

Cleveland Heights-University Heights City School District

**Presentation to the Board of Education –
Capital Financing Alternatives**

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April 23, 2012

Cleveland Heights-University Heights City School District

Capital Financing Alternatives-Finance Professionals



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Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Outstanding Debt

Current nonexempt general obligation debt:

Voted:	\$7,160,000	(2002 Library Improvement Bonds)
Unvoted:	<u>\$1,295,000</u>	(2003 Energy Conservation Bonds)
Total	\$8,455,000	

Limitations on Nonexempt General Obligation Debt

Ohio statutes impose debt limitations that are a direct function of the District's assessed valuation. Given the District's current (tax year 2011/collection year 2012) assessed valuation of \$1,134,388,890 and outstanding debt the following limitations apply for nonexempt general obligation debt:

- Overall (voted and unvoted) 9% = **\$93,640,000**
- Overall (voted and unvoted) = **\$158,907,119** (w/special needs designation)
- Unvoted energy conservation (HB 264) 0.9% = \$8,914,500
- Other unvoted 0.1% = \$1,134,388

To exceed the generally applicable 9% limit, the District would need either a special needs district designation or approval to participate in the State of Ohio Classroom Facilities Assistance (CFAP) program.

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Special Needs Calculation

School districts in the State can qualify for special needs district status under the Ohio Revised Code if the Board (1) determines that its students are not be adequately serviced by existing facilities and that sufficient funds to provide adequate facilities cannot be obtained when needed by the issuance of bonds within the 9% limitation and (2) provides information “indicating a likelihood of potential average growth of tax valuation of the district during the next five years of an average of not less than [1-1/2%] per year”. Absent extraordinary reasons to anticipate imminent rapid growth, the Ohio Department of Education (ODE) has interpreted this as requiring 1.50% average growth over the past 10 years.

- Under current law and ODE policy, with its history of average annual increases in assessed valuation over the past ten years, including the District’s current (tax year 2011/collection year 2012) assessed valuation, the District currently will qualify for a special needs designation.
- If the assessed valuation of the District falls more than 5.3% in 2013, under current law and policy the District will not qualify as a special needs district and will be subject to the general 9% limitation (about \$88.6 million assuming 5.3% decrease).
- The District could put its full capacity of \$158 million on the ballot in 2012 but actually issue the bonds in phases over a period of years. However, a special needs designation for bonds approved by voters in 2012 would not be effective for bonds issued in future years *if the District’s real property AV in the year of issuance is less than the 2012 AV by 15% or more.*

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Assessed Valuation History and Special Needs Calculation

Collection Year	Tax Year	Assessed Valuation - Real Property Only	Change over prior year		% Increase Over Prior Year
1998	1997	\$ 803,313,550			
1999	1998	\$ 802,796,940	\$ (516,610)		-0.06%
2000	1999	\$ 813,037,690	\$ 10,240,750		1.28%
2001	2000	\$ 926,462,620	\$ 113,424,930		13.95%
2002	2001	\$ 929,693,070	\$ 3,230,450		0.35%
2003	2002	\$ 937,234,820	\$ 7,541,750	1	0.81%
2004	2003	\$ 1,066,559,730	\$ 129,324,910	2	13.80%
2005	2004	\$ 1,135,565,940	\$ 69,006,210	3	6.47%
2006	2005	\$ 1,068,833,330	\$ (66,732,610)	4	-5.88%
2007	2006	\$ 1,218,353,600	\$ 149,520,270	5	13.99%
2008	2007	\$ 1,230,715,140	\$ 12,361,540	6	1.01%
2009	2008	\$ 1,217,296,300	\$ (13,418,840)	7	-1.09%
2010	2009	\$ 1,131,890,150	\$ (85,406,150)	8	-7.02%
2011	2010	\$ 1,133,384,720	\$ 1,494,570	9	0.13%
2012	2011	\$ 1,120,618,240	\$ (12,766,480)	10	-1.13%
District currently qualifies for Special Needs status			Sum =		21.106%
			Ave. Annual % Increase =		2.111%

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

CFAP

If approved for the CFAP program, bonds to pay costs of (1) the District portion of the basic project cost plus (2) required locally funded initiatives (LFI's) plus (3) additional LFI's up to 50% of District's portion of basic project cost plus (4) land acquisition would be **exempt** from the 9% debt limit.

