

# *Liberty Local Schools Case Study*

## **Various Purpose General Obligation Refunding Bonds, Series 2006 \$6,334,994 Competitive Sale**

*Liberty Local Schools  
"Home of the Leopards"*



During the summer of 2005 Sudsina & Associates began to analyze the viability of refunding Liberty Local's 1997 bond issue. Interest rates had been falling since the summer of 2004 with a minor spike in the 2nd quarter of 2005 after which rates again began to fall and continued to do so through the end of the year.

The District was contacted and the Administration agreed to pursue the refunding during the 4th quarter of 2005. At that time, Treasurer Tracy Obermiyer made the decision to sell the bonds at a competitive sale rather than selecting an underwriter to negotiate the sale.

Preparation of the Preliminary Official Statement was completed near the end of the year through the collaboration of Treasurer Obermiyer, Bond Counsel, Squire Sanders & Dempsey and Sudsina & Associates' staff.

The original issue was sold in 1997 with bond insurance and without an underlying credit rating. The same approach was adopted for the refunding. A credit package was prepared and bids were requested from the 6 AAA rated bond insurers – AMBAC, CIFG, FGIC, FSA, MBIA and XL Capital Assurance.

The transaction was structured to maximize savings to taxpayers with level savings to be incurred over the remaining life of the issue.

A fairly rare state of affairs existed in the municipal finance market as the issue was being finalized for pricing. The federal government had suspended the issuance of State and Local Government Securities (SLGS) which required that the escrow for Liberty refunding be structured with open market securities. In compliance with federal guidelines for Sudsina & Associates aided the District by preparing bid specifications for the escrow securities and ensured that at least 3 acceptable bids were submitted for the open market securities.

Sudsina & Associates further assisted the District by overseeing the mechanics of the competitive sale. The Preliminary Official Statement was distributed through the i-Deal internet distribution system and the pricing was conducted utilizing the Parity electronic bidding system.

The bid deadline was set for March 10, 2006 at 11:00 AM. The winning bid was submitted by Fifth Third Securities at a true interest cost of 4.13% resulting in savings to taxpayers of more than \$450,000 over the remaining life of the issue. In present value terms the transaction yielded over \$350,000 or 5.54% savings.