

The Minnesota Higher Education Facilities Authority (the “Authority” or “MHEFA”) convened a regular Board Meeting at 2:00 PM CT, Wednesday, August 14, 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 (by phone)
Mark Misukanis
Michael Ranum
Bonnie Anderson Rons
David Rowland
Nancy Sampair
Ray Vin Zant (by phone)
Paul Cerkvenik, Minnesota Private College Council, ex officio without vote

Absent: Poawit Yang

Also present: Barry W. Fick, Executive Director, MHEFA; Amanda Lee, Operations Manager, MHEFA; Peter Cooper, Bond Counsel; Elizabeth Bergman, Baker Tilly Municipal Advisors, LLC; Rebecca John, Vice President and Chief Operating Officer, Augsburg University, Erik Kelly, Blue Rose Capital Advisors

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

Board Chair Ranum introduced and welcomed the newest Minnesota Higher Education Facilities Board member, Bonnie Anderson Rons and asked her to introduce herself. She noted that she has worked in the banking industry with a focus on municipal finance. She is familiar with higher education financing and indicated that she looks forward to working with the Board members.

Agenda Item I – Minutes of the July 10, 2019 Authority Board Meeting

The first item on the agenda is the review and approval of the minutes of July 10, 2019. Mary Ives moved for approval of the July 10, 2019 minutes. The motion for approval was seconded by Nancy Sampair. Chair Ranum asked if there were any questions, discussion or changes to the minutes of the July 10, 2019 Board meeting.

Executive Director Fick noted that there were two references in the July minutes to an incorrect school name in the material discussing the application of the College of St. Scholastica for financing assistance. The incorrect references will be corrected in the final version of the July 2019 minutes.

The maker and support of the original motion to approve the July 2019 minutes agreed with the proposed change to the July 2019 minutes and affirmed their making and support of the July 2019 minutes as adjusted.

Chair Ranum called for a voice vote regarding the approval of the adjusted Minutes. All members voted in favor of the motion to approve the July 10, 2019 minutes as adjusted.

There were no votes against the motion and the July 10, 2019 adjusted minutes were approved.

Agenda Item II – Augsburg University

Augsburg University has applied to the Authority for assistance in refunding two series of bonds issued by the Authority for the benefit of the University. The refunding request is to allow the University to defer principal for 3 or 4 years which will allow for lower annual debt service for the University during this period. The principal would be deferred and repaid annually through fiscal year 2028. Overall projections show the restructuring would result in approximately \$720,000 lower total debt service. The University expects to use the funds released from debt service to invest in and expand current or new academic programs. This investment is projected by the University to generate net additional revenue by year three.

The Board Chair opened the Public Hearing for the financing application of Augsburg University. The Chair noted that Notice of the Public Hearing was filed in the Minnesota State Register and the Minneapolis Star Tribune in a timely manner. After opening the Public Hearing, the Chair invited Rebecca John, Vice President and Chief Operating Officer at the University to describe the financing request.

Ms. John introduced herself. She also introduced Mr. Erik Kelly, President of Blue Rose Capital Advisors. Blue Rose is working with the University as a consultant on financial matters. Ms. John outlined the structure of the financing, noting that the re-financing of the outstanding principal of the two series of Authority bonds, both issued for the benefit of Augsburg University, is likely to result in a short-term reduction in annual debt service costs. The deferral of principal in the restructuring would be repaid with a short extension of the debt to a final maturity of Fiscal Year 2028. Ms. John noted that the term of the Note will be extended by the refunding and all covenants and terms will remain the same as the existing bonds, with one exception. In a bank financing as is being used by the University, the Bank will not require a debt service reserve, so the existing debt service reserve funds will be used to reduce the size of the required Note issue size.

Ms. John noted that for FY19, the University expects to report a deficit in their financial statements. This deficit is the result of lower revenue due to lower student demand. The University took steps to reduce costs, but with the knowledge that Fall 2019 enrollment

would be significantly larger than Fall 2018, the University made the decision to keep many faculty on staff rather than reduce faculty in the year just ended, only to have to re-hire faculty to meet fall 2019 student demand.

