33352
ADOPTED – BOARD OF TRUSTEES
COMMUNITY COLLEGE DISTRICT NO. 508
DECEMBER 7, 2017

BOARD OF TRUSTEES OF COMMUNITY COLLEGE DISTRICT NO. 508
COUNTY OF COOK AND STATE OF ILLINOIS

RESOLUTION
ADOPT REVISIONS TO DEBT MANAGEMENT POLICY
DECEMBER 2017
OFFICE OF FINANCE

WHEREAS, the Illinois Public Community College Act, as amended, lists the powers and duties of community college districts in the State of Illinois, and states in 110 ILCS 850/3-30, that:

> "The board of any community college district has the powers…that may be requisite or proper for the maintenance, operation and development of any college or colleges under the jurisdiction of the board."

WHEREAS, the City Colleges of Chicago Debt Management Policy has been developed to ensure the prudent utilization of debt to provide the most efficient source of capital to fund long-term capital investments in order to achieve the District's mission and strategic objective and to limit risk within the District's debt portfolio;

WHEREAS, Section 4.3 of the Board Bylaws of the City Colleges of Chicago ("Rules"), provides for the adoption of policies and states that:

> "The Board may adopt, from time to time, policy statements, guidelines, procedures, regulations, collective bargaining agreements, codes of conduct, or similar documents issued for the governance of the Board, the District and the Colleges."

WHEREAS, *CCC's Debt Management Policy* has been revised and updated to: 1) update and clarify existing policy and align with Bond official statement and current operations; 2) add language for regulatory compliance 3) strengthen language for compliance and internal controls 4) delete duplicative or unnecessary policy content, as needed (an Executive Summary of revisions to the Debt Management Policy is attached as Exhibit A); and

WHEREAS, the Officers of the District support the revisions CCC's Debt Management Policy that is recommended by the Chancellor and the Chief Financial Officer;

NOW, THEREFORE BE IT RESOLVED, that the revisions to policy CCC's Debt Management Policy be adopted by the Board of Trustees effective December 7, 2017 and posted on the City Colleges of Chicago website.

Exhibit A

Debt Policy Executive Summary

December 7, 2017

Policy Revision Goals

- Streamline, simplify and condense policy.
- Delete out dated language that is no longer applicable or needed.
- Update verbiage to reflect proper financial and internal controls
- Updated language to comply with internal CCC policies and external SEC requirements.

New Policies

Short-Term Debt:

- Added language to allow for interim financing, as needed to increase liquidity.
- Added language for Tax Anticipation Warrants (TAW's) authorized by Board on August 3, 2017 (BR # 33280).

Method of Sale and Use of Professionals:

- Added language to include a minimum 25% MBE and 7% WBE diversity requirements for financing team to comply with district procurement requirements.
- Added language to require the use of only Financial Advisors who are registered as Municipal Advisors with SEC.

Key Policy Changes

Short-Term Debt:

- Removed variable rate bonds and auction rate bonds from list of debt obligations as they are no longer applicable and added the TAW's noted above.

Variable Rate Debt:

- Removed the following language from list in section as they are no longer applicable and for clarity:
    - Provide budgetary relief
    - Allow grant funding flexibility to accommodate changes in debt service level

Guidelines:

- Removed the following language from list in this section as it is not a key driver for determining debt issuance and therefore no longer applicable:
    - Management will strive to maintain highest possible credit rating for District in part by monitoring and limiting overall debt

Financial Ratios:

- Deleted the entire section which had the Debt Burden, Viability and Primary Reserve ratios defined to determine capacity to assume debt since it is no longer applicable.

Affordability:

- Replaced Financial Ratio section above with an Affordability section as it includes language that is a better measure of factors in determining issuance of new debt and the District's ability to repay. Measurements include Debt per capita, Debt as a percent of assessed valuation and Debt service as a percent of operating budget.

Arbitrage Rebate:

- Removed language to require use of a third party specialist within two years of Bond issuance and annually thereafter and removed requirement that calculations are performed within 60 days of five year anniversary date of bonds and every five years thereafter until bonds are paid in full. These requirements are cost prohibitive based on frequency.
- Added language that the District will establish and maintain records to meet the arbitrage rebate compliance requirements under the federal tax requirements. Specific requirements are outlined for each Bond transaction in the "Post-Issuance Tax Compliance Procedures" contained within the Bond official documents.

