

2. *Maturity<sup>6</sup> distribution.*—One of the most important aspects of new debt is the period over which that debt is repayable. Since serial bonds which mature at intervals are normal for general obligation issues, and term bonds which all expire at the end of one period are more prevalent for revenue issues,<sup>7</sup> the maturity distribution for these two types of securities may be expected to vary considerably. That variation is shown on charts IV through VI. In comparing maturities, the heavy preponderance of general obligation issues for the short maturities and the dominance of revenue issues for the longest maturities is apparent.

Examining each chart separately, several facts stand out. Chart IV shows the rather constant level—with the exception of 1965—from 1957 to 1965 of the dollar amount of general obligation issues with average maturities from 1 through 14 years, accompanied by a pronounced decline in the number of issues in this category. The volume of revenue financing was too small for time changes to be significant.

Chart V illustrates the large growth during the past 9 years in the dollar volume of revenue financing with an average maturity of from 15 to 30 years. Although general obligation financing still is larger in this category—about equal in 1965—the growth of financing has largely been in the form of revenue issues. The average size of both general obligation and revenue issues has increased during this time span. For maturities of 30 years or more years (chart VI), revenue financing dominates the picture. The dollar volume of both general obligations and revenue bonds of this maturity range has been erratic—due to the large dollar size of the issues and the small number involved—and obscures any trends if such are present. On the average, issues of this maturity are about \$10 million, but with wide variability.

<sup>6</sup> Maturity has been calculated by weighted average—the method most commonly used to measure bond maturity. Weighted average maturity refers to the average time period the debt is outstanding, weighted by the dollar amount of the debt. For example, a serial bond issue retiring \$1 million in 5 years, \$2 million in 6 years, and \$3 million in 7 years would have an average maturity of  $6\frac{1}{2}$  years reflecting the large amount due in 7 years. A term bond maturing in 10 years would have an average maturity of exactly 10 years, no matter how measured or weighted. The availability of funds for use by the issuer would be less because of sinking fund requirements.

<sup>7</sup> Term bonds are particularly used—and useful—in situations where the uncertainties of net revenues are higher than normal (e.g., new projects). Under such circumstances the use of serial maturities would increase the risk to both the issuer and the investor.