EAST CENRAL COLLEGE
BOARD OF TRUSTEES MEETING
Saturday, November 9, 2024

CALL TO ORDER: The regular meeting of the Board of Trustees was called to order at 8:59 a.m. by Board President Ann Hartley. Other Board members present for all, or parts of the meeting were Joseph Stroetker, Eric Park, Cookie Hays, and J.T. Hardy. Also present were President of the College Jon Bauer; Administrators – Vice President of Academic Affairs Robyn Walter, Vice President of External Relations Joel Doepker, and Vice President of Student Development Sarah Leassner; Other Staff –Rolla Campus Director Christina Ayres and Executive Assistant to the President Stacy Langan.

ELECTION DISCUSSION: No action is being requested from the Board today. This meeting is intended to provide information to support a decision that will be brought for approval at the December meeting. A community survey has been conducted, and today's presentation will highlight key findings. Supporting materials are included in the Board packet for reference, along with a glossary of terms. Key points discussed:

- The operating levy can be used for any institutional costs, including capital projects.
- The debt service levy is more restrictive and can only be used to pay off bonds. Currently, the levy is 9.9 cents. Once the bond is retired, taxpayers will no longer pay this amount.
- Bond issues require voter approval for specific projects and typically secure the lowest interest rates, making them the safest option for investors.
- Capital improvements include work like building, maintaining, remodeling, or renovating campus facilities.
- A lease purchase is a loan that does not require issuing bonds. It can be approved by the Board if the funds are available in the general fund, operating similarly to a traditional loan.
- Certificates of Participation (COPS) are another payment option but may have higher interest rates compared to bonds.
- Voting requirements:
  - A simple majority means more "yes" than "no" votes are required to pass.
  - A four-sevenths majority requires 57.1% of voters to approve.

The financial scenarios to be presented by Piper Sandler include either a tax levy transfer or a bond issue. The PowerPoint presentation from Piper Sandler is available in OnBoard. Hannah Snyder will review the options with the Board to provide clarity and help them understand the details.

Hannah explained that in Missouri, once a general obligation bond is paid off, institutions can no longer set a debt service levy. ECC's bond is scheduled to be paid off in 2026. If the levy is retired, the College's tax rate will decrease by 9.9 cents. However, to address the long-term needs of the College, there is an option to transfer the 9.9 cents into the operational fund instead. This is the final year to take this action before the levy rolls back completely retiring in 2026. By August 2025, only about half of the 9.9 cents will be levied to pay off the remaining bonds.

If the College moves forward with this levy transfer, it will generate approximately $2.2 million annually from the debt service fund to the operating fund. These funds could then be used for debt service on capital projects, deferred maintenance, or operational costs. In contrast, keeping the levy as a bond issue would restrict its use to capital projects only. This transfer requires a simple majority vote to pass.

For future capital projects, funding options include lease purchases or certificates of participation (COPS), which do not require voter approval. These options are similar to general obligation bonds but typically carry slightly higher interest rates due to lower investor risk. A lease can extend up to 30 years, whereas general obligation bonds are limited to 20 years. Hannah then presented two hypothetical scenarios.

Option 1: Tax Levy Transfer from Debt Service Fund to General Fund
This option shows the impact of transferring the 9.9-cent debt levy into operations, including what revenue might look like after a $10 million lease and the expiration of the bonds in 2026. A critical point is that any excess funds, after servicing the remaining debt, could be used for operating expenses such as utilities, insurance, and salaries. This year, reserve funds were used to cover some expenses that this transfer could address in the future. Additionally, this approach provides flexibility for other capital improvements, maintenance, and repairs.

A second scenario was presented, illustrating the impact of transferring 8.0 cents instead of the full 9.9 cents. This example highlights the potential outcome of requesting a smaller portion of the debt service levy from voters. Both scenarios are grounded in a conservative projection of the College's future growth.

Sample ballot language for this option was shared with the team. On last April's ballot, the word "anticipated" created confusion among voters and became a sticking point. This year, the word "anticipated" will be omitted. The first three and a half sentences of the ballot wording are legally mandated, but the College has some flexibility in the remaining text and the title of the proposition. The team discussed strategies to address these challenges during the campaign while working within the constraints of the prescribed language.

Option 2 – No Tax Levy Increase General Obligation Bond Election
This option involves a capital improvement bond that requires voter approval. By law, the amount requested cannot exceed 15% of the assessed valuation, though this cap is typically more of a challenge for K-12 schools. Scenarios for this option were reviewed, including the 9.9 cent bond projection.

The projected cash flow for this option was also discussed. It is important to note that funds from this bond can only be used for capital projects and cannot be allocated to anything else. For example, in 2026, voters approved Prop RN, which allowed for the construction of HS and other capital improvements. However, we are now experiencing HVAC issues in HS, and money in the debt service fund cannot be used on those costs.

Discussion ensued regarding the two options.

Hannah left the meeting at this time.

It was noted that the scenarios were examples, and the numbers can be adjusted to best benefit the College's needs.

Community Survey: ECC contracted with Opinion Research Specialists in Springfield, MO to conduct community surveys for voter feedback. Invitations were sent to 4,000 households that voted in the April election, and 580 completed questionnaires—via mail and online—were received. The primary opposition to the proposition stemmed from an anti-tax sentiment, followed by misinformation or lack of information. Supporters of the proposition primarily backed it because they support the College. The survey highlighted the impact of four key factors, with the mean respondent age being about 55, which aligns with the typical voting demographic. However, respondents did not reference social media or digital platforms as sources of information about Prop ECC. The survey also explored when respondents decided how they would vote, as well as their age and location. For those who oppose the proposition, there is an opportunity to address misinformation and perceptions of deception in future campaigns. Emphasizing the economic impact of the proposal might also be effective.

