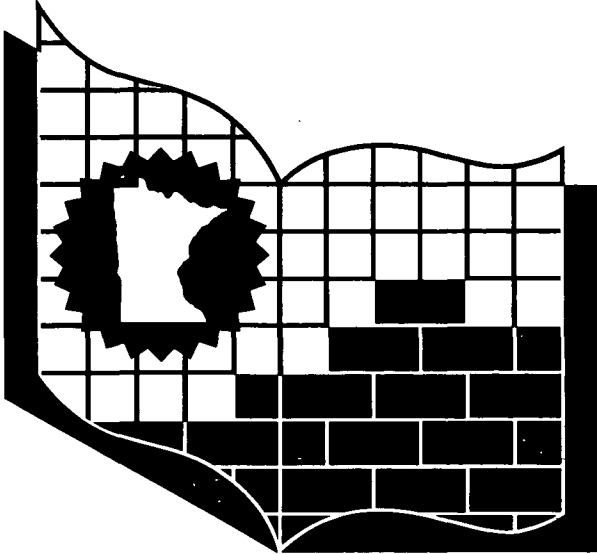


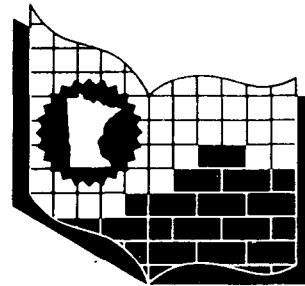
**MINNESOTA HIGHER EDUCATION**

**FACILITIES AUTHORITY**

**ANNUAL REPORT  
FISCAL YEAR 1974**



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



MINNESOTA HIGHER EDUCATION  
**Facilities Authority**

Mr. Carl W. Kroening, President  
Members of Higher Education Coordinating Commission *Office of the Executive Director*  
Mr. Richard C. Hawk, Executive Director  
Minnesota Higher Education Coordinating Commission  
Suite 400 Capitol Square Building  
550 Cedar Street  
Saint Paul, Minnesota 55101

Dear Commissioners and Mr. Hawk:

The Minnesota Higher Education Facilities Authority is pleased to submit its Third Annual Report for the period July 1, 1973 to June 30, 1974.

The Report provides a brief history of the Authority's founding and early operations, as well as highlights and accomplishments during the year of the report. Also included are various financial statements pertaining to the General Operating Fund, Outstanding Indebtedness, General Bond Reserve Fund, and the Series Reserve Funds.

The Authority can report that it has undertaken the construction of ten projects since its inception. These new or remodeled facilities serve a variety of purposes: student housing, classrooms, administrative offices, dining facilities and physical education.

During the past year, the Authority sold three new issues of Bonds totaling \$10,390,000.00. The total assets of the Authority are now in excess of \$18,280,000.00.

The Authority has also given formal approval for five new projects and preliminary approval for another project.

The Authority feels it has become an effective means for helping higher educational institutions and looks forward to being of continued service to the Higher Education community and the State of Minnesota.

Respectfully submitted,

Bernard P. Friel, Chairman

November 1, 1974

TABLE OF CONTENTS

I.	LETTER OF TRANSMITTAL	PAGE	1
II.	TABLE OF CONTENTS		2
III.	MEMBERS OF THE AUTHORITY, STAFF AND ADVISORS		3
IV.	THE AUTHORITY		4-5
V.	PROJECT DESCRIPTIONS		
	NEW BOND ISSUES		6
	PREVIOUS BOND ISSUES		7
VI.	PROJECT TABLES		
	NEW BOND ISSUES		8
	PREVIOUS BOND ISSUES		9
VII.	DEBT SERVICE SCHEDULE		10
VIII.	GENERAL OPERATING FUND		
	CASH RECEIPTS AND DISBURSEMENTS		11
	ASSETS, LIABILITIES AND FUND EQUITY		12
	FUND EQUITY		13
IX.	GENERAL BOND RESERVE FUND		
	ASSETS, LIABILITIES AND FUND EQUITY		14
	CONTRIBUTIONS AND EARNINGS		15
X.	SERIES RESERVE ACCOUNTS		
	NEW BOND ISSUES		16
	PREVIOUS BOND ISSUES		17

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 & Hnecs, Lawyers,  
Minneapolis  
General  
January 1, 1975

James Schatz  
Member, Doherty, Rumble & Butler, Lawyers,  
St. Paul  
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 had 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 "G"

\$8,450,000

MINNEAPOLIS SOCIETY OF FINE ARTS

The Minneapolis Society of Fine Arts, established in 1883, is a Minnesota non-profit corporation that operates the Minneapolis Institute of Arts, a Children's Theatre Company and the Minneapolis College of Art and Design. The College of Art and Design, founded in 1886, is a four year accredited educational institution.

