOs
- Usually requires a debt service reserve fund
- Requires rates to achieve minimum debt service coverage (approximately 1.25X or higher)

Disclaimer

Disclosure: Hilltop Securities Inc. is providing the information contained in this document for discussion purposes as financial advisor to the Town of East Greenwich, Rhode Island. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could affect the projected results. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the market or no market may exist at all.