Sandy Valley Local Schools Case Study

Private Placement Leases

During the summer of 2004 Sandy Valley Schools were seeking a way to finance new stadium bleachers, stadium lighting and a press box. Sudsina & Associates, LLC was engaged to seek an acceptable financing solution at favorable interest rates for the project.

Leveraging our relationships with various financial institutions, we surveyed the marketplace to find the optimal finance tool and package for the District.

Sudsina & Associates found that Banc One Leasing Corporation was willing to meet the financing terms designed by the District to meet their needs and assisted the Schools with the analysis, structuring and negotiations involved with the transaction.

District entered into a lease purchase agreement with Banc One in August. The lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

In 2005 Sandy Valley had the need to acquire 4 new school buses and, again engaged Sudsina & Associates, LLC to seek an acceptable financing solution at favorable interest rates for the acquisition.

We, again, surveyed the marketplace to find the optimal finance package for the District and found All Points Capital out of New York to offer an acceptable solution.

The lease term was for five years at an interest rate of 3.75%.

$12,399,985.70 School Facilities Construction & Improvement Bonds, Series 2006

In November, 2005, Sandy Valley voters approved a $12,400,000 bond issue to construct school facilities (primarily a high/middle school building) that included paying the local share of school construction under the Ohio School Facilities Commission Classroom Facilities Assistance Program. 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.

The Bonds were preceded by a $12,400,000 Bond Anticipation Note issue in December 2005 to have funds available for immediate project needs and to maximize construction period investment earnings.

The District began the issuance process without a credit rating and after a conference call with Standard & Poor’s received an A- rating. The credit report gave the District a stable outlook and stated that the outlook “reflects the stability of Stark County's overall economy and its job base”. It went on to say “The district's population and enrollment are expected to remain stable or grow slightly over the years. The district's financial operations are good now, but may become more cyclical, reflecting the levy cycle. Adequate cash balances are expected to be maintained.

The Bond sale resulted in an overall TIC of 4.53% for the 28 year term.

2012 & 2013 Refunding of 2006 Bonds

With interest rates falling to new record levels in 2012, Sudsina & Associates analyzed the feasibility of advance refunding the 2006 bonds. The analysis updated the monitoring of the refunding that was started in 2009. In February 2012 present value savings amounted to less than 2%. As rates continued to fall through the year the analysis was updated in September with a new alternative that included the consideration of splitting the refunding into two bank qualified issues to take advantage of better interest rates. Bank qualified bonds are those issued by what the federal government considers “small issuers” which, by definition, are those that issue less than $10 million in bonds in a given calendar year. To incentivize commercial banks to actively participate in the purchase of these bond issues the federal government has granted banks a special tax break if they buy the so-called bank qualified bonds. In late 2012 the interest rate differential between bank-qualified and non-bank qualified bonds was between 30 and 50 basis points depending on the part of the yield curve in question. Accordingly the refunding plan was executed to sell $7,420,000 of bonds in December 2012 when municipal bond rates hit a new all-time low resulting in debt service saving just under $800,000 and present value savings of 8.33%. The remaining callable portion totaling $2,135,000 was priced at the beginning of April 2013. Interest rates had risen from the December all-time lows, even still the 2013 portion generated an additional $40,000 of savings.

Sudsina
& Associates, LLC
Registered Municipal Advisors