

The Minnesota Higher Education Facilities Authority (the “Authority” or “MHEFA”) convened a regular Board Meeting at 2:00 PM CT, Wednesday, July 10, 2019, in the Authority’s Conference Room, 380 Jackson Street, Suite 450, St. Paul, Minnesota. As authorized by Section 13D.015, Minnesota Statutes, a regular meeting was duly called to be conducted by telephone. Monitoring from a call-in number is available to the public upon request. A roll call was taken, and the following board members or designees were present and attending in person except as noted to be attending by phone:

Gary Benson
Mary Ives
Mark Misukanis
Michael Ranum
David Rowland (by phone)
Paul Cerkvenik, Minnesota Private College Council, ex officio without
vote
Poawit Yang (by phone)

Absent: Bonnie Anderson Rons
Nancy Sampair
Ray Vin Zant

Also present: Barry W. Fick, Executive Director, MHEFA; Amanda Lee, Operations Manager, MHEFA; Robert Toftey, Bond Counsel (by phone); Elizabeth Bergman, Baker Tilly Municipal Advisors, LLC; Melanie Lien, Piper Jaffray; Anton Voinov, Baker Tilly

Mike Ranum, Chair, called the meeting to order at 2:00 pm CDT. Executive Director Fick confirmed that a Quorum was present.

Agenda Item I – Minutes of the June 19, 2019 Authority Board Meeting

The first item on the agenda is the review and approval of the minutes of June 19, 2019. Gary Benson moved for approval of the June 19, 2019 minutes. The motion for approval was seconded by Mary Ives. Chair Ranum asked if there were any questions, discussion or changes to the minutes of the June 19, 2019 Board meeting.

Mary Ives observed that the minutes accurately reflected the discussion of the June 19, 2019 topics. There were no other questions or observations by Board members.

Chair Ranum called for a voice vote regarding the approval of the Minutes. All members voted in favor of the motion to approve the June 19, 2019 minutes.

There were no votes against the motion and the June 19, 2019 minutes were approved.

Agenda Item II – Update on Board Member Appointment

Board Chair Ranum asked Executive Director Fick to discuss new *Board Members for FY2020*. Mr. Fick noted that the Authority has previously recommended to the Office of the Governor of the State of Minnesota that Mr. Gary Benson be reappointed to the Authority Board. Mr. Fick noted that the Authority and Authority Board recommended the appointment of Ms. Bonnie Anderson Rons for the position of Member of the Public on the Authority Board. Subsequent to the recommendations, Authority staff discussed the nomination process with the Governors' staff representative for Board Appointments. It was indicated that the recommended Board members were finalists, but that the Governor would be making an announcement in the near future about Appointments to a number of State Boards and Commissions.

On June 27, 2019 Governor Tim Walz and Lieutenant Governor Peggy Flanagan announced that Gary Benson and Bonnie Anderson Rons were both appointed to the Authority Board. Their appointments are effective July 2, 2019.

Executive Director Fick asked if there were questions from the Board regarding the re-appointment and appointment of Board members to the Authority Board. There were no questions from Board members.

Agenda Item III – College of St. Scholastica

The College of St. Scholastica has applied to the Authority for assistance in refunding three series of bonds issued by the Authority for the benefit of the College. The refunding request is to lower the interest rates on the outstanding bonds and provide lower annual debt service for the College. The Board considered the Application of the College for financing assistance.

The Board Chair opened the Public Hearing for the financing application of the College of St. Scholastica. The Chair noted that Notice of the Public Hearing was filed in the Minnesota State Register and the Duluth paper in a timely manner. After opening the Public Hearing, the Chair invited Philip Rolle, Interim CFO and Vice President for Finance at the College of St. Scholastica to describe the financing request of the College.

Mr. Rolle introduced himself and his College colleague, Mr. Terry Marholz, Controller at the College of St. Scholastica. Mr. Rolle outlined the structure of the financing, noting that the re-financing of the outstanding principal of the Authority's Series Six-S, Series Seven-J and Series Seven-H, all issued for the benefit of the College of St. Scholastica, is likely to result in a significant reduction in annual debt service costs. Mr. Rolle noted that an analysis by Piper Jaffray, the bond underwriter, estimates that the present value of the debt service savings will exceed \$7.7 million. The annual gross debt service savings are estimated to be approximately \$770,000 for 10 years, followed by annual savings estimated to be \$640 for 12 more years (through 2041). Mr. Rolle noted that the term of

the bonds will not be extended by the refunding and all covenants and terms will remain the same as the existing bonds, with one exception. In the current market, investors do not require a debt service reserve, so the existing debt service reserve funds will be used to reduce the size of the required bond refunding issue size.