Prop ECC narrowly lost by 119 votes. Other tax-related issues on the ballot may have contributed to an overall anti-tax sentiment. Two versions of the survey were conducted—one online and one on paper—with a public link that didn't verify if respondents were registered voters. Despite this, the general themes across the surveys were consistent. The surveys included responses from 580 registered voters and 98 from the public link.

Pros, Cons for Two Election Options: There are two election options to consider: a levy transfer or a bond issue, each with distinct pros and cons. A **levy transfer** would generate $2.26 million annually, with approximately $1 million allocated for debt payments and $1.3 million available for other operations. This option could address both current and future capital improvements, such as replacing the HVAC or repaving surfaces. Additionally, funds could be used for ongoing, non-capital operations. The levy transfer option has been recommended by the citizens' committee, requires a simple majority to pass, and would maintain the current overall tax rate. The rate would not expire but could roll back as the tax base grows. There is also flexibility to include a sunset provision or transfer less than the full 9.9 cents.

Alternatively, a **bond issue** would generate $35 million at the current levy, with annual debt service costs ranging from $2.1 million in 2026 to $3.8 million in 2046. These funds would be restricted to capital improvements, which could include maintenance and repair, as well as new construction. While it could offload some capital expenses from the general fund, bond proceeds cannot be used for operations. This option was not recommended by the citizens' committee and requires a 4/7 majority to pass. The overall tax rate would remain the same, but the levy would expire after 20 years, similar to the bonds being retired in 2026. A smaller bond issue could also be proposed.

Discussion: The needs of the College include deferred maintenance on existing buildings, roads, and parking lots, as well as centralized storage and repairs to the fitness trail. We are exploring options to repair the trail, including applying for a grant. Renovation of underutilized spaces is also a priority, such as the classrooms in the DSSC that were previously used for ITV, especially now that the covered bridge better connects the buildings. With AEL's move to Hansen Hall, space in ECTC has become available, and the Welding lab is too small to meet current demand.

Operational challenges include falling behind on the deferred maintenance and the need to remain competitive in salaries and benefits to reduce turnover. Technology needs are ongoing, and the College is also grappling with minimum wage adjustments and numerous vacant staffing positions.

Beyond these critical needs, there are opportunities for new projects, including construction for STEM programs, skilled trades, and a professional development center for internal and external stakeholders. Currently, there is no space that accommodates all employees for collaborative working sessions; the theatre is not conducive to such needs. Other projects could also be considered.

While these initiatives present opportunities to attract new enrollment, they also come with significant costs. For example, utilities for new construction are estimated at approximately $2 per square foot.

Key considerations include the fact that we're receiving less state funding in 2024 than we did in 2021, in actual dollars. The operating levy has not been increased since 1985, and the bonds are set to expire in 2026, which is what we will be addressed with voters. While reserves were used to cover some significant one-time expenses this year, relying on them is not a sustainable option moving forward.

Board considerations include: How do we tackle the most critical needs? How do we position ECC for future opportunities? What is the best way to advocate for our students, faculty, and staff while representing the interests of taxpayers? How do we ensure we have the fiscal, human, physical, and technological resources to fulfill our mission? And do we have the resources necessary to accomplish the objectives outlined in the newly launched strategic plan?

ECC relies on three revenue streams: state funding, the local tax base, and tuition. The only one of these we can directly control is tuition. During the campaign, it will be critical to communicate in straightforward, layman's terms, using concise, clear statements to ensure transparency. ECC's mission and vision focus on serving the community.

A $10 million bond issue could fund capital improvements, maintenance, and repairs, while also easing some pressure on operational funds. However, it won't provide the long-term sustainability we need. Discussion ensued about varying amounts to propose for transfer.

The board discussed whether it makes more sense to let the debt levy expire and propose a new bond issue solely for capital improvements. That approach would still mean a tax increase and would not address long-term operational challenges. Historically, ECC bond issues have funded new projects but have not solved ongoing maintenance needs. While maintenance could be included in a new bond issue, once the bond expires, those ongoing needs remain.

The proposition's title—whether it is "Prop Transform," "Prop Transfer," or something else—is important but unlikely to make or break the campaign. Trustees said the college should emphasize ECC's value in presentations, highlighting workforce training, grant opportunities, and other services.

President Bauer said it appeared the general consensus is to move forward with the tax levy transfer rather than a bond issue. If that is the case, the administration will prepare a proposal for the Board to review and approve at the December meeting.

The ECC Foundation has committed to funding the campaign, which is estimated to cost around $80,000. The deadline to certify a ballot issue is January 25th. At the December meeting, a finalized proposal that includes ballot language will be presented to the board.

Light Cast will conduct an economic study of ECC on the community. The results will be available in late December or early January. With the results, will be able to show the economic impact ECC has had on the community since its inception, which will be helpful during the campaign.

ADJOURNMENT:

> **Motion:** To **adjourn** the November 9, 2024, special meeting of the Board of Trustees at 11:34 a.m.

Motion by Audrey Freitag; Seconded by Cookie Hays; Carried Unanimously

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President, Board of Trustees Secretary, Board of Trustees