



Capital Forensics, Inc.

October 12, 2021

Board of Directors
South Carolina Association of Governmental Organizations
Columbia, South Carolina

RE: Compass Municipal Advisors Consulting – Cost of Issuance Review

This report represents the results of Capital Forensics, Inc.’s (“CFI”) engagement by the South Carolina Association of Governmental Organizations (“SCAGO”) Program Administrator, Compass Municipal Advisors, LLC (“Compass”). The results represent our independent and unbiased opinion regarding the accuracy of certain calculations performed by Compass. Our opinion is dependent on information and data supplied to CFI by Compass, including the specific transactions chosen for comparison and backup documents in support of any calculations. Compass represents that information provided to CFI was complete and accurate to the best of its knowledge and it’s use complies with all applicable laws and regulations. Results are based on information available to CFI at the time of issuance and CFI will have no responsibility to update any report issued to consider events that occur after the date of its original issuance or new information that becomes available. Finally, the content of this report does not represent legal advice, or the compilation, review, or audit of financial records or financial statements as provided for under the Statement on Standards for Accounting and Review Services.

Based on the following report, including the calculations and assumptions presented, SCAGO cost of borrowing (fees + interest) could have been over \$1.1 million (see table below) lower for a hypothetical participant across 11 transactions from 2017 through 2020 compared to that hypothetical participant’s cost of borrowing for actual transactions during the same period.

Potential Fee Savings	Potential Net Interest Savings	Potential Cost Savings
\$291,484	\$819,589	\$1,111,074

Background

The South Carolina Association of Governmental Organizations was formed in 2002 by local school leaders and originally sponsored by the South Carolina Association of School Administrators and the South Carolina Association of School Business Officials. Its objective was to promote financing and investment opportunities to benefit South Carolina Public School Districts.¹

Compass Municipal Advisors, LLC is an independent municipal advisory firm. As SCAGO Program Administrator, Compass works closely with SCAGO to develop innovative financing programs for a wide range of financial needs and has issued over \$4.3 billion in bonds for the organization.²

¹ <http://www.scago.com/home.html>

² <https://compassmuni.com/finance-program.asp>



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Purpose

Confirm a hypothetical cost of borrowing calculation (fees + interest) for a South Carolina public school district. The hypothetical calculation will be derived from public offerings issued by SCAGO through the SC (South Carolina) GO (General Obligation) Debt Program where Compass Municipal Advisors served as Program Administrator. We will also confirm cost of borrowing calculations of actual select financing transactions by that same South Carolina School District and provide the results of those calculations for comparison.

For details regarding our process as well as any important disclosures, please review the last section of this report.

Results

2017 Transaction #1

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	05/17/17	05/17/17	
Maturity Date:	03/01/18	03/01/18	
Par Amount:	\$10,000,000	\$9,832,820	
Coupon:	1.220%	3.000%	
Yield:		0.980%	
Fees:	\$60,650	\$45,584	
Net Proceeds:	\$9,939,350	\$9,939,350	
Net Interest:	\$96,244	\$80,596	<u>Difference</u>
Fees + Interest:	\$156,894	\$126,180	\$30,714

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$155,457 and \$3,343, respectively.



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2017 Transaction #2

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	05/17/17	05/17/17	
Maturity Date:	06/01/18	03/01/18	
Par Amount:	\$30,575,000	\$30,251,999	
Coupon:	1.220%	3.000%	
Yield:		0.800%	
Fees:	\$108,000	\$72,393	
Net Proceeds:	\$30,467,000	\$30,467,000	
Net Interest:	\$267,327	\$118,487	Difference
Fees + Interest:	\$375,327	\$190,880	\$184,447

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$296,470 and \$9,075, respectively.

2017 Transaction #3

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	09/13/17	09/20/17	
Maturity Date:	03/01/18	03/01/18	
Par Amount:	\$2,420,000	\$2,383,919	
Coupon:	1.790%	2.000%	
Yield:		1.300%	
Fees:	\$42,940	\$12,723	
Net Proceeds:	\$2,377,060	\$2,377,060	
Net Interest:	\$20,215	\$15,458	Difference
Fees + Interest:	\$63,155	\$28,181	\$34,974

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$7,414 and \$1,550, respectively.



