Rocky River Schools Case Study

Rocky River City School District

$28,500,000 Build America Bonds, Series 2010
$11,260,000 Qualified School Construction Bonds, Series 2010
$3,140,000 Tax-exempt Bonds, Series 2010

In May, 2010 Rocky River voters approved a $42,900,000 bond issue for various capital improvements throughout the District. In advance of that election, Sudsina & Associates was engaged to assist with the underwriter selection, to guide the rating process and to oversee the ultimate pricing of the bonds.

Fortunately the bond issue was approved during the era of federal stimulus programs that allowed the District to take advantage of both Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs). Both stimulus programs allowed the District to issue taxable bonds for which the federal government would return to the District an interest subsidy to offset interest expense on the bonds. QSCBs will return 100% of the interest expense to the District while BABs will return 35%. Due to the large subsidy associated with QSCBs, the government limited the amount any one district would receive in the form of allocation. The allocation was determined by the Ohio Department of Education and distributed among districts in the State that were successful in passing bond issues. Approximately $100,000,000 of allocation was available for the May 2010 election and Rocky River Schools were allocated $11,260,000.

Once the issue was approved by voters, the District undertook the process of distributing an RFP for underwriting services which was developed by Sudsina & Associates, LLC. Six proposals were received, three firms were interviewed and the bonds were ultimately underwritten by a group of underwriters led by RBC Capital Markets with Fifth Third Securities and Stifel Nicolaus as co-managers.

The District began the issuance process with an “Aa3” rating by Moody’s Investors, which had last been assigned during a surveillance review. Since then, the District’s finances and local economy had stabilized. The rating process resulted in the District having its rating confirmed at “Aa3”, but the outlook was upgraded from negative to stable.

Once ready for marketing, the final financing plan resulted in the combination of the stimulus program bond along with traditional tax-exempt bonds. The breakdown of each component occurred as follows with the resulting interest rate for the individual issues.

Series	Bond Par	Bond Yield
Tax Exempt Issue	3,140,000	2.88%
QSCB - $11.26 Million for 16 Years	11,260,000	0.13%
Build America Bonds	28,500,000	4.00%
	42,900,000	

Squire Sanders served as bond counsel. Sudsina & Associates, LLC assisted in all aspects of the transaction including Official Statement preparation, rating agency preparation, pricing oversight and post-sale accounting for record keeping purposes.

Sudsina
& Associates, LLC
Registered Municipal Advisors