Mr. Rolle also discussed the enrollment at various undergraduate and graduate programs at the College of St. Scholastica. He noted the growth of many of the healthcare related graduate programs at the College. He referenced surveys of potential students that the College has conducted showing the demand for additional healthcare related fields of study. The College will pursue those areas where they have identified demand by potential students.

Mr. Rolle noted that the College will have a new President on August 5, 2019. She comes from North Hennepin College, but has ties to northern Minnesota, having served in public higher education earlier in her career. She was selected from a very strong pool of applicants and Mr. Rolle, who served as co-chair of the Presidential Search Committee, along with Mary Ives, MHEFA Board member and is a Board member emeritus at St. Scholastica, noted that the search firm was very impressed with the breadth and depth of the applicant pool for the President position. Mr. Rolle indicated that the search firm commented to the Search Committee that obtaining such a strong candidate pool shows that the College has a strong national reputation for academic excellence.

At the conclusion of his remarks, Mr. Rolle asked if there were questions from Board members. Board members asked about certain College programs and how they fit with the strengths of the College. Mr. Rolle noted that the College is focusing on programs where there is identified demand and the College has expertise in delivering education services to students.

The Board Chair then closed the Public Hearing and called on Elizabeth Bergman of Baker Tilly Municipal Advisors, LLC, to discuss their Review of the Application for Financing from the College of St. Scholastica.

Ms. Bergman noted that the report prepared by Baker Tilly discussed a number of items that were also discussed by the College. She indicated that she would focus her discussion on items in the Application Review that were not included in Mr. Rolle's presentation. Ms. Bergman noted that the refunding bond issue is anticipated to be \$28,340,000. In addition, funding to redeem the bonds to be refunded will be provided by the existing debt service reserve funds of approximately \$3.772 million and an estimated reoffering premium of approximately \$4.151 million.

Ms. Bergman noted the level annual savings that the bond refinancing is expected to provide. She noted that the refunding will not need to comply with the Additional Bonds Test applicable to new debt issues, but regardless, the College complies with the test, in part since the refunding will result in lower annual debt service.

Ms. Bergman noted that the College has selected Piper Jaffray to serve as underwriter for the Series 2019 Bonds and that the College has also applied to Moody's Investors Service for a Credit rating on the Series 2019 Bonds. The University has used Moody's for rating their prior bond issues. A rating call was held on the morning of July 10 with Moody's to provide them with information to analyze and assign a credit rating to the Series 2019 bonds. Moody's indicated that rating would likely be assigned within 2 weeks, in sufficient time to include the rating on the Preliminary Offering Statement to be published on July 31 or August 1.

Ms. Bergman briefly reviewed the financial performance of the College as well as the enrollment history of the College. She noted that the College had more extensively discussed the enrollment at the College and provided information about the projected enrollment for the coming academic year, beginning in the Fall of 2019.

Ms. Bergman reviewed the financial summary schedules and Moody's ratio calculations performed by Baker Tilly using the College's financial information.

Ms. Bergman concluded that:

“Based on our review and analysis of the Application and material provided to us by the College, it is our opinion that borrowing for the College's purposes in the requested amount that provides adequate security based on current market requirements can be structured and successfully marketed.”

Ms. Bergman concluded her report and the Chair asked if there were questions from Board members. A question about the definition of “bond premium” was asked and Ms. Bergman and Executive Director Fick provided an explanation of bond premium, why it arises and the effect it has on bond issue size.

There were no other questions of Ms. Bergman. The Chair next called on Robert Toftey, Bond Counsel, to discuss the Bond Counsel's Application Memorandum. Mr. Toftey noted that their analysis of the Application was to review compliance with the Authority's application process and identify items that may need additional analysis or additional information that might be required to be provided by the College as part of their Application to the Authority.

Mr. Toftey reviewed his Application Review memorandum, noting what additional information will be required and outlining the steps being undertaken to provide the requested additional information. He outlined items specific to the College, including the lease of certain facilities by the Benedictine Sisters Benevolent Association to the College, as well as food service management contracts and financial covenant compliance.

Mr. Toftey discussed and reviewed components related to Internal Revenue Service and Constitutional compliance with tax-exempt bond rules, including religion issues,

arbitrage rebate, private use of the tax-exempt financed facilities, litigation and technical IRS restrictions related to the outstanding and refunding bonds.

