Agenda Request Form

Cherokee County School District

Meeting Date	Agenda Item Number
September 19, 2019	D-3

Title

Proposed Issuance of a Tax Anticipation Note (TAN)

Requested Action

School Board Consideration of Superintendent's Recommendation for Approval of Issuance of a Tax Anticipation Note (TAN)

Summary Explanation and Background

The School District derives a large part of its annual operating revenue from the collection of property tax in the county. Property tax is collected one time per year, generally between October and December. Because of the timing of the collection of property taxes, the School District experiences a short-term cash flow interruption requiring short-term borrowing in the form of a Tax Anticipation Note ("TAN"), which must be repaid in full prior to the end of the calendar year.

The School Board is, therefore, asked to consider and approve the Superintendent's recommendation to adopt in substantially similar form, the attached Resolution authorizing the issuance of $9.75 million of a TAN to the financial institution submitting the lowest qualified interest rate bid. Interest rate bids will be solicited, received and evaluated by staff and representatives from Davenport and Company, the District's Independent Financial Consultant, prior to the September 19, 2019 Board Meeting.

Major System Priority

Increasing Accountability

Financial Impact

Estimated interest expense $27,659. Actual expense to be based on bid.

Exhibits: (List)

Resolution Authorizing Sale of a Tax Anticipation Note (TAN)

Board Action	Source of Additional Information
(For Official School Board Records Only)	Kenneth Owen 770.479.1871 Dr. Brian V. Hightower 770.479.1871

OFFICE OF THE SUPERINTENDENT OF SCHOOLS

Approved in Open Board Meeting on: _____
(Date)

By: _____
(School Board Chairman)

Initialized: 3/3/99
Revised: 2/1/16

A RESOLUTION OF THE CHEROKEE COUNTY BOARD OF EDUCATION PROVIDING FOR THE ISSUANCE AND SALE OF A TAX ANTICIPATION NOTE IN PRINCIPAL AMOUNT OF $9,750,000 AND FOR OTHER RELATED PURPOSES:

WHEREAS, the Cherokee County School System (the "Issuer") is a duly created and validly existing political subdivision of the State of Georgia under the Constitution and laws of the State of Georgia; and

WHEREAS, the Cherokee County Board of Education, the governing body of the Issuer charged with contracting debts and managing the affairs of the Issuer (the "Governing Body"), has determined that it is in the best interest of the Issuer to pay current expenses for calendar year 2019 in anticipation of the receipt of taxes levied or to be levied for the Issuer's General Fund (the "General Fund"); and

WHEREAS, the Issuer is authorized by Article IX, Section V, Paragraph V of the Constitution of the State of Georgia and Section 36-80-2 of the Official Code of Georgia Annotated, to borrow money to pay current expenses during any calendar year and to evidence such borrowing by issuing tax anticipation notes in anticipation of the receipt of taxes levied or to be levied for the General Fund for expenses payable in such calendar year; and

WHEREAS, the Issuer proposes to issue a tax anticipation note in the principal amount of $9,750,000 (the "Note") to pay the current expenses of the Issuer.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Issuer and it is hereby resolved by authority of the same, as follows:

Section 1. Findings. The Governing Body hereby finds and determines as follows: (a) there are no other temporary loans or other contracts, notes, warrants or obligations for current expenses which have been issued by the Issuer in calendar year 2019; (b) the principal amount of the Note does not exceed 75% of the total gross income from taxes collected by the Issuer in calendar year 2018 for the General Fund; (c) the aggregate principal amount of the Note, together with other contracts, notes, warrants or obligations of the Issuer for current expenses in calendar year 2019 for the General Fund, does not exceed the total anticipated revenues of the Issuer for the General Fund for calendar year 2019; (d) no temporary loan or other contract, note, warrant or other obligation for current expenses incurred in calendar year 2018 or any prior calendar year remains unpaid as of the date hereof; and (e) a need exists for the Issuer to borrow $9,750,000 to pay current expenses of the Issuer in calendar year 2019 prior to the receipt of sufficient revenues from taxes levied or to be levied for the General Fund for 2019.