In addition, edits were made to improve readability, clarify language, and to conform formatting.

The City Colleges of Chicago
Debt Management Policy

December 7, 2017

I. Introduction

Objectives and Purpose
This comprehensive debt management policy (the "Policy") will inform the decision making process surrounding debt issuance, as part of City Colleges of Chicago's ("City Colleges", "CCC", or the "District") commitment to long-term planning. Debt must be used strategically due to the long-term commitment of future financial resources and the need for City Colleges to ensure financial flexibility to accommodate debt repayment while adequately funding current and future operational needs.

Debt is a valuable institutional resource that must be managed conservatively and consistently with the core mission of the District: the betterment of City Colleges' students. The ability to finance projects enables the District to acquire capital assets and pay for them over a period of time, typically no longer than the asset's useful life. In addition to investment in new assets, debt financing may be used to implement long-term cost savings projects and to meet emergency needs while spreading the costs over multiple years. CCC uses debt judiciously for long term capital investment and to preserve intergenerational equity across generations of taxpayers, so those who benefit from the asset throughout its life also pay for their use of that asset. CCC will not use long-term debt for operating purposes nor will it issue debt that exceeds the relevant asset's useful life. Any short-term financing for cash flow gaps must be repaid within twelve months or one fiscal year.

The policy was developed to be consistent with City Colleges' strategic plan and to guide the Board and management's decision-making process. The Policy will serve as an active management tool to (a) provide guidelines for identifying transactions that utilize debt in the most efficient manner and (b) provide for full and timely repayment of all borrowings. The Policy provides written guidelines addressing the amount and type of debt issued, the issuance process, and the management of a debt portfolio as a means of achieving the lowest possible cost of capital within prudent risk parameters. Specifically, the Policy aims to:

a. Guide the District in its approach and decision making process to use debt for projects consistent with District's core mission and strategic plans;
b. Establish targets for selected financial ratios to ensure the District is able to obtain and maintain the strongest possible credit rating;
c. Provide parameters under which the College can bridge cash flow gaps between operating budgets and capital project needs, if applicable; and
d. Establish a framework for determining the appropriate capital projects that qualify for debt financing

The City Colleges of Chicago
Debt Management Policy

December 7, 2017

I. City Colleges, Scope and Review

City Colleges is a body politic and corporate, and a community college district of the State of Illinois having boundaries coterminous with the City of Chicago. City Colleges is established under and governed by 110 ILCS 805, the Illinois Public Community College Act (the "Act"). City Colleges' power and authority to issue bonds is set forth in sections 3A and 7 of the Act. All debt obligations of the College will comply with the requirements of the Act as well as all other applicable laws, regulations and ordinances, including the Local Government Debt Reform Act.

The Policy applies to all short and long-term bonds and notes, other long-term lease obligations and interest rate exchange agreements. The Policy, however, does not cover commodity hedging, leveraged leases, long-term operating leases, short-term leases and bank obligation transactions.

The Policy will be reviewed no less than every three years and any modifications to the Policy must be presented to and approved by the Board of Trustees (the "Board"). The Policy will be made available on City Colleges' Investor Relations page of its website http://www.ccc.edu/menu/Pages/Investor-Relations.aspxu).

Administration of Policy
The CFO or other designee as appointed by the Chancellor is responsible for managing, reviewing and implementing the Policy, and recommending appropriate debt offerings aligned with City Colleges' strategic goals and mission to the Chancellor and Board.

General Best Interest of the College
While adherence to the Policy is desirable, the Board recognizes that deviations from such guidelines may be appropriate from time to time to address 1) changing financial goals, 2) emerging financial products/debt structures and 3) unique market opportunities. As a result, the general best interest of City Colleges as defined by federal statute, state statute or city ordinance or as deemed appropriate by the Chancellor shall supersede any Policy provision, though the CFO will disclose significant and/or material debt-related events to the Chancellor and Board should they arise.

II. General Debt Issuance Policies and Guidelines

Use of Debt
It is City Colleges' preference to use the instrument that best suits the current funding need, while balancing borrowing costs as much as is practicable and advisable considering capital projects and other long-term financial needs.

The financing purpose will guide the type of debt City Colleges uses, which may include:

Long-Term Debt: Long-term bonds/notes (i.e. with final maturities greater than thirteen months) are preferred for financing essential capital activities including the acquisition, construction and rehabilitation of major capital assets or to fund other special programs. City Colleges may also use long-term lease obligations to finance or refinance capital equipment. Prior to entering into any lease financing, City Colleges will evaluate 1) the useful life of assets financed, 2) terms and conditions of the lease and 3) budgetary, debt capacity and tax implications.