The bonds have been issued for constructing a new technical academic building with appurtenant equipment, furnishings, utilities and site improvements at the Minneapolis College of Art and Design. The bond project includes a pedestrian bridge to and furnishings and equipment for the existing college building. The new facilities will enable the present 475 student college to expand to 600 and will permit it to enlarge greatly the scope of its four year program which leads to the Bachelor of Fine Arts Degree in Fine Arts and Design, with areas of concentration in painting, print-making, sculpture, intermedia, graphic design, photography, film, video and fashion design. The new four-story building has been designed by Kenso Tange, internationally known Japanese architect whose other works include the Olympic Sports Stadium in Tokyo.

BOND SERIES "H"

\$340,000

COLLEGE OF ST. SCHOLASTICA, INC.

The College of St. Scholastica, Inc. was founded by the Benedictine Sisters Benevolent Association in 1906. The College was incorporated as a separate entity in 1962. Formerly a women's college, it became co-educational in 1968.

The proceeds of this bond issue were used to fund the Pine Apartment building. The three-story brick and spancrete building houses 46 students. It has 11 four-student apartments. Each 800 square foot apartment has its own kitchen, bathroom, two bedrooms, living room and balcony area. An additional unit accomodates two students. The building has house laundry facilities for 142 students; 46 in the new facility and 96 from the adjoining Grove Apartments.

BOND SERIES "I"

\$1,600,000

AUGSBURG COLLEGE

Founded in 1869, Augsburg College is a private four year Liberal Arts College, one of 11 senior colleges affiliated with and supported in part by the American Lutheran Church.

The bonds have been issued to construct a two-rink, artificial ice, Ice Center on land of a 56,469 square foot area now owned by the College and adjacent to the campus. The facility includes moderate spectator capacity, dressing rooms, offices, a service shop and a concession area. It is used for physical education programs of the College, including intramural and intercollegiate competition. It is available for rental to other colleges and to junior hockey organizations.





NEW BOND ISSUES

FISCAL YEAR 1974

<u>BOND SERIES</u>	<u>DATE</u>	<u>FINAL MATURITY</u>	<u>AVERAGE MATURITY</u>	<u>NET INTEREST RATE</u>	<u>AMOUNT</u>
First Mortgage Revenue Bonds, Series G Mpls. Society of Fine Arts	8/1/73	1984	7.07 years	6.6689%	\$ 8,450,000.00
First Mortgage Revenue Bonds, Series H College of St. Scholastica, Inc.	6/1/74	1999	16.43 years	6.4046%	\$ 340,000.00
First Mortgage Revenue Bonds, Series I Augsburg College	5/1/74	1995	14.037 years	6.2011%	<u>\$ 1,600,000.00</u> \$10,390,000.00

PREVIOUS 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>AMOUNT</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

DEBT SERVICE SCHEDULE  
BOND SERIES A THROUGH I  
FISCAL YEAR 1974

<u>SERIES</u>	<u>DATE</u>	<u>PRINCIPAL/ INTEREST</u>	<u>AMOUNTS RETIRED</u>	<u>AMOUNTS OUTSTANDING</u>
A AUGSBURG	12/1/72	\$2,200,000.00 \$3,601,025.00	-0- \$180,663.75	\$2,200,000.00 \$3,420,361.25
B BETHEL	12/1/72	\$1,935,000.00 \$1,684,363.75	\$ 25,000.00 \$150,476.25	\$1,910,000.00 \$1,533,887.50
C ST. MARY'S	1/1/73	\$ 595,000.00 \$ 526,867.50	-0- \$ 31,107.50	\$ 595,000.00 \$ 495,760.00
D ST. SCHOLASTICA	1/1/73	\$ 520,000.00 \$ 459,265.00	\$ 10,000.00 \$ 29,755.00	\$ 510,000.00 \$ 429,510.00
E GUSTAVUS ADOLPHUS	3/1/73	\$1,030,000.00 \$ 695,730.00	-0- \$ 51,730.00	\$1,030,000.00 \$ 644,000.00
F ST. BENEDICT	3/1/73	\$1,610,000.00 \$1,459,020.00	\$ 20,000.00 \$ 88,390.00	\$1,590,000.00 \$1,370,630.00
G MINNEAPOLIS SOCIETY	8/1/73	\$8,450,000.00 \$3,827,200.00	-0- \$270,400.00	\$8,450,000.00 \$3,556,800.00
H ST. SCHOLASTICA	6/1/74	\$ 340,000.00 \$ 348,755.00	-0- -0-	\$ 340,000.00 \$ 348,755.00
I AUGSBURG	5/1/74	\$1,600,000.00 \$1,360,770.00	-0- -0-	\$1,600,000.00 \$1,360,770.00
TOTAL PRINCIPAL		\$18,280,000.00	\$ 55,000.00	\$18,225,000.00
TOTAL INTEREST		\$13,962,996.25	\$802,522.50	\$13,160,473.75
TOTAL DEBT SERVICE		\$32,242,996.25	\$857,522.50	\$31,385,473.75

GENERAL OPERATING FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 1974 COMPARED TO 1973

(ON A CASH BASIS)

