



East Cleveland City Schools Case Study

\$5,645,000 School Improvement Advance Refunding Bonds, Series 2007

In November, 1997, voters approved a \$10,560,000 bond issue for improvements to buildings throughout the District representing the local share of the classroom facilities improvement program sponsored by the State of Ohio. This resulted in the February 1999 issuance of \$10,559,716 long-term bonds.

Interest rates had dropped considerably by late 2006 when Sudsina & Associates started to analyze the potential refunding of the outstanding issue. The District was contacted and the Administration agreed to pursue the refunding during the 4th quarter of 2006. Sudsina & Associates was engaged to guide the process as financial advisor and Cabrera Capital, Inc. was selected as underwriter for the negotiated, public sale of the bonds. Peck, Shaffer & Williams served as bond counsel.

In order to prepare the issue for marketing, Sudsina & Associates provided significant assistance to the District to reconcile many of the construction accounting records so that all expended and unspent construction funds were accounted for to avoid any transfer of proceeds issues.

The original bonds were sold with AMBAC insurance. For the refunding bonds, the District applied for and was granted the benefit of the Ohio School Credit Enhancement Program which provided the District a "Aa" credit rating from Moody's, which enhanced the District's "A3" underlying rating and lowered the bond insurance premium. AMBAC insured the refunding bonds.

The refunding resulted in over \$200,000 savings during the remaining life of the bond, with nearly \$170,000, or 3.00% on a present value basis. The true interest cost on the original bonds was in the range of 4.450%, while the refunding came in at approximately 4.05%.