

City of Bay Village Case Study

Competitive Bond Sales



\$6,200,000 General Obligation Bonds, Series 2003

In August, 2003 the City of Bay Village issued limited tax, general obligation bonds, primarily for the construction of a new police headquarters facility.

The City began the 2003 issuance process with a Aa3 rating by Moody's, which had last been confirmed a year earlier. Sudsina & Associates was engaged specifically to assist with the rating process. The rating team, consisting of the Mayor, Finance Director, Chair of City Council's Finance Committee and the Financial Advisor worked together to prepare an in-depth rating presentation which was made in Moody's Chicago office.

Bay Village is, to a large extent, a residential community. Even so, due to its relatively high wealth statistics, is able to balance its General Fund revenues evenly between income taxes, property taxes and various other revenues. These factors, in combination with the fact that the City has traditionally maintained substantial balances in the General Fund, contributed to gaining a positive outlook from Moody's in addition to the confirmation of the Aa3 rating.

The sale was a success with 5 bids received and the bonds achieving a 4.21% interest rate with the Bond Buyer 20 Bond Index at 4.99%.

\$1,625,000 General Obligation Bonds, Series 2011

In February 2011, the City contacted us to request assistance with the issuance of bonds to construct a new police station. The City had issued bond anticipation notes in 2010 to get the construction started and was now ready to establish long-term financing for the project.

Helping the City with this bond issue was a natural extension of the assistance Sudsina & Associates provided the City in January 2009 as it wrestled with decisions on how best to utilize an estate tax windfall it had received. At that time we analyzed a number of debt defeasance scenarios as Council was interested in an early extinguishment of outstanding bonds as one possibility. The result of that work was a decision to maintain the windfall funds in reserve for rainy day needs and to bolster the City's overall financial stability. This decision ended up helping the City attain a rating upgrade to Aa2 and subsequently, with



Moody's general recalibration in 2010 the City is now rated Aa1.

The City had originally begun the issuance process with only help from bond counsel that recommend the bonds be bid on July 1. Unfortunately, that was too close to the July 4th holiday and no bids were received. We assisted the City to reschedule the sale later in the month which was quite successful. The Bonds achieved an interest rate of 3.13% with the Bond Buyer 20 Bond Index at 4.12%.

\$3,580,000 General Obligation Refunding Bonds, Series 2012

By late January 2012 interest rates had fallen nearly 100 basis points from previous levels just 6 months earlier so Sudsina & Associates analyzed the benefit to the City of refunding the 2003 bonds. The analysis indicated that the City could reduce overall debt service on the bonds by over \$500,000 by executing the refunding. As a result, work was begun to prepare issue for marketing. The preparation process culminated with the April 25, 2012 pricing of the refunding bonds. Below are the bid results of the sale:

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	Fifth Third Securities, Inc.	2.065652
<input type="checkbox"/>	Stifel, Nicolaus & Co., Inc.	2.095141
<input type="checkbox"/>	FTN Financial Capital Markets	2.117573
<input type="checkbox"/>	Robert W. Baird & Co., Inc.	2.145371
<input type="checkbox"/>	BOSC, Inc.	2.159692
<input type="checkbox"/>	Morgan Keegan & Co., Inc.	2.319439

The sale resulted in an overall interest rate of 2.08%, overall savings of \$505,800, and present value savings of \$420,000 or 12.5%. The Bond Buyer 20 Index was 3.90%.

With all of these issues, Sudsina & Associates assisted the City by overseeing the mechanics of the competitive sale. The Preliminary Official Statement was distributed to the market through our extensive mailing list and posted on both the Bond Buyer and PARITY's electronic internet bidding system.

