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For First Time, Columbus Letting Small Investors Buy Bonds Before the Big Dogs.

When the city of Columbus goes to market with $400 million in bonds in just over a week, Sweney Cartwright & Co. – a 10-person locally owned firm – will be selling them right alongside Bank of America, Merrill Lynch and Goldman Sachs & Co.

The city sells bonds every year, but for the first time, the process will have the feel of a crowdfunding campaign, under first-year Auditor Megan Kilgore.

Columbus has cut the lowest denomination of this offer to $1,000, from the usual $5,000, and is directly marketing the bonds to city residents as a way to support resurfacing roads, replacing aging water mains and building a new Linden Community Recreation Center.

“The city has never made an effort quite like what we’re doing right now,” Kilgore said.

Usually the first issue of a bond is “eaten up” by wealthy investors going after the tax-free income and by huge institutions like insurers and mutual funds, she said. This time, they have to wait a day.

“On Oct. 2, we’re dedicating an entire day to just individual investors,” she said.

To facilitate the transactions, Kilgore’s office canvassed Columbus-area brokerages to find those serving the majority of local retail accounts. The brokerages also have to be dealers that can execute a bond transaction. Anyone with an account with one of the listed firms can buy on the day of the sale.

Bank of America and Goldman are still the senior managers, which are the main underwriters of the sale. But the first-day selling group adds atypical local offices, including Huntington Investment Co. and Sweney Cartwright. Usually they handle big-city bonds only on the secondary market.

The 82-year-old Sweney spun out of Huntington Bancshares Inc. in the Great Depression. It was the main underwriter of bonds to build St. John Arena at Ohio State University. But for more than a decade, it hasn’t been involved in underwriting big institutional bond issues, President Frank Ingwersen said.

“We’ve got 10 people in our office here in Columbus and that’s it,” Ingwersen said. “As a small broker-dealer, it’s tough to compete with a Goldman.

“For Megan to do this is kind of neat.”

Find the full list of participating brokerages and other information on the sale here.

Anyone wanting to invest needs to set up an account before Oct. 2 to be ready. That’s an opportunity to add business for the smaller firms.

“I really doubt Merrill Lynch or Goldman Sachs are going to open up an account for somebody from

German Village or Clintonville who has (only) $1,000 to invest," Ingwersen said.

Columbus is among a handful of large U.S. cities to consistently land the highest credit rating of AAA from all three major ratings agencies, a feat largely attributed to longtime Auditor Hugh Dorrian, who retired last year.

Although a property tax levy secures the city's debt, the actual payments are made from income taxes and user fees, like water bills.

"You're pretty darn sure you're going to get paid back on a bond that's backed by taxes," Ingwersen said.

But for the same reason, that means Columbus pays lower interest on its bonds, so a $1,000 investment might bring something like $30 in interest a year. It's not a way to get rich.

"To be quite honest, you're not going to get much yield off these bonds," Kilgore said. "For someone like me, it's because I care about the projects. Social investing has grown hugely in the last few years."

Columbus residents have a greater sense of civic engagement than in many communities, she said, basing that on her observations in several years as a municipal consultant. Take for evidence voters who approved an income tax increase in the middle of the last recession, and Columbus Crew fans launching their movement to support local ownership to stop the team from moving to Austin, Texas.

In her nine months in office, Kilgore – a Dorrian protege – has focused on bringing more technology to the office and simplifying payments of city income tax.

A big goal: online filing of returns. The current system involves downloading a PDF with a balky fill-in-the-blank function and printing it out to file.

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By Carrie Ghose – Staff reporter

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