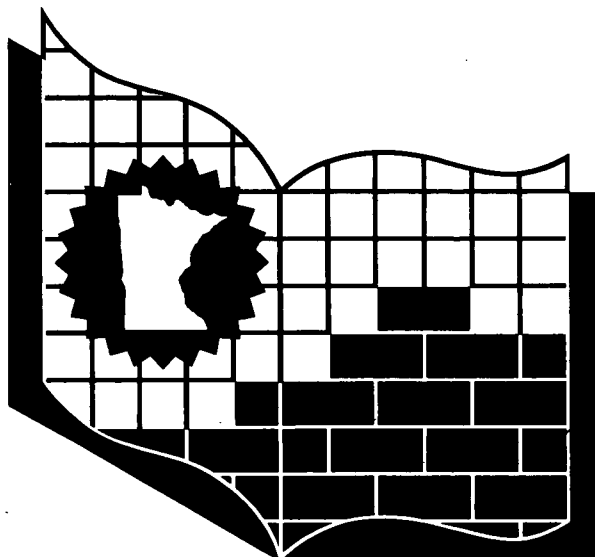


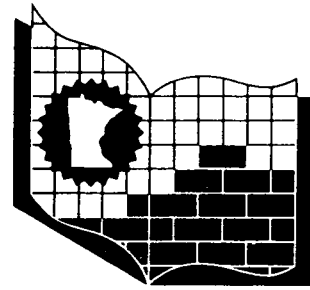
MINNESOTA HIGHER EDUCATION

FACILITIES AUTHORITY

ANNUAL REPORT
FISCAL YEAR 1973



Suite 278, Metro Square, 7th & Robert Streets, Saint Paul, Minnesota 55101



MINNESOTA HIGHER EDUCATION
Facilities Authority

Office of the Executive Director

Mr. Erwin Goldfine, President
Members of the Higher Education Coordinating Commission
Mr. Richard C. Hawk, Executive Director
Minnesota Higher Education Coordinating Commission
Suite 400 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101

Dear Commissioners and Mr. Hawk:

The Minnesota Higher Education Facilities Authority is pleased to submit its Second Annual Report for the period July 1, 1972 to June 30, 1973. The report provides a general analysis of the activities during the calendar year, a report of operating expenditures and a report of bonded indebtedness of the Authority through June 30, 1973.

The Authority issued its first bonds on November 28, 1972. During this fiscal year, the Authority has had six bond sales amounting to \$7,890,000 for projects at six private colleges. The Authority has formally approved an \$8,450,000 project for the Minneapolis College of Art and Design. Also five preliminary applications have been approved. Another four institutions have made serious inquiries concerning future financing through the Authority.

Members of the Authority feel this agency has become an effective means for helping higher educational institutions with their financial burdens of modernizing existing facilities, replacing obsolete buildings and building new facilities for the years ahead. The members look forward to being of continual service to the State of Minnesota and the higher education community.

Respectfully submitted,

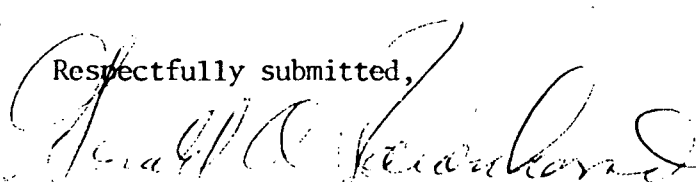

Gerald A. Rauenhorst, Chairman

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MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gerald A. Rauenhorst, Chairman President, Rauenhorst Corporation, Minneapolis Expert - Construction	January 1, 1979
Bernard P. Friel, Vice Chairman Member, Briggs & Morgan, Lawyers, St. Paul Expert - Municipal Finance	January 1, 1977
Richard C. Hawk, Secretary Executive Director, Minnesota Higher Education Coordinating Commission Ex officio member	Indeterminate
Robert W. Freson City Administrator, St. Cloud General	January 1, 1975
Earl R. Herring Vice President for Administrative Affairs Moorhead State College Expert - Higher Education	January 1, 1979
Norman Perl Member, De Parcq, Anderson, Perl & Huneys, Lawyers, Minneapolis General	January 1, 1975
James Schatz Clerk, Judge Lord's Office, Minneapolis General	January 1, 1977