She noted that the FY2019 financial results may cause the University to be out of compliance with one of their debt covenants in place on outstanding private placement debt. The University has informed the bank of the possible covenant breach. The bank is the same bank that is going to provide the Series 2019 Note funds and has agreed to waive the covenant compliance for FY2019. Such a waiver can be provided only upon receipt of a FY2019 financial statement. The FY2019 Financial Statement is being prepared but will not be available until September 2019.

Ms. John also discussed the enrollment at the University and noted that the upcoming Fall 2019 enrollment will be the highest level in many years. The University has followed enrollment very carefully and has planned for all additional costs associated with such a large first year class.

At the conclusion of her remarks, Ms. John asked if there were questions from Board members. Board members asked about certain University programs and how they fit with the strengths of the University. Ms. John noted that the University is focusing on programs where there is identified demand and the University has expertise in delivering education services to students, especially the Physician's Assistant program and the Doctorate in Psychology program, where the University is working to integrate students of Argosy University to enable them to complete their degrees.

Board members asked about how the University's tuition discount policy has been affected by the increase in students. Ms. John noted that the discount rose marginally, and the additional tuition revenue exceeds both projected additional operating costs and additional discounts.

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 Augsburg University.

Ms. Bergman noted that the report prepared by Baker Tilly discussed items that were also discussed by the University. She indicated that she would focus her discussion on items in the Application Review that were not included in Ms. John's presentation. Ms. Bergman noted that the refunding Note issue is anticipated to be \$2,975,000.

Ms. Bergman noted the revised annual debt service that the refinancing is expected to generate. She noted that the refunding will not need to comply with the Additional Bonds Test applicable to new debt issues, but regardless, the University complies with the test, since the refunding/restructuring will not result in higher maximum annual debt service.

Ms. Bergman noted that the University has selected BMO Harris to serve as the private bank purchaser for the Series 2019 Note.

The University does not need to apply for a rating on the Note. The University has used Moody's for rating their prior bond issues. Moody's plans to conduct a credit update of the University by the end of September 2019.

Ms. Bergman briefly reviewed the financial performance of the University as well as the enrollment history of the University. She noted that the University had more extensively discussed the enrollment at the University 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 University's financial information.

Ms. Bergman concluded that:

“Based on our review and analysis of the Application and material provided to us by the University, it is our opinion that borrowing for the University'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.

There were no other questions of Ms. Bergman. The Chair next called on Peter Coper, Bond Counsel, to discuss the Bond Counsel's Application Memorandum. Mr. Cooper 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 University as part of their Application to the Authority.

Mr. Cooper 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 University, including the lease of certain facilities as well as management contracts and financial covenant compliance.

Mr. Cooper 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. Cooper 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 then called upon Baker Tilly Municipal Advisors, LLC representative, Elizabeth Bergman, to outline Baker Tilly's Preliminary Financing Plan for the Series 2019 Note. 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 Note will be fixed rate debt. They are anticipated to be priced in late August or early September and closing will take place not later than October 1, 2019. Interest payments will be monthly, with annual principal payments. Principal will be paid annually on May 1, beginning May 1, 2024. This is the same payment date structure used by the University for its other debt issues.

The Note may be redeemed prior to maturity in whole or in part under certain circumstances. The Note may be redeemed for any reason upon payment of a "Make Whole" penalty. The Note may be redeemed upon a final determination of taxability. The Note is also subject to optional redemption should the financed project facilities suffer damage, destruction or condemnation.

The Note is not bank-qualified; the Note is not subject to continuing disclosure since the financing is a bank placement, the financial covenants applicable to the Note are the same as are applicable to the refunded bonds; there are no derivative products related to the notes.

Ms. Bergman reviewed the projected debt service schedules and debt service 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 Chair next called on Mr. Cooper to review the Resolution Relating to the Application and Financing Resolution. Mr. Cooper discussed the sections of the Resolution. The Resolution sections outline the steps taken to date regarding processing the financing application of the University. 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 University is an eligible institution under the statutory authority authorizing the Authority to issue tax-exempt debt for Minnesota Private Colleges and Universities; the proposed Note is eligible for financing under the applicable Minnesota Statutes, the Institution is nondiscriminatory; the issuance of the Note 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. Cooper reviewed the sections of the Resolution relating to the financing terms, noting that it ratifies all actions taken with regard to issuance of the Series 2019 Note taken to date, affirms the selection of the bank, provides parameters for issuing the Series 2019 Bonds, namely that their size will not exceed \$2.975 million and the True Interest cost will not exceed 4.0% 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 Note and all other documents deemed necessary or desirable consistent with the Finance Plan and the documents used on other Authority Note or bond issues.

