# *City of Delaware Case Study*

**$6,310,000 LTGO Refunding Bonds, Series 2012**
**$4,530,000 LTGO Bond Anticipation Notes, Series 2012B**
**$8,260,000 LTGO Various Purpose Bonds, Series 2013**
**$12,735,000 LTGO Bond Anticipation Notes, Series 2013**

Throughout 2011 and 2012 Sudsina & Associates, LLC monitored the debt of the City of Delaware seeking opportunities to enhance the City's debt position. By September 2012 when we were engaged, we had identified a refunding opportunity for two of the City's outstanding 2002 bond issues. A various purpose issue originally dated in August 2002 and a sewer improvements issue originally dated in December 2002. Interest rates had been improving through most of 2012 and by the fourth quarter were nearing all-time lows.

At the same time, the City had a need to issue some new money bond anticipation notes (BANs) for road improvements. The new money notes presented an issue that required caution while preparing the bond issue. The goal was to maintain bank qualified status for both the refunding bonds and the BANs. Further research indicated that the $3,360,000 of the August 2002 bonds could be sold as current refunding bonds while $2,785,000 of the December 2002 bonds would need to be sold as advance refunding bonds. So, only the $2,785,000 plus the $4,530,000 of new money BANs would be counted against the $10,000,000 new money calendar year bank qualified limitation, not the current refunding of the August 2002 portion. Maintaining bank qualified status saved the City 30 to 50 basis points on the refunding bonds when compared to non-bank qualified bonds.

Both the bonds and notes were set-up to be sold competitively utilizing the PARITY internet bidding platform. Four bids were received for the bonds. The bonds had a final maturity of 10 years and obtained a low bid true interest cost of 1.50% with a 5 year call feature and present value saving of $759,000 or 12.40%.

The 2012 Series B BANs had a 5-month maturity so they could be matched with the maturity of the City's other outstanding notes in April 2013. The notes received 3 bids with the low bid of 0.31%.

In addition to achieving debt service savings, a primary objective with this transaction was to ensure that the City maintain its Aa2 rating from Moody's Investors Service. Sudsina & Associates assisted City officials to prepare for a rating conference call which was executed flawlessly and, indeed, the City's rating was confirmed.

As we entered 2013 interest rates remained low, so the City decided to take to long-term bonds some of the $17,791,500 BANs that were maturing on April 24, 2013. Again, the goal was to protect the bank qualified status for the bonds so the bond issue had to be sold within 90 days of the maturity date of the notes.

With a relatively fresh Official Statement from the 2012 refunding bond issue, the financing team was able to promptly prepare the 2013 bonds for pricing. Again, the PARITY internet bidding platform was utilized. The 2013 bonds had a 20-year final maturity, received seven bids and ended with a final true interest cost of 2.23%.

Once the 2013 bonds were sold, the renewal of the remaining outstanding notes was prepared for market. The note renewal had a par amount of $12,735,000 and received seven bids as well with a low net interest cost of 0.212% for the one-year maturity.

RW Baird bought the 2012 Bonds. Jefferies & Company was low bidder on both the 2012B and 2013 Notes. Fifth Third Securities won the 2013 Bonds and Squire Sanders & Dempsey served as bond counsel on all the issues.

Sudsina
& Associates, LLC
Registered Municipal Advisors