

**CUYAHOGA COUNTY**  
**Municipal Infrastructure Program**  
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**Who can participate in the program?**

Virtually all local governments in the County can participate in the program. We are not restricting participation by type of government. However, a participant must be able to demonstrate that they have no capacity or very limited capacity to borrow on an unvoted general obligation basis under Ohio's 10-mill limitation.

**Why must a participant demonstrate limited capacity under the 10-mill limit?**

Traditionally, local governments throughout Ohio have met their borrowing needs through the issuance of unvoted general obligation bonds and notes which are subject to Ohio's constitutional "10 mill limit". We the recent downturn in assessed valuation, borrowing capacity has been diminished or eliminated in many of our communities. The result is that many needed infrastructure projects have been delayed due to lack of access to the bond market. The County wants to provide our smaller communities with a vehicle to get these projects back on track.

**Why has project size financed under the program been limited to \$3,000,000?**

There are a couple of reasons that we have placed a limit on project size. First, the County has limited capacity to invest in bonds and notes of local governments within its investment portfolio, and it does not want that capacity concentrated in just a few of our participating governments. Second, it is our contention that issuers of larger bond issues would have the ability to explore other means of accessing the capital markets through the issuance of revenue bonds, non-tax revenue bonds, etc. These may not be cost effective vehicles for smaller projects.

**We would normally issue bonds for 20 or 25 years. Why have you limited the County's program to issues of 5 years or less?**

The County simply does not have the ability to tie up assets in its investment portfolio for 20 to 25 years. Our investment policy calls for maximum maturity on all investments of 5 years, and we must build our program to operate within the prudent parameters set by that policy. We will be willing to consider buying future bonds/notes that refund a portion of those originally purchased by the County. However, we cannot make that firm commitment at this time.

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**We understand that the program would allow the County to intercept our local government fund payments. Why is this required and why would we agree to it?**

Yes, the County is asking each participant to enter into an agreement that will allow the County to intercept local government fund payments due to the participating entity in the event that the participant is delinquent in paying its principal and interest obligations. The State of Ohio currently has intercept programs for school districts and community colleges where State aid can be intercepted if their participating districts are not current on their debt payments. It is our understanding that those intercepts have never been implemented. Likewise, we do not ever expect the need to intercept payments due to you, but this feature clearly provides us with a strong security feature. The County will consider purchasing bonds/notes from entities that do not enter into an intercept agreement, but the interest rate will be higher than for those participants who do enter into an intercept agreement. If a participant is confident in its ability to meet its obligations, we see no reason why it would not enter into the agreement.

**What will determine if an application is approved or denied?**

The County (with the assistance of their advisors) will completely review the information provided with each application. At the conclusion of the review, we will provide each application with a “thumbs up” or “thumbs down”. We will, of course, first determine if the applicant meets the basic conditions of participation. Second, if an applicant is willing to participate in the revenue intercept feature, the odds of approval increase. Likewise, loans that are fully amortized over the initial loan period will have a higher likelihood of approval because the risk of refinancing at the end of the initial term has been eliminated. The most important factor after meeting the basic participation guidelines will undoubtedly be the strength and reliability of the revenue stream being pledged to repayment. The County will not be “grading” applications. We do not want to be in the business of creating a hierarchy of credits within the County. We are not a rating agency. All approved applications will be eligible for the same interest rate treatment. Consistent with this practice, applications will either be approved or denied without dissemination of any scoring scale or hierarchy. For those applications that the

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County considers “marginal”, we will work with the applicant to improve the credit characteristics being offered. The goal of the program is to help the applicant finance the project while, at the same time, protecting the invested assets of the County.

**Do we need to fully amortize our bonds/note over the 5 year term?**

No. The County is requiring that 40% of each loan be amortized during its initial term. However, if a participant fully amortizes the loan without a balloon at final maturity, it will have the opportunity to receive a lower interest rate on its loan.

**How are interest rates determined?**

The bonds/notes purchased by the County will carry an interest rate spread to the 5 year treasury. This is not a tax-exempt rate. We are using a taxable scale because the County does not benefit from tax exempt income. The spread to the 5 year treasury will be set by the County with input from its investment advisor. The actual rate will be locked in on the date that the County purchases the bonds/notes. We will offer a base rate (bonds notes that fully amortize and participate in the intercept) and higher rates for those bonds/notes that do not incorporate these two features. The rate will be fixed for the term of the bond/note.

**Are ratings required?**

Our goal is to make this program as administratively simple and minimize issuance costs in the process. We are not requiring participants to seek a rating, and we are not requiring the preparation of a preliminary or final official statement. You are free to use your existing bond counsel.

**What if I borrow under the County’s program and want to refinance at a later date?**

No problem. The County has no interest in requiring you to remain in the program if you find a better alternative. The bonds/notes purchased under this program will be callable at any time.

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**Does this program provide me with the best solution to our borrowing needs?**

We don't know and we encourage you to explore all of your options. Our goal is not to offer a program that is the "be all and end all" program. Our goal is to provide you access to capital at a time when your traditional avenue is not available to you. We offer an efficient road to accessing capital for smaller projects within the constraints imposed upon us by the County's investment policy.