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2018 Transaction #1

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	05/09/18	05/16/18	
Maturity Date:	03/01/19	03/01/19	
Par Amount:	\$5,500,000	\$5,412,769	
Coupon:	2.190%	3.000%	
Yield:		1.770%	
Fees:	\$62,644	\$25,752	
Net Proceeds:	\$5,437,356	\$5,437,356	
Net Interest:	\$97,698	\$78,215	Difference
Fees + Interest:	\$160,342	\$103,967	\$56,375

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$51,963 and \$1,624, respectively.

2018 Transaction #2

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	09/06/18	09/27/18	
Maturity Date:	06/01/19	03/01/19	
Par Amount:	\$35,455,000	\$35,188,284	
Coupon:	2.280%	3.500%	
Yield:		1.770%	
Fees:	\$92,201	\$77,433	
Net Proceeds:	\$35,362,799	\$35,362,799	
Net Interest:	\$595,053	\$274,899	Difference
Fees + Interest:	\$687,254	\$352,332	\$334,922

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$258,282 and \$6,334, respectively.



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2018 Transaction #3

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	09/06/18	09/27/18	
Maturity Date:	03/01/19	03/01/19	
Par Amount:	\$3,120,000	\$3,100,927	
Coupon:	2.970%	3.000%	
Yield:		2.400%	
Fees:	\$31,652	\$17,355	
Net Proceeds:	\$3,088,348	\$3,088,348	
Net Interest:	\$45,045	\$35,020	Difference
Fees + Interest:	\$76,697	\$52,375	\$24,322

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses
Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$7,876 and \$3,101, respectively.

2019 Transaction #1

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	05/09/19	05/15/19	
Maturity Date:	03/01/20	03/01/20	
Par Amount:	\$5,230,000	\$5,180,095	
Coupon:	2.350%	2.000%	
Yield:		1.660%	
Fees:	\$61,547	\$25,421	
Net Proceeds:	\$5,168,453	\$5,168,453	
Net Interest:	\$99,690	\$68,815	Difference
Fees + Interest:	\$161,237	\$94,235	\$67,001

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses
Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$13,831 and \$52, respectively.



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2019 Transaction #2

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	09/12/19	09/25/19	
Maturity Date:	06/01/20	03/01/20	
Par Amount:	\$37,895,000	\$37,824,073	
Coupon:	1.520%	2.000%	
Yield:		1.150%	
Fees:	N/A	\$65,618	
Net Proceeds:	\$37,895,000	\$37,895,000	
Net Interest:	\$414,403	\$193,365	\$221,038

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses
Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$139,193 and \$2,648, respectively.
Net Interest comparison only due to no available information on bank loan fees at time of report issuance.

2019 Transaction #3

	Actual Bank Loan	SCAGO Program Hypothetical	
Issue Date:	09/12/19	09/25/19	
Maturity Date:	03/01/20	03/01/20	
Par Amount:	\$8,925,000	\$8,952,219	
Coupon:	2.240%	2.500%	
Yield:		2.000%	
Fees:	N/A	\$43,871	
Net Proceeds:	\$8,925,000	\$8,925,000	
Net Interest:	\$93,851	\$80,953	\$12,898

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses
Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$19,337 and \$2,686, respectively.
Net Interest comparison only due to no available information on bank loan fees at time of report issuance.



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2020 Transaction #1

	Actual Public Market	SCAGO Program Hypothetical	
Issue Date:	09/10/20	09/17/20	
Maturity Date:	06/01/21	03/01/21	
Par Amount:	\$48,720,000	\$49,879,069	
Coupon:	5.000%	2.000%	
Yield:	0.202%	0.160%	
Fees:	\$189,303	\$71,726	
Net Proceeds:	\$50,218,845	\$50,218,845	
Net Interest:	\$77,952	\$42,951	Difference
Fees + Interest:	\$267,255	\$114,677	\$152,577

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$417,488 and \$5,985, respectively.

