

# CASE STUDY

## MERRITT ACADEMY

\$6,695,000 | April 30, 2018 | New Haven, MI



FINANCED RIGHT®

### SIMS' PRIVATE CLIENT INVESTOR DISTRIBUTION AND CHARTER SCHOOL EXPERTISE DELIVER LOWER INTEREST RATES AND OVERALL SAVINGS TO BE REINVESTED IN MERRITT ACADEMY



#### PARTNERED RIGHT

Merritt Academy, (“Merritt” or the “Academy”), located in New Haven, MI (approximately 27 miles northeast of Detroit), is a Michigan charter school that began operations in September, 2002, enrolling 174 students and offering grades K-5. For the 2017-2018 school year, Merritt’s enrollment has increased to approximately 573 students enrolled in grades Pre-K through 12. The Academy has a strong academic program, and for the 2015-2016 school year was ranked in the 90th percentile of schools in the state of Michigan, making the Academy the top rated K-12 charter school in the state.

#### STRUCTURED RIGHT

Merritt engaged HJ Sims to refinance its Series 2004 and Series 2006 Certificates of Participation, which financed the acquisition and improvement of its K-12 campus. HJ Sims worked with the Academy to achieve the following strategic objectives:

- » Reduce the overall cost of capital;
- » Reduce the overall annual debt service and improve operating cash flow to allow the Academy to add programs and activities; and
- » Fund improvements to the buildings and athletic fields.

#### Merritt Academy At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> <li>» Merritt is located in New Haven, MI approximately 27 miles from Detroit</li> <li>» Enrollment from the 2017-2018 school year was 573 students in grades Pre-K through 12</li> <li>» For the 2015-2016 school year, Merritt was ranked in the 90th percentile of schools in the state of MI</li> </ul>	<ul style="list-style-type: none"> <li>» Merritt engaged HJ Sims to refinance its Series 2004 &amp; 2006 Certificates of Participation</li> <li>» The original financings provided for the acquisition and improvements to the K-12 campus</li> <li>» Strategic objectives were:                             <ul style="list-style-type: none"> <li>■ Reduce overall cost of capital</li> <li>■ Reduce overall annual debt service and improve operating cash flow to fund new programs and activities</li> <li>■ Fund improvements to the buildings and athletic fields</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>» HJ Sims recommended a fixed-rate, tax-exempt bond issue with a seven-year extended maturity from the original Certificates of Participation</li> <li>» Financing was completed in an uncertain interest rate environment</li> <li>» Timing and costs involved with Merritt obtaining a credit rating ultimately outweighed the decision to pursue it</li> </ul>	<ul style="list-style-type: none"> <li>» HJ Sims successfully priced a \$6,695,000 issue with an average coupon of 5.28%</li> <li>» The entire issue was distributed through Sims’ private client group, which allowed Merritt to realize a lower overall interest rate</li> <li>» The overall cost of capital was lowered by over 100 basis points</li> <li>» Merritt realized an average savings of \$213,676 annually for the first seven years</li> </ul>

### EXECUTED RIGHT

HJ Sims met all of Merritt's strategic objectives by recommending the Academy move forward with a fixed-rate, tax-exempt bond issue (the "Series 2018 bonds") that included a seven (7) year extended maturity from the original Certificates of Participation being refunded. This strategy was employed in consideration of an uncertain interest rate environment. Based upon Merritt's profile (both enterprise and financial), HJ Sims worked extensively with the Academy to evaluate its credit profile. Through a cost-benefit analysis, HJ Sims determined that the timing and costs associated with a rating would not benefit the Academy. Therefore, Merritt ultimately decided against the pursuit of a credit rating.

### FINANCED RIGHT®

HJ Sims helped Merritt to successfully accomplish their strategic objectives, pricing a \$6,695,000 issue with an average coupon of 5.28%. The entire issue was distributed through HJ Sims' Private Client Group of high-net-worth accredited investors, allowing the school to realize a lower overall interest rate. The refunding lowered the Academy's overall cost of capital to an average coupon by over 100 basis points (5.28%, down from 6.35%). The refunding also enabled the Academy to realize an annual average of \$213,676 savings for the first seven years; these funds can be invested in school programs while allowing the Academy to have positive net present value of savings.

***"Our small rural charter school in the northeast corner of Macomb County, Michigan could not have successfully navigated the complicated process of our recent bond sale without the help and expertise of the HJ Sims team. Their consistent support, and detailed explanations helped all parties from the school, to the Board of Directors, understand and complete the steps needed to close. We are appreciative of all their efforts, and excited at the opportunities the additional financial savings will bring to our school community."***

***— Dan Schluckbier, Superintendent, Merritt Academy***

**For more detailed information on how Merritt Academy was Financed Right® by HJ Sims, please contact:**

HJ Sims  
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