

MINUTES
EVALUATION AND POLICIES COMMITTEE MEETING
OF McHENRY COUNTY COLLEGE

A meeting of the Evaluation and Policies Committee of the Board of Trustees of McHenry County College was held on Monday, April 14, 2014 in the Board Room, Room A217, in Building A on the Campus. Chair Kisser called the meeting to order at 6:33 p.m. When Mr. Jenner called the roll, the following committee members were present:

Mr. Jenner
Ms. Liddell
Ms. Kisser

Mr. Parrish and Ms. Walsh were also present. Dr. Smith was present. Attorney Nanci Rogers was present as legal counsel.

ACCEPTANCE OF AGENDA

Mr. Jenner spoke about agenda items he has asked for that have not yet appeared on the agenda. Ms. Kisser asked that these items will be discussed under Future Agenda Items. The agenda was accepted as presented.

ACCEPTANCE OF MINUTES

The minutes of the Evaluation and Policies Committee meeting, March 17, 2014 were accepted as revised.

OPEN FOR RECOGNITION OF VISITORS AND PRESENTATIONS

No one addressed the Committee.

PRESIDENT'S REPORT

Dr. Smith stated she had no report.

WORKSHOP

Mr. James Snyder of IceMiller LLP conducted a workshop to cover the following topics for the Evaluation and Policies Committee: understanding the types of debt with which the Board should be familiar in managing debt on behalf of the College; understanding the implications, if any, of requiring

taxpayer approval when acquiring any of these types of debt, and identifying the purposes the Board wishes to achieve in creating a debt management policy.

Mr. Snyder first provided an overview of the different types of debt/liabilities, which included:

Lines of Credit	Debt required to be accounted for under
Tax Anticipation Warrants	Generally Accepted Accounting Principles
Alternative Revenue Bonds	(GAAP) or Governmental Auditing Standards
Debt Certificates	(GAS)
General Obligation	- Retirement Liabilities
	- Other Post-Employment Benefits
	Performance Contracting

Mr. Snyder then spoke about the legislative framework for community college debt; community colleges are permitted by statute to issue general obligation building bonds approved by the voters, health and safety bonds limited to \$4.5 million which require Illinois Community College Board approval before issuance, debt certificates, tax anticipation warrants, lines of credit, and swaps which are limited to experienced borrowers with at least \$10 million outstanding. Mr. Snyder noted that McHenry County College's debt limit is 2.875% of the district's Equalized Assessed Valuation, or \$200 million.

Mr. Snyder went on to explain what the general implications would be for a community college if all forms of debt were subject to referendum by the taxpayers. He stated that the state statute is designed to provide flexibility and is also designed to prevent irresponsible borrowing. He added that if all debt required a voter referendum, a lender buying the College's bond would see that the district does not have flexibility, and would look at the worst case scenario if the College were not able to operate efficiently.

The result might be that the interest on the debt could be higher, plus investors may be reluctant to purchase the debt. Mr. Snyder added that by requiring a referendum for all debt the College would no longer be able to take advantage of timing to obtain lower interest rates. He noted that the statute has already specified which instances of debt require voter approval, i.e., when a college is increasing taxes.

The presentation continued with discussion on good debt vs. bad debt; discussing the pros and cons as they relate to the three debt policy versions presented at the March 17, 2014 Evaluation and Policies Committee Meeting. Mr. Snyder explained that good debt is debt for long-term capital projects, and gave an example of bad debt – using 30-year bonds to pay salaries

Discussion continued on the purposes behind a debt management policy, ensuring the financial health of the college and protecting the interest of taxpayers.

Three proposals were reviewed by the Evaluation and Policies Committee; discussion followed.

Proposal 1 articulated certain kinds of debt that would require voter approval.

Proposal 2 stated the College would follow State statute.

Proposal 3 stated the College will follow State statute but provides a more conservative approach.

Ms. Liddell clarified each proposal's points; Mr. Snyder stated that Proposal 3 was more conservative than what is permitted by Illinois law and would permit less borrowing. He noted that Proposal 2 would permit the different types of borrowing allowed under Illinois law.

Ms. Liddell commented that all proposals would still require Board approval to borrow and incur debt. She added that Proposal 1 ends up reducing the College's flexibility and ability to take advantage of timely interest rates, and ties the College's hands on different options.

Ms. Walsh suggested Proposal 1 could be melded with Proposal 3.

Dr. Smith clarified that Proposal 1 stated four types of debt would require voter approval: 1) working cash funds, 2) back door referendum which includes bonds to pay teachers, 3) alternative revenue bonds, and 4) debt certificates. Dr. Smith added that by statute, currently those four types of debt did not require voter approval.

Ms. Kisser asked whether, in a situation where the College had a project which had half its cost in donor pledges, would Policy 1 or Policy 3 preclude the College from being able to take out debt certificates without a referendum. Mr. Snyder replied that Policy 1 would preclude the College from taking out debt certificates without voter approval. Ms. Kisser asked the same question about Proposal 3, and Mr. Snyder replied Proposal 3 has a limitation on useful life, making sure it makes sense. Ms. Kisser stated that this was a concern to her as waiting for a referendum might cause the College to lose donor pledges.

Ms. Kisser asked if the College wanted to borrow a significant amount for a capital improvement such as an HVAC system, using an Energy Performance Contract, would Proposals 1 and 3 preclude that: Mr.

