Warren City Schools Case Study

$30,905,000 School Improvement Refunding Bonds, Series 2012

Together we learn. Together we succeed!

On November 4, 2003 Warren City School District voters approve a $40,672,000 bond issue for the construction and renovation of school buildings throughout the District. The improvements included five new elementary/middle schools to house grades PK through 8 and one new high school to house grades 9 through 12. The total cost of the project was $169,494,219 of which the State of Ohio through its Classroom Facilities Assistance Program provided $137,290,219. Bonds to fund the project were issued on April 20, 2004 with a par amount of $38,000,000 resulting in $2,672,000 of voter approved debt issuance authority in reserve for a future projects. The reason for the reserve was that the District's assessed valuation experienced a decline between the time the bond levy was authorized and the time the bonds were issued, resulting in less debt capacity than originally expected.

The 2004 bonds were sold with a first call date of June 1, 2014 for the bonds maturing on or after December 1, 2014. During 2010 and 2011 as the first call date approached, bond rates were falling, experiencing new all-time lows. Even so, as analyses were made, the opportunity to refund the bonds did not fully manifest itself until early spring, 2012.

The District entered the bond preparation process without an outstanding credit rating as the 2004 bonds were sold with bond insurance and the Ohio School District Credit Enhancement Program (OSDCE). The financing team decided to approach Moody's Investors Service for a credit review. After a thorough preparation process the Treasurer and the Vice President of the Board of Education traveled to Chicago to make a rating presentation to the Moody's analysts, accompanied by members of the financing team including representatives from the underwriting firm, Piper Jaffray & Co., the financial advisor, Sudsina & Associates, LLC and bond counsel, Squire Sanders (US) LLP. The rating process resulted in the assignment of an A1 underlying rating for the District and the Aa2 OSDCE programmatic rating.

The bonds were priced on May 30, 2012 during a week when rates were rallying and just before rates rose significantly in the ensuing weeks. The bonds were sold with a TIC of 3.36% with a final maturity of 2031 while the Bond Buyer 20 Bond Index was 3.77%.

Debt service savings over the remaining life of the bonds were more than $3,800,000 while present value savings were nearly $2,900,000 or 6.86% of the original issue.

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