



**REGULAR BOARD MEETING**

**City Council Chambers**

**14400 Dix Toledo, Southgate, MI 48195**

**BOARD OF  
EDUCATION**

PRESIDENT

REBECCA REED-HALL

VICE PRESIDENT

PAUL C. KNOTT

SECRETARY

DR. DARLENE L. POMPONIO

TREASURER

W. KIRK HAYHURST

TRUSTEES

JASON CRAIG  
MARK KREMER  
PATRICK OWEN

**DATE: January 20, 2015**

**TIME: 6:00 P.M.**

**BOARD MEMBERS PRESENT:** Hayhurst, Knott, Kremer, Pomponio,  
Reed-Hall

**BOARD MEMBERS EXCUSED:** Owen

**ADMINISTRATION PRESENT:** Hainrihar, McLachlan

**ADMINISTRATION EXCUSED:** Pastor

The pledge of allegiance was recited.  
President Reed-Hall read the District Mission and Vision Statement.

**REVISIONS/APPROVAL OF AGENDA**

**ADMINISTRATION**

2014/15-322 It was moved by Dr. Pomponio, supported by Mr. Knott  
that the board approve the January 20, 2015 Regular Board  
Meeting Agenda.

SUPERINTENDENT

LESLIE HAINRIHAR

**YES:** Hayhurst, Knott, Kremer, Pomponio,  
Reed-Hall.

**NO:**

BUSINESS AND FINANCE

DIRECTOR

THERESA McLACHLAN, C.P.A.

**CITIZENS COMMENTS ON DISCUSSION OR ACTION ITEMS**

None

CURRICULUM/FEDERAL

PROGRAMS DIRECTOR

JILL PASTOR

**CONSENT**

2014/15-323 It was moved by Dr. Pomponio, supported by Mr. Knott  
the board approve the January 6<sup>th</sup>, 2015 Regular Board  
meeting minutes.

**YES:** Hayhurst, Knott, Kremer, Pomponio, Reed-Hall

**NO:**

HUMAN RESOURCES

DIRECTOR

MARY HILDEBRANDT

Mr. Craig arrived at 6:05 p.m.

## PRESENTATIONS

Theresa McLachlan introduced Kari Blanchett our financial advisor from Public Financial Management(PFM), and Beverly Bonning, Senior Attorney from Thrun Law Firm. Kari Costanza had a scheduling conflict and could not attend. This presentation will provide information on the 2015 Refunding Bond, what has transpired in the last month, and the results of the bond refunding before the ratification of the bond purchase agreement.

Theresa McLachlan-Southgate Community School District's 2015 Refunding Bonds priced on Thursday, January 8<sup>th</sup>. The bond issue was senior managed by William Blair & Company and co-managed by R.W. Baird. Public Financial Management served as Financial Advisor and Thrun Law Firm as Bond Counsel.

The District's timing into the bond markets was excellent, as rates continued to decrease from the time of the authorizing resolution in November until January 8<sup>th</sup>. Municipal Bond Rates and U.S. Treasury rates are moving closer to historical lows.

Due to this decrease in interest rates, the district was able to generate a total debt service savings of \$3.2 million over the life of the 10 year refunding loan.

The district was able to replace their outstanding debt which had an average coupon or interest cost of 4.625% with new debt that had an average interest rate cost of 2.34% inclusive of all fees and costs of issuance. This is an aggregate interest rate reduction of nearly 50%.

William Blair and PFM provided strategic advice to the District on the timing of their entry into the market as well as the purchase of Bond Insurance from Build America Mutual (BAM) which further helped the marketability and interest rates for the bonds.

Additionally, William Blair held multiple calls with prospective investors to educate them on Southgate Community School's financial recovery and strengths of the community, tax base and general obligation pledge.

In the end this additional effort by William Blair and PFM led to additional orders. The bonds received more than 3 times the orders versus bonds available, which allowed the district and their financial advisor to request a reduction of an additional .05% on the loan.

Kari Blanchett thanked the board for the opportunity to be the district's financial advisor. She summarized the refunding results; 2005 and 2006 refunding bonds carried an interest rate of 4.6% and we replaced them with bonds for 2.25% interest. That generated the savings of \$3,235,968.00. These are not general fund savings. This money cannot go to operations, teachers or administration. It is a reduction in our debt payment. Our debt millage rate is lower; basically it goes back to the tax payer.

Dr. Pomponio asked for an explanation of how the money goes back to the tax payers. Ms. Blanchett explained that the difference between the interest rate prior to and after refunding, it results in a millage reduction of almost 1 mil. If taxable value is higher we need less millage if it is lower we would need more.

Beverly Bonning continued by saying this is all good news. The savings is the amount that taxpayers would have paid had we not reduced the interest. Ms. Bonning expressed appreciation and wanted to acknowledge the work Theresa McLachlan and Leslie Hainrihar, along with support staff did for the bond refunding; the work done results in savings to the tax payers. She explained the resolution; first it completes the record at the board level. In October the board authorized the administrative staff and

professional team to move forward on this transaction when the market conditions warranted the refinancing. Also, delegated authority to the superintendent within certain express perimeter's when they could lock into the interest rate.

Second, the resolution ratifies and affirms the superintendents actions in locking into these interest rates based upon the recommendation and analysis done by the financial advisor and the school business official.

Third, the resolution outlines structure of the bond issue; what is the size of the bond issue, what is the payment schedule and what are the interest rates and authorizing board officers to sign the documents. That is the essence of the resolution before the board tonight.

She strongly encouraged the board to adopt the resolution by roll call vote. She looked forward to closing this transaction in early February. Ms. Bonning said there would be closing documents for board officers and the superintendent to sign later this week. Those documents need to be filed with the Department of Treasury and the Underwriters and Legal counsel.

On behalf of Thrun Law Firm she thanked the board for continuing their legal relationship with them on finance and election matters. It is a pleasure to work on something so positive for the school district.

Mr. Hayhurst asked if this action had any impact on our credit rating. Ms. Blanchett said we do not have an underlying rating the rating we received on this issue is based on the state program rating and wrapped with bond insurance. She stated our rating is based on our General Fund.

#### **ACTION**

2014/15-324 It was moved by Dr. Pomponio, supported by Mr. Knott that the board approve  
The offer of the Underwriter as set forth in the bond purchase agreement (the "Bond Purchase Agreement"), and the terms and conditions set forth therein, presented to the Superintendent on January 9, 2015, to purchase the Bonds in the principal amount of \$22,890,000 at a purchase price of \$26,269,168.90, which is the par value of the Bonds, plus an original issue premium of \$3,445,549.90, less the Underwriter's discount of \$66,381.00, is hereby ratified and affirmed. The Bonds shall be issued in the aggregate principal sum of \$22,890,000 and designated 2015 Refunding Bonds (General Obligation-Unlimited Tax).

YES: Craig, Hayhurst, Knott, Kremer, Pomponio, Reed-Hall

NO:

#### **RETREAT**

Ms. Reed-Hall announced the board was entering their winter retreat and would not return to the viewing audience 6:15 p.m.

**ADJOURNMENT**

2014/15-225 It was moved by Dr. Pomponio, supported by Mr. Knott the board adjourn the meeting at 9:00 p.m.

YES: Craig, Hayhurst, Knott, Kremer, Pomponio, Reed-Hall

NO:

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Dr. Darlene Pomponio-Secretary  
Board of Education