Dr. Joseph E. La Belle, Executive Director

BOND COUNSEL

Faegre & Benson
(Mr. John S. Holten)
Minneapolis, Minnesota

FISCAL ADVISORS

Springsted, Incorporated
(Mr. Osmon R. Springsted)
St. Paul, Minnesota

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 -- 136A.42, Minnesota Statutes 1971), for the purpose of assisting institutions of higher education of the State in the construction and financing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate and a seventh member who is the Executive Director of the Minnesota Higher Education Coordinating Commission and who is designated as the Secretary of the Authority.

Originally the Authority was given power to issue revenue bonds in a total amount not to exceed \$45 million. The 1973 Legislature increased this limit to an aggregate of \$62 million of principal outstanding at any time. Bonds issued by the Authority can be payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. They do not in any manner represent or constitute a debt or pledge of the faith and credit of the State of Minnesota.

By the provisions of Chapter 868, Laws of Minnesota, 1971 "...neither the authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the authority or its agent under the provisions of this act or upon the income therefrom..."

Education institutions of the State eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

A project for which bonds are issued by the Authority becomes the property of the Authority -- as long as bonds of the Authority issued for the project remain outstanding. Thereafter they may be subject to repurchase options. The project is leased by the Authority to the institution for operation. The revenues which are the primary security for the bonds are provided according to the terms of the lease between the Authority and the institution. Prior to delivery of an issue the Authority enters into a mortgage trust indenture with a trustee who administers the funds which are the security for the payment of the bonds, except the funds of the General Bond Reserve Account. These are under the supervision of the Authority.

As a general policy the Authority requires that the proceeds of the bonds include a sum equal to approximately one year's debt service, after deduction of any interest subsidy grants, for the creation of debt service reserves. Of this sum 80% is deposited with the trustee in a series reserve account; the remaining 20% is deposited by the Authority in the General Bond Reserve Account pledged to the payment of all bonds issued by the Authority for which such a deposit has been made. Funds from the series reserve accounts and from the General Bond Reserve Account cannot be used to pay operating expenses of the Authority.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

The Authority is financed solely from fees paid by the institutions for whom bonds are issued. At the time of issuance, and usually from bond proceeds, the Authority is paid one-third of one percent of the principal amount of the issue. Thereafter, commencing as of the date of issue, and payable in advance, but not from bond proceeds or funds of the issue, the Authority receives an annual fee of one-eighth of one percent of the original principal amount of the bonds for their life.

Bond issuance costs, including fees of bond counsel, the fiscal consultant and trustee are paid by the institution. The fees of bond counsel and the fiscal consultant also usually come from bond proceeds.

The staff of the Authority consists of its Executive Director, Dr. Joseph E. La Belle, and one secretary.

PROJECT DESCRIPTIONS

BOND SERIES "A" \$2,200,000 AUGSBURG COLLEGE

Augsburg College, located in Minneapolis, constructed an apartment-type student housing facility of 104 units accomodating 312 students of Augsburg College and of adjacent institutions of higher education. The building had full occupancy with the opening of the Fall Term in 1973. Moveable furnishings, except for common areas, are provided by the tenants.

BOND SERIES "B" \$1,935,000 BETHEL COLLEGE

Bethel College, Arden Hills, constructed and furnished two units of seven buildings each to provide townhouse-type student housing accomodating approximately 480 students. A design-and-build package contract had been entered into and students occupied the facilities in January, 1974. The units are frame with partial brick exterior and are built on the College's new Arden Hills campus. Each unit has three bedrooms, living room, bath and storage. Plumbing has been placed for future installation of an efficiency kitchen. Each unit houses six students.

BOND SERIES "C" \$ 595,000 ST. MARY'S COLLEGE

St. Mary's College, Winona, constructed six frame buildings having 28 apartments for the accomodation of 108 students and two faculty members. The units are on an Authority-owned site at the edge of the main campus.