2020 Transaction #2

	Actual Public Market	SCAGO Program Hypothetical	
Issue Date:	09/10/20	09/17/20	
Maturity Date:	03/01/21	03/01/21	
Par Amount:	\$9,440,000	\$9,337,399	
Coupon:	0.375%	3.000%	
Yield:	0.300%	0.230%	
Fees:	\$36,679	\$45,744	
Net Proceeds:	\$9,404,265	\$9,404,265	
Net Interest:	\$15,871	\$15,002	Difference
Fees + Interest:	\$52,550	\$60,746	(\$8,196)

*Include fees for Financial Advisor, Program Administrator, Bond Counsel, Trustee, Bond Rating, Sponsorship and Out of Pocket Expenses

Net Interest represents interest on the bonds adjusted for a bid premium and underwriters discount of \$117,651 and \$5,042, respectively.



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Process and Disclosures

Private Market Transactions: sourced from Advisor reports, Closing Memorandum's and Bank Proposals included in 2019 FOIA responses by Berkeley County School District and provided to CFI by Compass.

Public Market Transactions: sourced from Offering Circulars and Munex³ reports provided to CFI by Compass. Par amount was determined using the net proceeds calculated from actual loan transactions and adjusted for hypothetical program fees and bid premiums. Interest on the par amount was derived from the terms of the actual SCAGO public transactions. For additional information on the calculation of hypothetical fees and bid premiums, see Disclosures and Assumptions section below.

Disclosures and Assumptions:

- Compass chose all specific transactions for comparison
- CFI did not independently research issues or rely on documents other than those provided by Compass⁴
- Comparisons for 2019 bonds #2 and #3 were interest only comparisons because information on bank loan fees was not available at the time of report issuance
- Hypothetical bid premium, underwriter's discount and bond rating fee assumed based on ratio of the amount of each within the actual SCAGO issuance relative to the par amount of the actual SCAGO issuance, multiplied by the par amount of hypothetical issue

Example of Bid Premium Calculation for 2017 Transaction #1

A	Bid Premium of Actual 2017 Public Transaction #1:	\$ 1,203,299
B	Par Amount of Actual 2017 Public Transaction #1:	\$ 76,110,000
C	Divide B by A (A / B):	1.6%
D	Hypothetical Par Amount for 2017 Public Transaction #1:	\$ 9,832,820
E	Multiply C by D (C x D):	\$ 155,457

- Fees for Actual Public Market Transactions in 2020 were determined by taking total Cost of Issuance disclosed in the Offering Circular for the combined bonds and splitting them pro-rata based on par amount of each issue individually
- Hypothetical Financial Advisor and Program Administrator Fees based on March 17, 2017, fee letter for SCAGO public offering participant which was consistent with charges incurred by all SCAGO participants across the public transactions evaluated as part of this engagement
- Hypothetical Bond Counsel fee assumed to be the same as Financial Advisor Fee for each participant and Trustee fee assumed to be \$500 per the direction of Compass but some Bond Counsel and Trustee fees for individual SCAGO participants were higher than these amounts
- Sponsorship Fee assumed to be \$500 for 2017 Transaction #1, and 0.035% of par amount for all other transactions per the direction of Compass and based on a review of SCAGO transactions

³ Munex is a software program used in the industry to evaluate bond issuance and model optimal offerings.

⁴ CFI pulled the publicly available Offering Circulars for 8 of the 11 SCAGO public transactions for efficiency purposes.



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evaluated as part of this engagement. Sponsorship fee minimum and maximum were \$500 and \$2,000, respectively

- Out of Pocket fees assumed to be \$500 per the direction of Compass and based on a review of SCAGO transactions evaluated as part of this engagement

Respectfully,

Brad Daniels, CFA, CFE

Chief Operating Officer

Capital Forensics, Inc.