

Anderson County Board of Education
907 North Main Street, Suite 202, Anderson, South Carolina 29621
January 19, 2016

Call to Order

Chairman David Draisen called the meeting to order and Dr. Rev. Rufus Mitchell gave the invocation after which everyone joined in the pledge of allegiance to the American Flag.

Board Members Present:

The following board members were present for the October, 2015 meeting: Mr. David Draisen, Ms. Brenda Bradberry, Mr. Mike Brock, Dr. Gary Burgess, Mr. Dale Martin, Rev. Dr. Rufus Mitchell, Mr. Mike Upton, and Joey Nimmer, Ex Officio.

Ms. Dana Grant and Mr. Nakia Davis were unable to attend.

Approval of Agenda

Ms. Brenda Bradberry made a motion to approve the agenda. Dr. Gary Burgess seconded the motion and with a unanimous vote, the agenda was approved.

Election of Board Officers for Calendar Year 2016

Ms. Brenda Bradberry nominated David Draisen to continue to serve as Chairman of the Board for the year 2016, seconded by Dr. Gary Burgess. Mr. Dale Martin made a motion to close the nominations. The Board members approved the nomination unanimously.

Reverend Dr. Rufus Mitchell made the motion to nominate Ms. Brenda Bradberry to serve as Vice-Chair of the Board, seconded by Dr. Burgess. Mr. Brock motioned to close the nominations. Her nomination was approved unanimously by the Board.

Ms. Brenda Bradberry made a motion to nominate Dr. Gary Burgess to serve as Secretary for the calendar year 2016 and Rev. Mitchell seconded the motion. Mr. Brock motioned to close the nomination. The Board voted unanimously to approve.

Approval of Minutes – December 14, 2015 Board Meeting

Mr. Dale Martin made a motion to approve the minutes and was seconded by Rev. Dr. Rufus Mitchell. With a unanimous vote, the December minutes were approved.

Consideration of Bond Refunding of Anderson School District Five

Mr. Joey Nimmer referenced the letter in the packet that was distributed at the December meeting and the analysis that was mailed in a prior mailing from Mike Gallagher with Compass Municipal Advisors (Securities Brokers). The projection is to save, over the life of the current bonds with the refunding, approximately 5 million dollars given the current market conditions. This is something we have done periodically since 2008 with a good many of the bond issues. The purpose of the refunding is replace current bonded indebtedness with new bonds a lower interest rate. Repayment of the new bonds will result in significant savings in interest payments over the life of the new bond issue.

Mr. Upton asked: Why the principal portion payback is approximately 4 million dollars higher in the new bond? After some discussion with no definite answer, Mr. Nimmer contacted Amy Heard, Chief Financial Officer for the district. Ms. Heard recommended that Mr. Mike Gallagher may be best to answer specific questions. A call was put in to Mr. Gallagher and this agenda item was tabled until such time that additional information could be obtained.

Anderson County Alternative School Report

Mr. Mike Brock reported there are 91 students attending the Alternative School at the current time. Ms. Bradberry asked for the number of attending at this time last year. Mr. Nimmer answered there were 98 students at this time last year which is seven less.

Ms. Bradberry also asked what grades were attending in the Charter schools. Mr. Nimmer answered that he thought they are housing 9th grade through 12th grade now. They add a grade down each year and 8th grade should be next. Mr. Brock asked where the Charter School was located and Mr. Nimmer answered in the same building as the Career Campus. When the Career Center is finished, they may move there but it all depends on space, etc.

Administrator's Report

Joey Nimmer informed the Board members that everyone that is planning to attend the South Carolina School Boards Association Convention in February has been registered and has a room reservation at the Hilton Head Marriott. Mr. Draisen, Dr. Burgess, Mr. Davis and Mr. Nimmer are registered for the conference at large and Mr. Upton is also signed up for the Chairman's Workshop in addition to the conference at large. If anyone has a change in plans, please let Mr. Nimmer know by Monday, January 25th, as that is the last day for cancellations.

Mr. Nimmer reminded the group that their annual Statement of Economic Interest must be completed electronically on the State Ethics Commission website no later than March 30, 2016. This is something that must be done every calendar year.

Mr. Draisen asked which board members are up for re-election this year. Mr. Nimmer answered that Mike Upton, David Draisen, Brenda Bradberry, and Dr. Rev. Mitchell terms are ending in November, 2016. They should file in August for re-election if they plan to continue serving in this capacity.