Short-Term Debt: City Colleges may use short-term bonds/notes (i.e. with final maturities of thirteen months or less) as a cash management tool to provide interim financing to bridge temporary cash flow deficits within a fiscal year, and/or to reduce or hedge interest rate costs. Putting in place an interim financing may be considered a credit positive, as it can help increase liquidity. However, City Colleges will thoroughly consider the costs and benefits of any such facility and the impact on its operations and balance sheet. Short-term debt obligations may include commercial paper, grant anticipation notes, working cash notes, tax anticipation notes or warrants, bond anticipation notes as well as any other appropriate instruments.

Variable Rate Debt: In addition to fixed rate debt, City Colleges may issue bonds/notes with a variable interest rate to 1) diversify the College's debt portfolio, 2) reduce interest costs or 3) improve its match of assets to liabilities. The aggregate amount of City Colleges' long-term variable rate debt, however, shall not exceed 20% of its outstanding long-term debt.

In general, City Colleges will strive for the most conservative debt structure to provide required funding. For example, management typically will prefer fixed rate, long-term debt issues (likely alternate revenue bonds) for its primary borrowing vehicle, unless market conditions are more favorable to another form of debt. Debt service will generally be structured with level principal and interest payments, unless there is a compelling reason not to do so. Debt terms will match useful lives of financed assets. Derivative instruments are not permitted.

Guidelines
The College may issue debt from time to time based on the guidelines below:

1. Only projects closely related to the District's core mission will be considered for debt financing. The District will use objective criteria and an open process for prioritizing projects that are consistent with its mission.
2. Projects with a related revenue stream or budgetary savings that favorably impact the District's operating budget will receive priority consideration. This priority consideration is not intended to exclude other projects key to the District's mission.

3. The length of the financing term shall not exceed the useful life of the asset or project.
4. State appropriations, grants, designated reserves and fund raising proceeds are to be used to fund a portion of all capital projects. Debt is to be used conservatively and strategically to preserve the District's future borrowing
5. Debt financed projects will be analyzed by the CFO and submitted to the Chancellor for review. Long-term debt (more than one year) will require Board approval; short-term debt requires approval from the CFO, Chancellor, and Board Chair.
6. The Board will be provided with annual reports of all debt obligations and the status of the District's financing capacity. Any changes to the District's debt carrying capacity or debt portfolio will be reported to the Board at the earliest available scheduled Board meeting.

Financing Purposes
City Colleges may issue debt for either "new money" or refunding purposes.

New Money Bonds: New money bonds may be issued to provide additional funding for essential capital activities or other activities suitable for bond financing, as detailed under Use of Debt.

Economic Refunding Bonds: City Colleges may issue refunding bonds to achieve debt service savings on its outstanding bonds by redeeming high interest rate debt with lower interest rate debt. City Colleges may structure the savings from these bonds based on City Colleges' financing goals. When identifying potential refunding candidates for economic refundings, City Colleges will generally seek a minimum 3% overall present value savings threshold. City Colleges will also consider other factors, including negative arbitrage, optionality and market timing.

Non-Economic Refunding Bonds: In certain instances, it may be advantageous for City Colleges to issue refunding bonds that do not produce positive economic savings but serve to restructure debt, retire a bond issue in order to remove undesirable bond covenants, or to achieve other financial goals. Prior to issuing non-economic refunding bonds, City Colleges will evaluate the benefits (both intangible and tangible) of issuing such bonds as well as the economic costs and will inform the Chancellor and Board if a non-economic refunding is pursued.

Affordability
In deciding whether to proceed with a financing, City Colleges will examine the direct costs and benefits of the proposed project, current market conditions and its ability to afford new debt and repay it at a future date. The following factors should be considered:

- Debt per capita

- Debt as a percent of assessed valuation
- Debt service as a percent of operating budget

The CFO will monitor and strive to achieve/ maintain these debt statistics at a low to moderate classification.

Credit Ratings
City Colleges' ratings strategy is guided by achieving the strongest credit rating possible given economic realities and operational/capital requirements. Attaining a proper balance between minimizing borrowing costs and maximizing financial flexibility will be one of the major goals of City Colleges' debt program.

