Aurora City Schools Case Study

$9,700,000 Classroom Facilities Improvement Bonds, Series 2008	$9,551,000 Classroom Facilities Improvement Bonds, Series 2009

During 2007 the Aurora Board of Education and Administration moved toward completion of an important part of the District's strategic plan – renovating and adding onto the high school, as well as making updates to the other 3 buildings in the District. School officials were not satisfied to only fund the construction of the improvements but also committed to asking voters for sufficient operating funds to properly staff and care for the physical plant.

On November 6, 2007 District voters were asked to approve a two part bond issue – one for the $18,600,000 (1.88 mills) needed for construction and an additional 4.12 mills for operations totaling 6.0 mills. Unfortunately voters turned-down the issue by a mere 102 of the over 4,000 votes cast.

After an analysis of the November election officials quickly decided to try again at the March 4, 2008 election, again for 6 mills total, but thanks to assessed valuation growth the bond par amount was raised to $19,251,000. Although not typically a service Sudsina & Associates offers, as a concerned citizen and father of two district student, Michael Sudsina agreed to chair the March campaign. A considerable effort was launched to ensure that voters determined to be in support of the issue were contacted and encourage to vote. 30 neighborhood captains were organized with nearly 300 team members that were each assigned 10 likely "yes" voter to contact, discuss the issue and encourage to vote.

As the November 2007 issue lost by a small margin with nearly 2,000 votes, the committee determined that approximately 3,000 votes were needed to assure victory during the March Presidential primary. In the end the issue was approved at the March 2008 ballot with 3,440 "yes" votes versus 2,948 votes against the issue or 54% to 46%.

In order to provide funds for preliminary expenses while the bond issue was being prepared, Sudsina & Associates worked with Bond Counsel, Squire, Sanders & Dempsey, to assess the feasibility to issue short-term bond anticipation notes once the election results were certified. It was agreed that notes would be advisable so Sudsina & Associates prepared a $2,150,000 five month note issue for competitive sale. The June 3, 2008 sale resulted in four bids and a very attractive interest rate for prevailing market conditions.

As time moved closer to the November 2008 maturity of the notes, Sudsina & Associates, LLC assisted the District prepare and distribute a Request for Proposal for investment banking firms to serve as underwriter of the District's bonds. At the end of the process Fifth Third Securities prevailed and was selected as sole managing underwriter for the bond issue.

During the later part of June and early July a full credit rating review was performed and plans were made to travel to Chicago to make a presentation to Moody's Investors Service. The result was that the District received a very high "Aa2" rating due to its very strong tax base and financial management, as well as superb overall voter support.

Having been successful at a March election, the District faced the difficult task of raising funds for construction with the knowledge that the first collections on the levy would not occur until February of 2009. At the same time, during the second half of 2008 market conditions that favored "bank qualified" issues over "non-bank qualified" transactions. The distinction focuses on the amount of new money debt an issuer sells within a calendar year. The choice was to either sell the entire $19,251,000 in a single bond issue or split the issue between 2008 and 2009 sales to take advantage of lower "bank qualified" rates. As a result, the financing team decided to issue $9,700,000 of the authorized par amount in August 2008 to retire the June notes and provide $7,550,000 for construction.

The August sale was quite successful after which the financing team turned its attention to prepare the second issue for sale in early mid-December 2008 with a closing date in January 2009 to qualify both issues as bank qualified. Again the sale was quite successful with excellent rates versus the market, even though the issue was sold with an 8 year call, the same as the August issue.

In the end the strategy to split the issue into two bank qualified issues rather than a single, non-bank qualified issue saved taxpayers over $3,000,000 in debt service payment.

Sudsina
& Associates, LLC
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Advisors