CASE STUDY

FINANCING FOR K-12 SCHOOLS

APRIL 25, 2024

SHAKER HEIGHTS CSD

$102,660,000 | SCHOOL FACILITIES IMPROVEMENT | 2024

Shaker Heights CSD, Ohio

Client Profile

Shaker Heights City School District (the "District") is one of Northeast Ohio's most historic school districts. Boasting years of academic excellence, the District's 2020-2025 Strategic Plan was built on the foundation of two bedrock principles: Educational Equity and the International Baccalaureate Programme (as one of only 17 high schools in Ohio associated with the Programme). This Strategic Plan is in line with the District's long history of serving a diverse, vibrant community and its tradition of academics. In support of the District's vision, on November 7, 2023, with 59% of the vote, Shaker Heights taxpayers authorized 9.95 mills for the District. The 9.95 mills include a 6.45-mill bond levy ($121.19 million issue over 37 years), a 0.50-mill Permanent Improvement Levy and an additional 3.0-mill operating levy.

The Project & Structure

The bond levy's 6.45 mills allows for the issuance of $121.19 million of Unlimited Tax General Obligation Bonds over a 37-year period. The bond issue will be matched by 37% in state funding through the Ohio Facilities Construction Commission, bringing the total project size to approximately $187.0 million.

In order to more efficiently utilize and otherwise renovate/update the District's facilities, the projects the Series 2024 Bonds will fund are to 1) move middle school students to the historic Woodbury building for grades 6-8, which includes adding a competition swimming pool to the property; 2) add fifth-grade classrooms to all the current K-4 elementary schools; and 3) renovate Ludlow to accommodate an expanded Pre-K Program (Ludlow was closed in 1987, but the District maintained ownership, and until recently, the building was occupied by Positive Education Program, an alternative school for students challenged by complex developmental issues).

The Bankers Team

Michelle Hillstrom, Managing Director, led the group's efforts with her nearly 35 years of experience in K-12 finance, 25 of which maintaining her relationship with the District through various financings. She has significant experience with all types of financings and all types of issuers. Phil Weisshaar, Vice President, worked as lead support on the District's financing and totes 13 years of public finance experience. He has worked with Ohio school districts, cities, counties, community colleges, and other issuers. Dan Cellars, Analyst, joined Stifel in 2022 and was responsible for assisting with analytical and administrative support in issuing the District's Bonds.

The Stifel Difference

Stifel's contribution to the nuanced millage analysis helped manage the District's millage levied in future years. The first installment of the $121.19 million bonds is the $102.66 million Series 2024 Bonds this case study describes, while the remaining $18.53 million is anticipated to be issued in the summer of 2025. The staggered issuance contributes to accomplishing the goal of minimizing millage levied and principal paid, especially in the first three years of the 37-year term. $8,626,002.31 in excess premium was also deposited in the District's Bond Retirement Fund upon closing of the Series 2024 Bonds, which will help offset net debt service in the first few years of the Bonds' amortization, ultimately utilizing the millage levied in a more efficient manner.

While meeting the District's millage requirements, Stifel also structured the Bonds to appeal to a wide array of investors. Oversubscriptions to individual maturities ranged from 2.0x to 11.8x. The short- and medium-term serial maturities (2028 to 2044) saw subscription levels at 3.1x to 8.3x, the long-term bonds in 2049, 2054, 2059, and 2061 had subscriptions that ranged from 6.8x to 11.8x, and overall, the District received $876.05 million in orders (8.5 times the total par value available). To reflect the results of the order period and the strong demand for the bonds, the final scale saw yield decreases by anywhere from four to seven basis points in the serial maturities in 2028 through 2044, along with ten-basis-point decreases in 2049, 2054, and 2059. The final term bond in 2061 also saw a six-basis-point reduction. Compared to the pre-pricing scale as it stood on the afternoon of April 3, the final prices for the Series 2024 Bonds reflected a five-basis-point (0.05%) reduction in the District's overall cost of funds to achieve an all-in true interest cost ("All-In TIC") of 4.46% for the 37-year financing, indicative of a very strong reception of the bonds in the marketplace and over subscription in the majority of the years.

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