Snyder replied that the proposals would not restrict that, but that Proposals 1 and 3 would limit other debt alternatives.

The floor was opened for discussion. Ms. Kisser summarized discussion by stating that three proposals have been reviewed. Proposal 2 states that the College follows state law. She added that Proposal 3 is a light version of Proposal 1, which says the College will follow the law, and puts some restrictions on borrowing. It was noted that the way Proposal 1 has been modified; the College's hands are not tied in an emergency situation. Mr. Jenner spoke about bond issuance in his previous district, bond counsel determined the best time to get the best rate. He supported Proposal 1 as modified.

Mr. Parrish and Ms. Kisser discussed proposed language regarding "absolutely necessary," and Ms. Kisser stated language could specify "essential to maintain day to day operations and meet responsibilities to students and the community." Mr. Parrish leaned towards Proposal 1.

Ms. Walsh asked Mr. Jenner why debt certificates were included in Proposal 1; he stated that those can be issued without voter approval, and the philosophical goal is to not issue significant debt without voter approval. Ms. Walsh asked whether a maximum amount could be specified, noting that debt certificates were issued for a recent land purchase and the purchase of the Shah Center. Mr. Jenner questioned whether the Board knows better than the taxpayers; Ms. Walsh responded that the Board is elected by the taxpayers and has a certain amount of responsibility to make decisions on these issues. Ms. Walsh stated she prefers that any alternative revenue bonds be approved by the voters but was not sure that voter approval was needed on debt certificates.

Ms. Liddell noted that the Board has to think about sustainability, being able to insure that the Board acts responsibly. She felt Proposal 2 gives the Board the most flexibility to do what needs to be done. She questioned Proposal 3; looking at what the College has done in the past, there have not been any instances of irresponsibility about issuing bonds or having to go to the taxpayers to "bail out" the College.. She did not feel that tying the Board's hands before needs are known would be the right thing to do. Ms. Walsh pointed out that prior to coming aboard; alternative revenue bonds were an issue discussed in the community.

Ms. Liddell spoke about Trustees’ responsibility to advocate for the College. She stated this Board must come up with solid policy that allows Trustees to do their jobs responsibly.

Ms. Kisser stated her concerns. She feels the College should be able to take advantage of investment opportunities, and also feels that when donors are found who want to contribute, taxpayers are informed when part of a project cost has been matched by donors. She stated that it was never the College’s intent to build a \$40 million gym, and noted that campaign literature she received had stated just that. She stated that how things are perceived by the public is the Board’s job, having been elected to be intelligent synthesizers of what is going on and to make the best decisions.

Mr. Parrish asked if the newly added sentence from Proposal 1 was added to Proposal 3, would Trustees feel differently about Proposal 3. Ms. Kisser answered yes, if the sentence were removed and added to Proposal 3, she would be as unhappy with Proposal 3 as she is with Proposal 1. Limiting borrowing to only handling emergencies when there might be very good reasons to get a better interest rate or lock in contributors would still be a problem.

In further discussion, the Evaluation and Policies Committee did not reach a consensus on policies to move forward to the Board. Mr. Parrish believed that Trustee Miller’s input was needed. Ms. Kisser stated that feedback would be obtained at the April 24, 2014 Board meeting.

CONTINUE DISCUSSION OF DEVELOPMENT OF NEW POLICY ON ISSUING DEBT

Discussion on this topic was included in the workshop on debt management.

CONTINUE REVIEW OF SECTION 2, BOARD POLICY MANUAL, POLICIES 2.4.6 THROUGH 2.7

Review of Section 2 of the Board Policy Manual continued. Results of discussion are shown in the table .

2.4.5	Children on Campus - will change to 2.4.6	Accepted with minor verbiage changes
2.5	Third Party Communication with Students on Campus	Policy will be deleted
2.6	Whistleblower Policy – will change to 2.8, Confidential Reporting	Will be brought back with changes
2.7	College Master Plan	Accepted with minor verbiage changes
2.8	Copyright Policy	Will be brought back with changes
2.10	Identity Theft Prevention (Red Flag Rules)	Accepted
2.11	College Committees	Accepted
2.12	Research on Campus	Accepted
2.13	Naming of College Facilities	Will be brought back with changes

Policies to be deleted will be discussed at the next meeting.

REVIEW THE PROCEDURE FOR ELECTION OF BOARD OFFICERS AND CHANGES TO OPEN MEETINGS ACT IN REGARD TO THE PROCESS

A review of Procedure for Election of Board Officers and Changes to Open Meetings Act in Regard to that Process was discussed; Ms. Kissler explained that at the April Organizational meeting, Board officers will be elected. Attorney Rogers explained the changes to the Open Meetings Act since the last election, which now provide for roll call voting rather than secret ballot.

COMMENTS BY COMMITTEE MEMBERS

Ms. Kissler commented that the Committee did a good job getting through Section 2 of the Board Policy Manual.

FUTURE AGENDA ITEMS

Future agenda items include: 1) proposed additional verbiage for closed session meeting procedure, 2) continuation of cleanup on Section 2 and move to Section 6, and 3) teaching of controversial issues.

Discussion of a Board Retreat will be conducted at the Committee of the Whole meeting.

CLOSED SESSION

No Closed Session was held.

ADJOURNMENT

Hearing no further business, the meeting was adjourned at 9:14 p.m.

Patricia Kriegermeier, Recording Secretary