BOND SERIES "D" \$ 520,000 COLLEGE OF ST. SCHOLASTICA, INC.

The College of St. Scholastica, Duluth, constructed six four-plex, prefabricated, frame, apartment buildings to house four students per apartment for a total of 96. Each apartment has two bedrooms, a living room, kitchen and bath. Furnishings include carpeting, stove, refrigerator, kitchen table, love seat, coffee table, draperies, eight chairs and bedroom furniture of two beds, a chest, desk and built-in shelving.

BOND SERIES "E" \$1,030,000 GUSTAVUS ADOLPHUS

Gustavus Adolphus, located in St. Peter, used \$300,000 of the Bond proceeds to remodel the old library building into a social science classroom. The balance of the Bond proceeds were for construction of a new administration building.

BOND SERIES "F" \$1,610,000 COLLEGE OF ST. BENEDICT

College of St. Benedict, located in St. Joseph, constructed 30 two bedroom, furnished apartments with kitchen, each housing four students for a total of 120. The College also constructed an indoor swimming pool addition to the Physical Education building. Also, the College remodeled and improved the Home Economics Department facility and remodeled and improved the dining facility in St. Gertrude Hall, each with appurtenant equipment, furnishings, utilities and site improvements.

NEW BOND ISSUES

FISCAL YEAR 1973

<u>BOND SERIES</u>	<u>DATE</u>	<u>FINAL MATURITY</u>	<u>AVERAGE MATURITY</u>	<u>NET INTEREST COST</u>	<u>TOTAL</u>
First Mortgage Revenue Bonds, Series A (Augsburg College)	12/1/72	2012	29.534 yrs.	5.59296%	\$2,200,000
First Mortgage Revenue Bonds, Series B (Bethel College)	12/1/72	1997	16.31 yrs.	5.459212%	\$1,935,000
First Mortgage Revenue Bonds, Series C (St. Mary's College)	1/1/73	1998	16.52 yrs.	5.48085%	\$ 595,000
First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	3/1/73	1997	15.16 yrs.	5.9538%	\$ 520,000
First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	3/1/73	1993	12.98 yrs.	5.3544%	\$1,030,000
First Mortgage Revenue Bonds, Series F (College of St. Benedict)	3/1/73	1998	16.15 yrs.	5.7270%	<u>\$1,610,000</u>
					\$7,890,000

GENERAL OPERATING FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 1973 COMPARED TO 1972

(ON A CASH BASIS)

	For the Year Ended June 30,	
	<u>1973</u>	<u>1972</u>
<u>Receipts</u>		
Application Fees	\$ 3,500.00	
Initial Administration Fees	23,800.15	
Annual Administration Fees	9,862.50	
Interest	380.83	
	<hr/>	
Total Receipts	\$37,543.48	
<u>Disbursements</u>		
Wages and Employment Service Fees	\$34,339.58	\$16,033.81
Appointed Commission Fees	1,505.00	770.00
Rents	5,249.73	965.98
Bonds and Insurance	143.00	
Repairs and Maintenance	62.79	70.03
Printing and Binding	194.24	481.71
Communications	752.28	703.22
Travel and Subsistence	1,342.95	265.95
Stationery and Office Supplies	662.96	239.86
Scientific and Educational Supplies	398.48	185.12
Payroll Taxes, Retirement and Insurance	2,484.45	1,441.38
Depreciation Expense	371.48	
Miscellaneous	64.97	
	<hr/>	
Total Disbursements	\$47,571.91	\$21,157.06
Excess of Disbursements Over Receipts	(10,028.43)	(21,157.06)

GENERAL OPERATING FUND

STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

AS OF JUNE 30, 1973 COMPARED TO 1972

(ON A CASH BASIS)

A S S E T S	As of June 30,	
	<u>1973</u>	<u>1972</u>
Cash	\$ 1,877.41	
Furniture and Office Equipment (Net of Accumulated Depreciation Totaling \$371.48)	<u>7,058.17</u>	<u> </u>
Total Assets	<u>\$ 8,935.58</u>	<u>-0-</u>