Financial

Mr. Nimmer referenced the report included in the packets showing the collections through December 31, 2015. We have continued to collect ad valorem taxes on personal property, automobiles mostly, and now we are starting to collect property taxes on real property. All the collection appears to be fairly stable and very much in line where the collection rates were last year. We are slightly ahead for a couple districts from where they were in December, 2014. The January 15th tax collections should be available on January 20, 2016, which is the last collection date prior to the start of imposing late penalties, and this is always a good collection date for us.

The assessment totals show that values have remained fairly consistent over the last three months. At that time, the report was adjusted to reflect the costs incurred in offering economic incentives as required in future audits for the county. The county is trying to account for the actual costs of incentives that are offered in inducement agreements for economic development. The report was amended as a result of new Governmental Accounting Standards Board (GASB) requirements and will continue to be reflected on future reports. It is trying to come up with an actual assessed value. The taxable amount is also a little different because of these incentives. As more details become available, they will be shared with the board. It is an evolving process.

Old Business

New Business

Chairman Draisen made a special presentation to Ms. Brenda Bradberry. Ms. Bradberry has played a critical role and dedicated herself to 15-years of School Board Service as a Board member of the Anderson County Board of Education. Mr. Draisen presented her with a 15-year pin and Certificate of Service and was congratulated by all present.

Ms. Bradberry made a motion to pay the bills as presented. The motion was seconded by Rev. Mitchell and was followed by a unanimous vote.

Mr. Draisen provided the members with a list of dates the Board Meetings will be held for the calendar year 2016. Each meeting will be held on the third Monday of the month with an exception during the month of January due to the Martin Luther King Day holiday. That month the meeting is held on the third Tuesday of the month. A motion was made to accept the meeting schedule by Dr. Gary Burgess, seconded by Mr. Mike Upton, and unanimously approved.

The meeting was adjourned by Mr. Draisen.

Respectfully submitted,

Dr. Gary Burgess, Secretary of the Anderson County Board of Education
This is a true and correct copy of notes taken at the meeting.

After receiving a telephone call from Mr. Mike Gallagher, Dr. Burgess made a motion to reopen the meeting for continued discussion of the Bond Refunding for Anderson School District Five. A second to the motion was provided by Mike Upton and the meeting was reopened on a unanimous vote.

Consideration of Bond Refunding of Anderson School District Five.....continued

Mr. Gallagher joined the meeting by speaker telephone and Mrs. Amy Heard was in attendance as well. The following question was relayed from Mr. Upton to Mr. Gallagher: "On the bottom of this analysis it shows the total outstanding principal on the prior bond issue of \$74,000,000.00 and the principal portion of the new bonds proposed is \$78,740,000.00. Can you explain the difference?"

Mr. Gallagher answered: It is because we have to fund an escrow account that is zero deductible and will have sufficient proceeds to pay all principal and interest payments until the call date on the bond. You cannot call the 2008 bond until February 1, 2018. You have to make all of these payments and, unfortunately, our interest earnings on that escrow is fairly low. We need to secure a little bit more than the original principal.

Mr. Nimmer repeated Mr. Gallagher's explanation for those that were unable to hear well enough using the speaker on the telephone: In order to put this package together, there is an escrow account that must be funded to handle the principal and interest payments between now and the call date of February 1, 2018. That escrow account is the total of the scheduled interest and principal payments between now and that call date (February 1, 2018). Interest earning is nominal because of the rates, so it must be funded outside of the principal portion of the new bonds.

Mr. Mike Upton asked: What happens to the additional 4.7 million in principal? Mr. Gallagher answered that all of those funds go into the escrow account. What happens is the money is invested, the proceeds from the escrow account then have to be used to make principal and interest payments on the 2008 bonds for the rest of 2016, 2017, and to the call date in 2018.

Ms. Bradberry asked if that will be paying the interest on the new or the old bonds. Mr. Gallagher responded that the escrow account will only be used to make payments on the 2008 bonds until such time as the bonds are called on or after February 1, 2018.

Mr. Nimmer summarized that the analysis provided by District Five illustrates that the outstanding principal amount of \$74,000,000, plus the escrow requirement of \$4,874,000, which totals \$78,740,000.00 will be the total of the 2016 bond issue. Debt Service payments on the new bond issue will begin in the current calendar year. The debt repayment schedule as outlined in the refunding analysis pays for both the \$74,000,000.00 outstanding principal plus the escrow account and will result in a significant saving for the school district over the life of the 2016 bond issue.