Mr. Toftey noted that the analysis did not indicate there are any major issues identified that would disrupt the financing process or schedule. He then asked if the Board members had any questions or additional information requests from him. There were no questions from the Board.

The Chair next called on Mr. Toftey to review the Resolution Relating to the Application. Mr. Toftey discussed the sections of the Resolution. The Resolution sections outline the steps taken to date regarding processing the financing application of the College. The Resolution reviews the purposes of the original financings and outlines the legal basis for undertaking the refunding on a tax-exempt basis, including findings that the College is an eligible institution under the statutory authority authorizing the Authority to issue tax-exempt debt for Minnesota Private Colleges and Universities; the proposed bonds are eligible for financing under the applicable Minnesota Statutes, the Institution is nondiscriminatory; the issuance of the bonds will not have the primary purpose or effect of advancing religion or interfering with the free exercise of religion and will not provide financing for a facility used or to be used for sectarian instruction or as a place of worship.

The resolution also finds the issuance and the refunding appear to be feasible.

The Resolution Relating to the Application further authorizes the Executive Director of the Authority to direct other finance team participants to prepare additional documentation related to the financing process for the Series 2019 Bonds and to submit such documentation to the Authority and the College for consideration and approval.

Mr. Toftey asked if there were questions from the Board. There were no questions.

The Board Chair then asked for a motion to consider the Resolution Relating to the Application. A motion was made by Mark Misukanis and seconded by David Rowland to approve the Resolution Relating to the Application.

The Chair called for a roll call vote on the Resolution. A roll call vote was conducted, and the following members voted in favor of the motion:

Gary Benson
Mary Ives
Mark Misukanis
Michael Ranum
David Rowland
Poawit Yang

There were no votes against the motion and the Resolution Relating to the Application was approved.

Following this motion, Board Member, David Rowland, excused himself from the Board Meeting due to another commitment.

The Chair then called upon Baker Tilly Municipal Advisors, LLC representative, Elizabeth Bergman, to outline Baker Tilly's Preliminary Financing Plan for the Series 2019 Bonds. Ms. Bergman noted that she would focus on the aspects of the Finance Plan that had not been previously discussed with the Board. She noted that the Bonds will be fixed rate debt. They are anticipated to be sold on August 14, 2019 and closing will take place on or about September 15, 2019. Interest payments will be semi-annual, with annual principal payments. Interest will be paid on June 1 and December 1, beginning December 1, 2019. Principal will be paid annually on December 1, beginning December 1, 2019. This is the same payment date structure used by the College for its other debt issues.

The bonds may be redeemed prior to maturity under certain circumstances. The bonds may be redeemed for any reason after a period which remains subject to discussion between the College and the Underwriter. It is anticipated that this optional redemption will be at the 9 or 10-year period. The bonds may be redeemed upon a final determination of taxability. In the alternative, the College may leave the bonds outstanding, but the then outstanding bonds would see their interest rate increase by 2% per annum to compensate investors for the determination of taxability. The bonds are also subject to optional redemption should the financed project facilities suffer damage, destruction or condemnation.

The bonds are not bank-qualified; the bonds are subject to continuing disclosure, the financial covenants applicable to the bonds are the same as are applicable to the refunded bonds; there are no derivative products related to the bonds; Wells Fargo Bank, National Association will serve as Trustee and bond proceeds may be invested as permitted by Minnesota Statutes.

Ms. Bergman reviewed the projected debt service schedules and savings levels projected for the refunding and concluded her presentation by asking if there were questions from Board members. There were no questions from Board members.

The Board Chair asked Bond Counsel Robert Toftey to review the Resolution Related to Financing Terms. Mr. Toftey reviewed the sections of the Resolution, noting that it ratifies all actions taken with regard to issuance of the Series 2019 Bonds taken to date, affirms the selection of the underwriter, provides parameters for issuing the Series 2019 Bonds, namely that their size will not exceed \$37 million and the True Interest cost will not exceed 5.0% per annum and the purchase price will not be less than 98% of par.

The Resolution authorizes the Executive Director to direct the preparation of all necessary bond documents for the Bonds and all other documents deemed necessary or desirable consistent with the Finance Plan and the documents used on other Authority bond issues.

The Resolution directs the Municipal Advisor to prepare an Official Statement in consultation with other finance team participants. The Underwriter is authorized to distribute the Official Statement and any Preliminary Official Statement

Mr. Toftey asked if there were questions from the Board. There were no questions.