Section 2. Authorization of Note.

(a) The issuance of the Note in the principal amount of $9,750,000 is hereby authorized. The Note shall be designated "Cherokee County School System Tax Anticipation Note, Series 2019." The Note shall be dated as of the date of issuance thereof; shall bear interest

at the rate of 1.76% per annum, calculated on the basis of the actual number of days elapsed in a 360-day year; shall be payable as to principal and interest in lawful money of the United States of America to the person who is the registered owner of the Note on December 13, 2019; shall be numbered R-1 upward; and shall mature and together with accrued interest shall be payable on December 27, 2019 (the "Maturity Date").

(b) The Note shall be issued in the form of a single fully registered note. The Note shall be executed by the manual signature of the Chairman or Vice Chairman of the Governing Body and by the manual signature of the Secretary, and the corporate seal of the Issuer shall be impressed thereon. In case any officer whose signature shall be affixed to the Note or who shall have sealed the Note shall cease to be such officer before the Note so signed and sealed shall have been actually delivered, the Note, nevertheless, shall be a valid obligation of the Issuer and may be delivered as such notwithstanding the fact that such officer or officers may have ceased to be such officer or officers of the Issuer when the Note shall be actually delivered.

Section 3. Approval of Form of Note. The Note as initially issued shall be issued in substantially the form attached hereto as Exhibit A with such changes, insertions or omissions as may be approved by the Chairman or Vice Chairman of the Governing Body, and the execution and delivery of the Note shall be conclusive evidence of such approval.

Section 4. Designation of Paying Agent. The Issuer's Assistant Superintendent of Financial Management is hereby designated as Paying Agent, Note Registrar and Authenticating Agent with respect to the Note.

Section 5. Tax Revenues Used to Repay Note; General Obligation. The Issuer agrees to use for payment of the Note and the interest thereon a sufficient portion of the revenues received by the Issuer from taxes levied or to be levied for calendar year 2019 for the General Fund, subject to the 20 mill limitation prescribed by law, and other funds available for such purpose. The indebtedness to be evidenced by the Note is a general obligation of the Issuer, and the full faith and credit of the Issuer are hereby pledged to secure the payment of the principal of and interest on the Note.

Section 6. Authentication of Note. The Note as originally issued and all Notes issued in connection with a registration of transfer shall not be valid for any purpose unless and until a certificate of authentication substantially in the form set forth in Exhibit A shall be duly executed by the Note Registrar.

Section 7. Transfer and Exchange of Note. The Note Registrar shall cause to be kept books for the registration of transfer of the Note. The Note may be registered as transferred on the books of registration by the registered owner thereof in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer executed by the owner or his duly authorized attorney. Upon surrender for registration of transfer at the principal office of the Note Registrar, the Issuer shall execute, and the Note Registrar shall authenticate and deliver in the name of the transferee, a new Note, numbered consecutively in order of issuance according to the records of the Note Registrar. Such

registration of transfer shall be without charge to the owner of the Note, but any tax or other governmental charge, required to be paid with respect to the same shall be paid by the owner of the Note requesting such registration of transfer as a condition precedent to the exercise of such privilege. The Note is subject to transfer restrictions as set forth in the Note.

Except as provided in Section 9 hereof, the Note may be not be exchanged.

Section 8. Registered Owners. The person in whose name the Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal or interest shall be made only to or upon the order of the registered owner thereof or his duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Note to the extent of the sum or sums so paid.