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Potential Financing Alternatives

- **Voted Bond Issue**

Based on its current assessed value (\$1.134 billion) and its current eligibility as a special needs district :

- The District's capacity for additional nonexempt voted GO debt is about \$158 million.
- For every 1 mill approved for bond debt charges, the District can raise about \$22 million. This reflects an estimated interest rate of 4.75%, and an estimated 38-year term on the bond issue. The estimated rate is based on current market conditions and the maximum term is based on the weighted average useful life ("WAUL") of the assets to be financed. Based on the District's estimates of hard costs, the WAUL for Segment 1 is 37.96 years and the WAUL for Segment 2 is 38.90 years.

- **Tax Anticipation Notes/Voted Permanent Improvement Levy**

- Mechanism to borrow against current or future Permanent Improvements levies. Limitation of maximum term of only 10 years and borrowing of only 50% of expected PI taxes limits ability to leverage . Capacity to borrow about \$18million against current PI levy.

- **Lease Certificates of Participation**

- Mechanism to capitalize future revenue or operational savings without incurring bonded debt. Can be repaid over 30 years. About \$15 million at 5% over 30 years will cost about \$1 million in annual debt service.

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Cleveland Heights - University Heights CSD



Estimated Ballot Millage Matrix

April 23, 2012

Assumptions	
Interest Rate Assumption:	4.50%
Assessed Valuation:	\$1,134,388,890

Millage Limitation:	3.92
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		PAR AMOUNT (Millions)															
		\$ 25.0	\$ 30.0	\$ 35.0	\$ 40.0	\$ 45.0	\$ 50.0	\$ 55.0	\$ 60.0	\$ 65.0	\$ 70.0	\$ 75.0	\$ 80.0	\$ 85.0	\$ 90.0	\$ 95.0	
TERM	40	1.06	1.27	1.48	1.69	1.91	2.12	2.33	2.54	2.75	2.97	3.18	3.39	3.60	3.81	4.03	
	39	1.07	1.29	1.50	1.72	1.93	2.15	2.36	2.58	2.79	3.01	3.22	3.44	3.65	3.87	4.08	
	38	1.09	1.31	1.52	1.74	1.96	2.18	2.40	2.61	2.83	3.05	3.27	3.48	3.70	3.92	4.14	
	37	1.10	1.33	1.55	1.77	1.99	2.21	2.43	2.65	2.87	3.09	3.31	3.54	3.76	3.98	4.20	
	36	1.12	1.35	1.57	1.79	2.02	2.24	2.47	2.69	2.92	3.14	3.37	3.59	3.81	4.04	4.26	
	35	1.14	1.37	1.60	1.82	2.05	2.28	2.51	2.74	2.96	3.19	3.42	3.65	3.87	4.10	4.33	
	34	1.16	1.39	1.62	1.85	2.09	2.32	2.55	2.78	3.01	3.24	3.48	3.71	3.94	4.17	4.40	
	33	1.18	1.41	1.65	1.89	2.12	2.36	2.59	2.83	3.06	3.30	3.54	3.77	4.01	4.24	4.48	
	32	1.20	1.44	1.68	1.92	2.16	2.40	2.64	2.88	3.12	3.36	3.60	3.84	4.08	4.32	4.56	
	31	1.22	1.47	1.71	1.96	2.20	2.45	2.69	2.93	3.18	3.42	3.67	3.91	4.16	4.40	4.65	
30	1.25	1.50	1.75	2.00	2.24	2.49	2.74	2.99	3.24	3.49	3.74	3.99	4.24	4.49	4.74		