The Board Chair then asked for a motion to consider the Resolution Relating to Financing Terms for the College of St. Scholastica, Inc. A motion was made by Gary Benson and seconded by Mark Misukanis to approve the Resolution Relating to Financing Terms for the College of St. Scholastica, Inc.

The Chair called for a roll call vote on the Resolution. A roll call vote was conducted, and the following members voted in favor of the motion:

Gary Benson
Mary Ives
Mark Misukanis
Michael Ranum
Poawit Yang

There were no votes against the motion and the Resolution Relating to Financing Terms for the College of St. Scholastica, Inc. was approved.

The Board Chair then asked Bond Counsel Robert Toftey to review the Series Resolution. Mr. Toftey reviewed the terms of the Series Resolution, noting that it recites all actions taken by the Authority and finance team members in the process of preparing the Series 2019 Bonds.

The Series Resolution affirms and ratifies all prior actions taken in relation to the preparation for issuance of the Series 2019 Bonds. The Series Resolution recites the documents prepared and made available to the Authority and authorizes appropriate officers of the Authority to execute documents related to the sale of the Bonds.

The Series Resolution authorizes the Executive to sign and deliver a Bond Purchase Agreement to the Underwriter, memorializing the terms of the bond sale. The terms of the Bond Purchase Agreement and other relevant documents are incorporated by Reference into the Series Resolution.

Mr. Toftey asked if there were questions from the Board. There were no questions.

The Board Chair then asked for a motion to consider the Series Resolution. A motion was made by Mary Ives and seconded by Mark Misukanis to approve the Resolution Relating to the Application.

The Chair called for a roll call vote on the Resolution. A roll call vote was conducted, and the following members voted in favor of the motion:

Gary Benson
Mary Ives
Mark Misukanis
Michael Ranum
Poawit Yang

There were no votes against the motion and the Series Resolution was approved.

Agenda Item IV – Old Business

The Chair asked if there was any old business to come before the Board. Executive Director Fick noted that at the June Board meeting the possibility of requesting to change the date of the August Authority Board meeting might come before the Board.

The request relates to the Augsburg University Refunding/Refinancing possible bond financing. To accommodate the timing and enhance the benefits of a refinancing for Augsburg, it would be helpful for the University to have the Authority meeting date changed from the third Wednesday of August to the second Wednesday in August.

Board members reviewed their calendars and a consensus of the Board was that there should be no problem to move the August 2019 meeting date to August 14, 2019 rather than the scheduled date of August 21, 2019. Based on the consensus of the Board, Authority staff was authorized to adjust the date for the August 2019 MHEFA Board meeting.

There was no other Old Business for Board discussion or consider.

Agenda Item V – New Business

The Chair asked if there was any new business to come before the Board. There was no New Business for Board discussion or consideration.

Agenda Item VI – Other Business

The Board Chair asked Executive Director Fick to present the *Executive Director's Report*. Mr. Fick presented a written Executive Director's Report and discussed the items on the Report.

Past Activity

- No material updates since June

Items of Interest

- Web site update – accelerating in July – September
- Expansion of Issuance Authority planning moving forward – August – September
- Industry changes – public finance staffing changes

Upcoming Activity

- Africa trip – July 15 – July 30
- Graystone Hi Ed Conference – Chicago, Aug 6 - 9
- NAHEFFA Fall Conference – September 21 - 25
- Rating Agency updates for Hamline, Macalester, Augsburg, Concordia College

Other

- Tom Ries, President of Concordia University St. Paul, retired June 30, 2019
 - Dr. Eric LaMott has been appointed Interim President
 - Search Committee will work to select a new President
- Municipal Advisor status to be discussed in August
 - Material & options outline to be provided as part of August Board packet
- FY20 Budget Revenue projection update
 - A projected FY20 financing has been moved by the school to the second half of calendar 2020. This will make that financing a FY21 financing. This reduces projected FY20 revenue but does not result in any need to adjust the previously approved FY20 Budget.

There are other financings by Authority borrower schools that are under consideration but are in early stages of preparation. Executive Director Fick will keep the Board updated about any future financings.

The Chair asked if there were any questions from Board members for Executive Director Fick. There were none.

There were no Other Business items to discuss.

The Board Chair asked for a motion to adjourn the meeting. A motion to adjourn was made by Gary Benson and seconded by Mark Misukanis. The Board voted unanimously by voice vote to adjourn the meeting at 3:25 pm Central Daylight Time.

Respectfully submitted,

Barry Fick

Assistant Secretary