Section 9. Mutilated or Destroyed Note. In case the Note shall become mutilated or be destroyed or lost, the Issuer may cause to be executed, authenticated and delivered a new Note in exchange or substitution for any such Note upon, in the case of a mutilated Note, surrender of such Note, or in the case of destroyed or lost Note, the owners filing with the Issuer, the Paying Agent and the Note Registrar evidence satisfactory to them that such Note was destroyed or lost and providing indemnity satisfactory to them, provided that if the owner of such destroyed or lost Note has a minimum net worth of at least $25,000,000, such person's own unsecured agreement of indemnity shall be deemed to be satisfactory. If the Note shall have matured, instead of issuing a new Note, the Issuer may pay the same.

Section 10. Redemption. The Note is not subject to redemption or prepayment prior to maturity as is more fully provided in the form thereof.

Section 11. Tax Covenants and Representations. The Note is being issued by the Issuer in compliance with the conditions necessary for the interest income on the Note to be excludable from gross income for federal income taxation pursuant to the provisions of Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). It is the intention of the Issuer that the interest on the Note be and remain excludable from gross income for federal income tax purposes, and, to that end, the Issuer hereby covenants with the owner of the Note, as follows:

(a) It will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the tax-exempt status of the interest on the Note under Section 103 of the Code.

(b) It will not directly or indirectly use or permit the use of any proceeds of the Note or any other funds of the Issuer or take or omit to take any action in a way that would cause the Note to be (i) a "private activity bond" within the meaning of Section 141 of the Code, (ii) an obligation which is "federally guaranteed" within the meaning of Section 149 of the Code or (iii) a "hedge bond" within the meaning of Section 149 of the Code. Without limiting the foregoing, the Issuer will not allow 10% or more of the

proceeds of the Note to be used in the trade or business of any private business and will not loan 5% or more of the proceeds of the Note to any nongovernmental units.

(c) It will not directly or indirectly use or permit the use of any proceeds of the Note or any other funds of the Issuer or take or omit to take any action that would cause the Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. To that end, the Issuer will comply with all requirements of Section 148 of the Code to the extent applicable to the Note.

Section 12. Approval of Tax Documents. The Chairman or Vice Chairman of the Governing Body is hereby authorized to execute on behalf of the Issuer a Tax and Non-Arbitrage Certificate to assure the owner of the Note and Murray Barnes Finister LLP, Bond Counsel, that the interest on the Note will remain excludable from gross income for federal income tax purposes and that the proceeds of the Note will not be used in a manner which would result in the Note being an "arbitrage bond" within the meaning of Section 148 of the Code. The Chairman of the Governing Body or Vice Chairman of the Governing Body is further authorized to execute on behalf of the Issuer an Internal Revenue Service Form 8038-G "Information Return for Tax-Exempt Governmental Obligations" related to the issuance of the Note.

Section 13. General Authority. From and after the date of adoption of this resolution, any member of the Governing Body and the officers, employees and agents of the Issuer are hereby authorized to do such acts and things, and to execute and deliver all such certificates or agreements as may be necessary or desirable in connection with the issuance of the Note. Without limiting the foregoing, the Vice-Chairman of the Governing Body is authorized to execute any and all documents on behalf of the Chairman of the Governing Body, and the Assistant Secretary of the Governing Body is authorized to execute any and all documents on behalf of the Secretary of the Governing Body. All actions of the Governing Body, officers, employees or agents of the Issuer taken in connection therewith prior to the date hereof are hereby ratified and confirmed.

Section 14. Sale of Note. The sale of the Note to First-Citizens Bank & Trust Company for the price of 100% of the par amount of the Note is hereby approved.

Section 15. Repeal of Conflicting Resolutions; Effective Date. This Resolution shall be in full force and effect immediately upon its adoption, and any and all resolutions or parts of resolutions in conflict with this Resolution shall be, and they are, to the extent of such conflict, hereby repealed.

Adopted and approved by the Cherokee County Board of Education on September 19, 2019.

CHEROKEE COUNTY SCHOOL SYSTEM

(SEAL)

By:_____
Chairman, Board of Education

Attest:

_____
Secretary, Board of Education