City Colleges will periodically review its credit rating strategy to see if market or capital plan developments warrant a revision in City Colleges' approach to its ratings, and will generally seek ratings from at least two major rating agencies.

City Colleges will strive to communicate regularly and frequently with the rating agencies. To the extent possible, City Colleges will forward periodic information to the rating agencies, arrange regular conference calls to update the rating analysts on any significant financial developments and communicate with the rating agencies prior to each bond sale. City Colleges will also maintain periodic communication with its credit enhancement providers (if applicable), updating them on financial developments as a means of facilitating future market participation with the credit enhancement community.

City Colleges will monitor core financial ratios that are factored into the College's rating. Ratios will be reported to the Board annually and provided as part of the comprehensive annual financial report (CAFR).

Credit Enhancement
City Colleges may secure credit enhancement for all or a portion of each bond issue where appropriate and cost effective. Credit enhancement may come in the form of municipal bond insurance or a letter/line of credit. The CFO shall make the final recommendation to use credit enhancements taking into account such factors as the economic benefit of the enhancement, City Colleges' available insurance capacity with the insurance community and future secondary market trading conditions.

City Colleges may also use a letter of credit or liquidity provider to provide credit support if it issues variable rate debt. City Colleges shall consider the following criteria when selecting the provider: 1) ratings of the credit provider, 2) business terms and conditions acceptable to the Colleges, 3) fees and 4) trading differential cost.

III. Method of Sale and Use of Professionals

Method of Bond Sale
City Colleges may sell its debt issuances to a single underwriter or to an underwriting syndicate either through a negotiated sale, competitive sale, or private offering. The selected method of sale will be that which is most advantageous to City Colleges considering interest rates, financial structure and market conditions.

Selection of Bond Financing Professionals
If the negotiated or private placement method is chosen, the primary members of the financing team, including underwriters and financial advisors, shall be selected pursuant to a competitive procurement process and meet all of any other requirements in place due to law or CCC policy requirements as they relate to the procurement process. The process will be based upon such factors as underwriting/advisory experience, reputation of assigned personnel, expertise in community college financing and knowledge of City Colleges. In addition, City Colleges will achieve diversity and provide participation for M/WBE (25% MBE and 7% WBE) Certified firms as part of each financing team. All major firms evaluated and qualified through the procurement process shall be submitted to the Board for approval. All service providers are subject to the District's Ethics Policy, including cooperation with the Inspector General.

City Colleges requires its financing team to be a registered municipal advisor with the SEC and at all times provide City College with objective advice and analysis, maintain the confidentiality of City Colleges' financial plans and be free from any conflicts of interest. All financing team members are required to provide full and complete disclosure.

IV. Disclosure

With respect to primary disclosure, City Colleges will periodically review the requirements of the Municipal Securities Rulemaking Board ("MSRB") and the recommendations of the Government Finance Officers Association ("GFOA") including the GFOA recommendation that financial statements be prepared and presented according to generally accepted accounting principles.

City Colleges will also comply with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within 270 days of the close of the fiscal year. City Colleges will make its financial statements, annual budget and official statements available on its website and on the Electronic Municipal Market Access (EMMA) website

V. Post Issuance Considerations

Investment of Bond Proceeds
Unless otherwise authorized by the Board, City Colleges shall invest the sale of proceeds of its bonds in accordance with its Investment Policy. City Colleges shall invest bond proceeds in a manner that allows proceeds to be available when needed. Management may employ investment professionals to manage these proceeds.

Monitoring Refunding/Escrow Restructuring Opportunities
City Colleges shall regularly monitor the capital markets to capitalize on unique and/or time sensitive bond market opportunities and to work with the public finance community to keep abreast of market developments, and to periodically analyze its debt portfolio.

Arbitrage Rebate
City Colleges will establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements under the federal tax code. Should a liability be owed to the Internal Revenue Service, City Colleges shall make every effort to make such a payment in a timely manner to avoid any penalties or sanctions.

Trustee Relationships and Monitoring of Trustee Activities
City Colleges shall periodically monitor trustee activities made on behalf of City Colleges to ensure that the best possible service is received at the most reasonable cost.

Investor relations
The CFO and relevant financial staff will be available to respond to all investor inquiries and will initiate an investor outreach program, including the maintenance of an investor website.

Authorization
This Policy has been authorized by City Colleges of Chicago Board of Trustees.