	For the Year Ended June 30,	
	<u>1974</u>	<u>1973</u>
<u>Receipts</u>		
Application Fees	\$ 3,250.00	\$ 3,500.00
Initial Administrative Fees	33,383.32	23,800.15
Annual Administrative Fees	22,850.00	9,862.50
Interest	1,300.92	380.83
Total Receipts	\$60,784.24	\$37,543.48
<u>Disbursements</u>		
Wages and Employment Service Fees	\$35,718.82	\$34,339.58
Appointed Commission Fees	1,015.00	1,505.00
Rents	7,358.23	5,249.73
Legal and Accounting Service	725.00	-----
Bonds and Insurance	-----	143.00
Repairs and Maintenance	95.24	62.79
Printing and Binding	497.85	194.24
Communications	372.13	752.28
Travel and Subsistence	1,186.53	1,342.95
Stationery and Office Supplies	159.26	662.96
Scientific and Educational Supplies	20.00	398.48
Payroll Taxes, Retirement and Insurance	3,814.97	2,484.45
Depreciation Expense	747.06	371.48
Miscellaneous	48.00	64.97
Total Disbursements	\$51,758.09	\$47,571.91
Operating Surplus	9,026.15	(\$10,028.43)

GENERAL OPERATING FUND

STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

AS OF JUNE 30, 1974 COMPARED TO JUNE 30, 1973

(ON A CASH BASIS)

<u>A S S E T S</u>	As of June 30,	
	<u>1974</u>	<u>1973</u>
Cash	\$11,805.06	\$ 1,877.41
Furniture and Office Equipment (Gross Assets of \$7,561.40 less Accumulated Depreciation totaling \$747.06)	<u>\$ 6,814.34</u>	<u>\$ 7,058.17</u>
Total Assets	<u><u>\$18,619.40</u></u>	<u><u>\$ 8,935.58</u></u>
 <u>L I A B I L I T I E S</u>		
Advances Payable - Minnesota Higher Education Coordinating Commission	\$40,057.10	\$40,121.07
 <u>F U N D E Q U I T Y</u>		
Accumulated (Deficit)	(\$21,437.70)	(\$31,185.49)
Total Liabilities and Fund Equity	<u><u>\$18,619.40</u></u>	<u><u>\$ 8,935.58</u></u>

GENERAL OPERATING FUND  
STATEMENT OF FUND EQUITY  
AS OF JUNE 30, 1974 COMPARED TO 1973  
(ON A CASH BASIS)

	As of June 30,	
	<u>1974</u>	<u>1973</u>
Balance, Beginning of Year (Deficit)	(\$31,185.49)	(\$21,157.06)
Operating Surplus	\$ 9,026.15	(\$10,028.43)
Balance, End of Year (Deficit)	<u>(\$22,159.34)</u>	<u>(\$31,185.49)</u>

GENERAL BOND RESERVE FUND

STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

AS OF JUNE 30, 1974 COMPARED TO JUNE 30, 1973

(ON A CASH BASIS)

	<u>As of June 30,</u> <u>1974</u>	<u>1973</u>
<u>A S S E T S</u>		
Cash	\$ 2,041.01	\$ 3,093.01
Investments (At Cost)	<u>386,986.26</u>	<u>123,354.77</u>
Total Assets	<u>\$389,027.27</u>	<u>\$126,447.78</u>

<u>F U N D E Q U I T Y</u>		
Accumulated Reserve	<u>\$389,027.27</u>	<u>\$126,447.78</u>

GENERAL BOND RESERVE FUND <sup>1</sup>  
STATEMENT OF CONTRIBUTIONS AND EARNINGS  
ON A CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 1973

	<u>DATE INVESTED</u>	<u>ORIGINAL INVESTMENT</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	\$ 21,304.00
\$8,450,000 First Mortgage Revenue Bonds, Series G, (Mpls. Society of Fine Arts)	9/13/73	\$220,000.00
\$ 340,000 First Mortgage Revenue Bonds, Series H, (College of St. Scholastica, Inc.)	6/12/74	\$ 6,000.00
\$1,600,000 First Mortgage Revenue Bonds, Series I, (Augsburg College)	5/8/74	\$ 30,000.00
	Sub Total	\$380,081.00
	Earnings	8,946.27
	Total:	\$389,027.27

<sup>1</sup> 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 ACCOUNTS<sup>1</sup>

CONTRIBUTIONS

NEW BOND ISSUES

	<u>BOND ISSUE</u>	<u>SERIES RESERVE</u>
First Mortgage Revenue Bonds, Series G Minneapolis Society of Fine Arts	\$8,450,000.00	\$ 880,000.00
First Mortgage Revenue Bonds, Series H College of St. Scholastica, Inc.	\$ 340,000.00	\$ 24,000.00
First Mortgage Revenue Bonds, Series I Augsburg College	\$1,600,000.00	\$ 120,000.00
		<hr/> \$1,024,000.00

<sup>1</sup> 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

SERIES RESERVE ACCOUNTS

CONTRIBUTIONS

PREVIOUS BOND ISSUES

	<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)	\$ 85,216.00
	<hr/>
	\$495,543.60
 Total Series Reserve for New and Previous Issues	 <u>\$1,519,543.60</u>