Mr. Cooper 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 and Financing Plan. A motion was made by Gary Benson and seconded by Ray Vin Zant to approve the Resolution Relating to the Application and Financing Plan.

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
Bonnie Anderson Rons
David Rowland
Nancy Sampair

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

The Board Chair then asked Bond Counsel Peter Cooper to review the Series Resolution. Mr. Cooper 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 Note.

The Series Resolution affirms and ratifies all prior actions taken in relation to the preparation for issuance of the Series 2019 Note. 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 Note.

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

Mr. Cooper 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 Ray Vin Zant and seconded by Bonnie Anderson Rons to approve the Series Resolution.

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
Bonnie Anderson Rons
David Rowland
Nancy Sampair

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

Agenda Item III – Old Business

The Chair asked if there was any old business to come before the Board. Executive Director Fick noted that at the July Board meeting the possibility of discussion of options relating to the use of Municipal Advisor to the Authority would be renewed at the August meeting. Mr. Fick called Board members attention to a memorandum that was distributed to Board members at the beginning of the meeting. This memo builds on the February 2019 memo presented to Board members regarding the options available for using Municipal Advisors. The updated version of the memo provides a response to the questions posed in February for Board member consideration. No specific action is requested at this time.

The consensus of the Board is that the Board receives value from using a financial advisor. The financial advisor provides information related to refunding feasibilities, market conditions, new financial options for financing and can assess financing risk for the Board. Based on the perceived benefits of a municipal advisor, the Board recommended that in the short-term Executive Director Fick negotiate a Municipal Advisor Engagement with Baker Tilly Municipal Advisors LLC. This agreement would be for a short (not to exceed 6-month term).

In addition, the Board requested Executive Director Fick and Authority staff to draft a Request for Proposal for Municipal Advisory services. This draft will be reviewed at the October Board meeting and workshop and a decision is expected to be made at that time on whether to proceed with distribution of a Request for Proposal and other options related to the use of a Municipal Advisor.

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

Agenda Item IV – New Business

The Chair asked if there was any new business to come before the Board. Authority staff noted that two schools have appointed interim Presidents while a search for a permanent president is underway. Both Concordia University (St. Paul) and St. John's University (Collegetown) have appointed interim Presidents. A handout providing information about each interim President was provided to Board members for their review.

Board member Paul Cerkvenik noted that on July 29, 2019, Concordia University announced that Rev. Dr. Brian Friedrich was named the tenth President of Concordia University, St. Paul. Rev. Dr. Friedrich will begin his presidency on January 1, 2020. He comes to Concordia University St. Paul from the Concordia University, Nebraska, where he served as President since 2004.

There was no other New Business for Board discussion or consideration.

Agenda Item V – Other Business

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

Past Activity

- Met with web designer consultant – bid being prepared for delivery later in August
- QuickBooks transition moving along well, with FY19 data loaded on the system

Items of Interest

- Auditors will be on-site in mid-August for annual audit fieldwork
- Web site update – accelerating in July – September
- Expansion of Issuance Authority planning moving forward – August – September
- New equipment arriving next week, demo at future Authority Board meeting
- Industry changes – public finance staffing changes, RW Baird municipal finance group acquired by Stifel

Upcoming Activity

- NAHEFFA Fall Conference – September 21 – 25
- CACUBO Annual Conference – September 29 – October 1
- Rating Agency updates for Hamline, Macalester, Augsburg, Concordia College
- SEC Muni Bond Conference – Panel presentation in December – Washington DC

Other

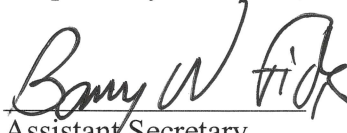
There are other financings by Authority borrower schools that are under consideration but are in early stages of preparation. Executive Director Fick will keep the Board updated about any future financings.

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 Nancy Sampair and seconded by David Rowland. The Board voted unanimously by voice vote to adjourn the meeting at 3:47 pm Central Daylight Time.

Respectfully submitted,


Assistant Secretary