L I A B I L I T I E S

Advances Payable - Minnesota Higher Education Coordinating Commission	\$ 40,121.07	\$21,157.06
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F U N D E Q U I T Y

Accumulated (Deficit)	<u>(\$ 31,185.49)</u>	<u>(\$21,157.06)</u>
Total Liabilities and Fund Equity	<u>\$ 8,935.58</u>	<u>-0-</u>

GENERAL OPERATING FUND
STATEMENT OF FUND EQUITY
AS OF JUNE 30, 1973 COMPARED TO 1972
(ON A CASH BASIS)

	As of June 30,	1973	1972
Balance, Beginning of Year (Deficit)		(\$21,157.06)	
Excess of Disbursements Over Receipts		(\$10,028.43)	(\$21,157.06)
Balance, End of Year (Deficit)		<u>(\$31,185.49)</u>	<u>(\$21,157.06)</u>

GENERAL BOND RESERVE FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY
AS OF JUNE 30, 1973
(ON A CASH BASIS)

A S S E T S

Cash	\$ 3,093.01
Investments (At Cost)	123,354.77
	<hr/>
Total Assets	<u>\$126,447.78</u>

F U N D E Q U I T Y

Accumulated Reserve	<u>\$126,447.78</u>
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GENERAL BOND RESERVE FUND¹
STATEMENT OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 1973

	<u>DATE INVESTED</u>	
\$2,200,000 First Mortgage Revenue Bonds, Series A (Augsburg College)	1/8/73	\$ 31,743.60
\$1,935,000 First Mortgage Revenue Bonds, Series B (Bethel College)	1/8/73	34,082.00
\$ 595,000 First Mortgage Revenue Bonds, Series C (St. Mary's College)	1/8/73	9,000.00
\$ 520,000 First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	3/13/73	8,643.40
\$1,030,000 First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	3/13/73	19,308.00
\$1,610,000 First Mortgage Revenue Bonds, Series F (College of St. Benedict)	3/13/73	<u>21,304.00</u>
Sub Total		\$124,081.00
Earnings		2,366.78
Total & Excess Receipts		126,447.78

¹ The Authority is permitted to invest moneys in the General Bond Reserve Account in: Direct obligations of the United States of America, Certificates of Deposit or Time Deposits secured by direct obligations of the United States of America, such other securities as are eligible for investment of public funds of the State of Minnesota or of municipalities of the State. All investments are limited by arbitrage provisions of the Internal Revenue Code and regulations thereunder. The Authority has placed these moneys in an investment account with the First National Bank of Saint Paul.

SERIES RESERVE ACCOUNTS¹

CONTRIBUTIONS

FISCAL YEAR 1973

	<u>Series</u>
\$2,200,000 First Mortgage Revenue Bonds, Series A (Augsburg College)	\$126,194.00
\$1,935,000 First Mortgage Revenue Bonds, Series B (Bethel College)	136,328.00
\$ 595,000 First Mortgage Revenue Bonds, Series C (St. Mary's College)	36,000.00
\$ 520,000 First Mortgage Revenue Bonds, Series D (College of St. Scholastica, Inc.)	34,573.60
\$1,030,000 First Mortgage Revenue Bonds, Series E (Gustavus Adolphus College)	77,232.00
\$1,610,000 First Mortgage Revenue Bonds, Series F (College of St. Benedict)	<u>85,216.00</u>
	\$495,543.60

¹ By provisions of the mortgage trust indenture the trustee shall, upon request by the authorized institution representatives or the Authority, invest moneys in any of the following: Direct obligations of, or obligations fully guaranteed by, the United States of America; Certificates of Deposit of banks or trust companies having a combined capital and surplus of at least \$25,000,000; Securities issued by the following agencies of the United States:

Federal Home Loan Banks
Federal Intermediate Credit Banks
Federal Land Banks
Banks for Cooperatives
Federal National Mortgage Association