		PAR AMOUNT (Millions)															
		\$ 100.0	\$ 105.0	\$ 110.0	\$ 115.0	\$ 120.0	\$ 125.0	\$ 130.0	\$ 135.0	\$ 140.0	\$ 145.0	\$ 150.0	\$ 155.0	\$ 160.0	\$ 165.0	\$ 170.0	
TERM	40	4.24	4.45	4.66	4.87	5.08	5.30	5.51	5.72	5.93	6.14	6.36	6.57	6.78	6.99	7.20	
	39	4.29	4.51	4.72	4.94	5.15	5.37	5.58	5.80	6.01	6.23	6.44	6.66	6.87	7.09	7.30	
	38	4.36	4.57	4.79	5.01	5.23	5.44	5.66	5.88	6.10	6.32	6.53	6.75	6.97	7.19	7.40	
	37	4.42	4.64	4.86	5.08	5.30	5.52	5.75	5.97	6.19	6.41	6.63	6.85	7.07	7.29	7.51	
	36	4.49	4.71	4.94	5.16	5.38	5.61	5.83	6.06	6.28	6.51	6.73	6.96	7.18	7.40	7.63	
	35	4.56	4.79	5.01	5.24	5.47	5.70	5.93	6.15	6.38	6.61	6.84	7.07	7.29	7.52	7.75	
	34	4.63	4.87	5.10	5.33	5.56	5.79	6.02	6.26	6.49	6.72	6.95	7.18	7.42	7.65	7.88	
	33	4.71	4.95	5.19	5.42	5.66	5.89	6.13	6.37	6.60	6.84	7.07	7.31	7.54	7.78	8.02	
	32	4.80	5.04	5.28	5.52	5.76	6.00	6.24	6.48	6.72	6.96	7.20	7.44	7.68	7.92	8.16	
	31	4.89	5.14	5.38	5.62	5.87	6.11	6.36	6.60	6.85	7.09	7.34	7.58	7.83	8.07	8.31	
30	4.99	5.24	5.49	5.74	5.99	6.24	6.48	6.73	6.98	7.23	7.48	7.73	7.98	8.23	8.48		

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Cleveland Heights - University Heights CSD

Estimated Ballot Millage Matrix

April 23, 2012

Annual Cost Limitation:

\$120.00



		PAR AMOUNT (Millions)															
		\$ 25.0	\$ 30.0	\$ 35.0	\$ 40.0	\$ 45.0	\$ 50.0	\$ 55.0	\$ 60.0	\$ 65.0	\$ 70.0	\$ 75.0	\$ 80.0	\$ 85.0	\$ 90.0	\$ 95.0	
TERM	40	\$ 32	\$ 39	\$ 45	\$ 52	\$ 58	\$ 65	\$ 71	\$ 78	\$ 84	\$ 91	\$ 97	\$ 104	\$ 110	\$ 117	\$ 123	COST PER \$100,000 HOME
	39	\$ 33	\$ 39	\$ 46	\$ 53	\$ 59	\$ 66	\$ 72	\$ 79	\$ 85	\$ 92	\$ 99	\$ 105	\$ 112	\$ 118	\$ 125	
	38	\$ 33	\$ 40	\$ 47	\$ 53	\$ 60	\$ 67	\$ 73	\$ 80	\$ 87	\$ 93	\$ 100	\$ 107	\$ 113	\$ 120	\$ 127	
	37	\$ 34	\$ 41	\$ 47	\$ 54	\$ 61	\$ 68	\$ 74	\$ 81	\$ 88	\$ 95	\$ 102	\$ 108	\$ 115	\$ 122	\$ 129	
	36	\$ 34	\$ 41	\$ 48	\$ 55	\$ 62	\$ 69	\$ 76	\$ 82	\$ 89	\$ 96	\$ 103	\$ 110	\$ 117	\$ 124	\$ 131	
	35	\$ 35	\$ 42	\$ 49	\$ 56	\$ 63	\$ 70	\$ 77	\$ 84	\$ 91	\$ 98	\$ 105	\$ 112	\$ 119	\$ 126	\$ 133	
	34	\$ 35	\$ 43	\$ 50	\$ 57	\$ 64	\$ 71	\$ 78	\$ 85	\$ 92	\$ 99	\$ 106	\$ 114	\$ 121	\$ 128	\$ 135	
	33	\$ 36	\$ 43	\$ 51	\$ 58	\$ 65	\$ 72	\$ 79	\$ 87	\$ 94	\$ 101	\$ 108	\$ 116	\$ 123	\$ 130	\$ 137	
	32	\$ 37	\$ 44	\$ 51	\$ 59	\$ 66	\$ 74	\$ 81	\$ 88	\$ 96	\$ 103	\$ 110	\$ 118	\$ 125	\$ 132	\$ 140	
	31	\$ 37	\$ 45	\$ 52	\$ 60	\$ 67	\$ 75	\$ 82	\$ 90	\$ 97	\$ 105	\$ 112	\$ 120	\$ 127	\$ 135	\$ 142	
30	\$ 38	\$ 46	\$ 53	\$ 61	\$ 69	\$ 76	\$ 84	\$ 92	\$ 99	\$ 107	\$ 115	\$ 122	\$ 130	\$ 137	\$ 145		