Mr. Nimmer: Basically, the extra 4.7 million is to pay the debt service on the existing debt until the call date so you can then complete the refunding of the bond.

Mr. Gallagher: The 2008 bonds will be refunded as soon as the call provisions allow and all principal will then be paid in full at that time.

Mr. Nimmer: The additional amount just pays that debt service between now and February 1, 2018 all encompassed into one bond that is being issued now. The debt service millage collected that was originally scheduled to be made on the 2008 bond issue will not be made on the 2008 bond issue but will be made on the 2016 bond issue.

Mike Upton: I understand that, but you are still paying 4.7 million more in principal than the current outstanding debt.

Mr. Nimmer: Due to the requirement that the escrow account must be established up front, the additional principal will be used to fund this account. I assume there are some additional fees in there too?

Mr. Gallagher: There are.

Mr. Upton: An escrow account only holds money, it doesn't have a principal requirement.

Mr. Nimmer: That 2016 bond issue is funding that escrow requirement in addition to the outstanding principal on the 2008 Bond Series.

Mr. Upton: There isn't any principal due until 2019.

Mr. Nimmer: It has to cover the interest portion too.

Mr. Gallagher: If you look at the one year's interest, just the interest in 2017 is 3.8 million dollars; 2018 is 3.8 million dollars that is why there is a difference in the overall bond principal amount that has to be issued.

Mr. Draisen: The interest fee for those two years is almost 8 million dollars.

Mr. Upton: You're paying that anyway. That is coming out of the escrow account

Mr. Nimmer: The escrow account is yet to be established. That's why they need the extra 4.7 million to establish that account for the 2008 Series Bonds. I don't think it is generating anything in addition in terms of debt service requirements other than the repayment of the 2016 bond is paying for the 2008 bond 74 million refunding plus the establishment of the required escrow account.

Ms. Bradberry: Why in the letter that you send are you asking for a refunding of the 2008 General Obligation Bonds not to exceed 82 million? What does that include?

Mr. Nimmer: That is just up to 82 million if it was going to require

Mr. Gallagher: We have to have the principal of 74 million, refunded interest of 7.6 million for a total debt service recalled of 81.6 million and I rounded it off to 82 million.

Mr. Upton: Why is this figure more than this figure?

Mr. Nimmer: The escrow account is to make those payments because there will be no more payments made from the 2008 series funds. That will start over with the 2016 issue even though the refunding will not be completed for another two years.

Mr. Upton asked don't they have a tax levy to make those payments with?

Mr. Nimmer – yes, that's how the payment is going to be made on the repayment of the escrow, but the lower rate means you are still going to save money over the life of the bonds. It is more advantageous to borrow money to fund the escrow account than to continue to service the debt on the 2008 bond issue.

Mr. Gallagher added that the bottom line is that the district is projected to save \$13.6 million dollars over the life of the 2016 bond issue and at net present value the total projected savings is just under \$9.5 million. Current market conditions indicate that interest rate on the 2016 bond issue will reduce from 5.22 percent interest to a 3.42 percent. However, if the bond issue is delayed, there is no telling what the savings may or may not be a month from now.

Amy Heard added that the district will not have control of this money. All funds will go through the county treasurer's office so no additional money will be coming to District Five. Mr. Gallagher said all of those funds in the escrow account go into an irrevocable trust with the paying agent. They will set up an escrow agent account, which will be the county treasurer, to hold all the money there.

Mr. Gallagher indicated that District Five has the sale of the 2016 bonds tentatively planned for the 3rd of February.

After the Board members said they had no more questions, they thanked Mr. Mike Gallagher for this time and addressing their questions.

Dr. Burgess said we will be saving about 5 million and Amy Heard said that was correct. Ms. Bradberry said she is in favor of the concept and saving money. However, with the phone conversations it was not something she could fully understand and, although not opposed, would abstain from voting. .

Mr. Draisen entertained a motion from Mr. Brock in favor of approval of the Refunding of the 2008 Series Bonds as requested by Anderson School District Five. Dr. Burgess seconded the motion. Chairman David Draisen asked for a show of hands of all those in favor of refunding the bond issue for Anderson School District Five. Mr. Dale Martin, Mr. Mike Brock, Rev. Dr. Rufus Mitchell, Mr. David Draisen, and Dr .Gary Burgess voted in favor. Ms. Brenda Bradberry and Mr. Mike Upton abstained from voting. The vote passed with a 5-0 tally with 5 yeas and two abstentions.

There being no further business, the meeting was adjourned.