		PAR AMOUNT (Millions)															
		\$ 100.0	\$ 105.0	\$ 110.0	\$ 115.0	\$ 120.0	\$ 125.0	\$ 130.0	\$ 135.0	\$ 140.0	\$ 145.0	\$ 150.0	\$ 155.0	\$ 160.0	\$ 165.0	\$ 170.0	
TERM	40	\$ 130	\$ 136	\$ 143	\$ 149	\$ 156	\$ 162	\$ 169	\$ 175	\$ 182	\$ 188	\$ 195	\$ 201	\$ 208	\$ 214	\$ 221	COST PER \$100,000 HOME
	39	\$ 132	\$ 138	\$ 145	\$ 151	\$ 158	\$ 164	\$ 171	\$ 178	\$ 184	\$ 191	\$ 197	\$ 204	\$ 210	\$ 217	\$ 224	
	38	\$ 133	\$ 140	\$ 147	\$ 153	\$ 160	\$ 167	\$ 173	\$ 180	\$ 187	\$ 193	\$ 200	\$ 207	\$ 213	\$ 220	\$ 227	
	37	\$ 135	\$ 142	\$ 149	\$ 156	\$ 162	\$ 169	\$ 176	\$ 183	\$ 189	\$ 196	\$ 203	\$ 210	\$ 217	\$ 223	\$ 230	
	36	\$ 137	\$ 144	\$ 151	\$ 158	\$ 165	\$ 172	\$ 179	\$ 186	\$ 192	\$ 199	\$ 206	\$ 213	\$ 220	\$ 227	\$ 234	
	35	\$ 140	\$ 147	\$ 154	\$ 161	\$ 168	\$ 175	\$ 181	\$ 188	\$ 195	\$ 202	\$ 209	\$ 216	\$ 223	\$ 230	\$ 237	
	34	\$ 142	\$ 149	\$ 156	\$ 163	\$ 170	\$ 177	\$ 185	\$ 192	\$ 199	\$ 206	\$ 213	\$ 220	\$ 227	\$ 234	\$ 241	
	33	\$ 144	\$ 152	\$ 159	\$ 166	\$ 173	\$ 180	\$ 188	\$ 195	\$ 202	\$ 209	\$ 217	\$ 224	\$ 231	\$ 238	\$ 245	
	32	\$ 147	\$ 154	\$ 162	\$ 169	\$ 176	\$ 184	\$ 191	\$ 198	\$ 206	\$ 213	\$ 221	\$ 228	\$ 235	\$ 243	\$ 250	
	31	\$ 150	\$ 157	\$ 165	\$ 172	\$ 180	\$ 187	\$ 195	\$ 202	\$ 210	\$ 217	\$ 225	\$ 232	\$ 240	\$ 247	\$ 255	
30	\$ 153	\$ 160	\$ 168	\$ 176	\$ 183	\$ 191	\$ 199	\$ 206	\$ 214	\$ 221	\$ 229	\$ 237	\$ 244	\$ 252	\$ 260		

Cleveland Heights-University Heights City School District

Capital Financing Alternatives

Caution!!!!!!

- If a ballot issue is delayed until 2013, and the assessed valuation of the District falls more than **5.3%** next year, the District would **not qualify as a special needs district** and would instead be subject to the general 9% debt limitation (about \$88.6 million assuming 5.3% decrease) **until the District receives OSFC funding.**
- If the District anticipates an additional bond levy in 2015, the Assessed Valuation of the District would need to **INCREASE AT LEAST 14.8%** between 2012 and 2015 to qualify as a special needs district under current law and policy, and it would be subject to the general 9% debt limitation until the District receives OSFC funding.
- Under OSFC Policy, if the assessed valuation of the District falls more than **15%** between the time of voter approval and the time the bonds are all issued, the District would **lose its Special Needs designation** and be unable to issue the voter approved bonds beyond the general 9% debt limitation **until the District receives OSFC funding.**