

-  **Forwarding Letter**
-  **Meeting Agenda**

I. *Review and approve minutes of the meeting of May 20, 2020*



-  **Minutes of May 20, 2020**

II. *University of St. Thomas - Financing Update*

III. *FY2020 Plan of Action Results*





-  **FY2020 Plan of Action Results**

IV. *General Salary Increases for FY2020 and FY2021*

-  **Resolution Authorizing General Salary Increase for FY2020**
-  **Resolution Authorizing General Salary Increase for FY2021**

V. *Authority Phone System Upgrade Proposal Update*

VI. *FY2021 Administrative Items*

-  **FY2021 Proposed Plan of Action**
-  **FY2021 Proposed Budget**
-  **FY2021 Budget Narrative**
-  **FY2021 Annual Fee Analysis**

VII. *Old Business*

VIII. *New Business*

IX. *Other Business*

-  **May 2020 Budget vs Actual**

X. *Executive Session (materials provided separately – private session of the Board)*

 **Executive Director Performance Review Form**

 **Executive Director Proposed Job Description Update**

# MEMORANDUM



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Date: 10 June 2020

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: June 2020 Authority Board Meeting Outline

Greetings to the Minnesota Higher Education Facilities Authority June 18, 2020 teleconference Board meeting. The June 2020 Board meeting will consider the Performance Review of the Executive Director and other administrative items which were deferred from the May 2020 Board meeting.

We will update you on the status of the St. Thomas Series 2020 Notes financing and present the initial results of the Communication System Proposal receipt and review. We have received proposals from 3 additional vendors, making a total of 4 proposals. We will discuss them and move toward a selection at the July 2020 Authority Board meeting.

We will present the proposed FY21 operating budget and a review of the proposed Authority fee discount for FY21.

I will have additional information on updates to financing plans by Authority borrowers, as well as information on Authority initiatives, including a brief outline of our updated website, which debuted on May 4, 2020.

We continue to work from home according to Minnesota Executive Orders issued by the Governor, with occasional visits to the office.

We look forward to your participation by telephone for the meeting.

Wednesday, June 17, 2020

2:00 PM

*Meeting to be held via conference call due to pandemic emergency social distancing.*

*Please utilize the conference call line provided below.*

- I. Review and approve minutes of the meeting of May 20, 2020
- II. University of St. Thomas – Financing Update
- III. FY2020 Plan of Action Results
  - *Achievement Awards have been suspended by MMB for FY2020*
- IV. General Salary Increases for FY2020 and FY2021
  - General Salary Increase for July 1, 2019 – June 30, 2020
  - General Salary Increase for July 1, 2020 – June 30, 2021
- V. Authority Phone System Upgrade Proposal Update
- VI. FY2021 Administrative Items
  - FY2021 Proposed Plan of Action
  - FY2021 Proposed Budget
  - FY2021 Annual Fee Analysis

MHEFA Office Guest Wifi    Network: "MHEFA-Guest"    Password: "highered"

Meeting call-in number: 888-742-5095    Conference Code: 582 273 6685#

VII. Old Business

- Healthcare Legislation Expansion Update
- Financial Advisory Services Update/Initial Discussion
  - *Full discussion scheduled for July Agenda*

VIII. New Business

- Reinvestment of Authority Funds

IX. Other Business

- Executive Director's Report

X. Executive Session

- Executive Director Annual Performance Review
- Executive Director Job Description Update

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The Minnesota Higher Education Facilities Authority (the “Authority” or “MHEFA”) convened a regular Board meeting at 2:00 PM CDT, Wednesday, May 20, 2020, in the Authority’s Conference Room, 380 Jackson Street, Suite 450, Saint Paul, Minnesota.

Following Emergency Executive Order 20-01, dated March 13, 2020, Declaration of Peacetime Emergency by Governor Walz; Emergency Executive Order 20-20, dated March 25, 2020; and Emergency Executive Order 20-33, dated April 8, 2020 (the foregoing and other Emergency Executive Orders of the Governor relating to COVID-19, as may be amended or superseded, collectively, the “Emergency Orders”), members of the Authority participated in and attend the meeting by telephone or other electronic means in accordance with Minnesota Statutes, Section 13D.021.

Authority Chair Ranum determined that an in-person meeting at the regular meeting location for the Authority, 380 Jackson Street, Suite 450, Saint Paul, Minnesota 55101, is not practical or prudent because of the health pandemic declared under the Emergency Orders and according to current guidance from the Minnesota Department of Health, the Centers for Disease Control and Prevention, and the U.S. Department of Homeland Security.

The chief administrative officer of the Authority, Executive Director Barry W. Fick, was physically present at the Authority’s offices, 380 Jackson Street, Suite 450, Saint Paul, Minnesota 55101.

Members of the public who plan to be present at the public hearing at the Authority’s offices in person will be required to observe social distancing and comply with other measures imposed by the Emergency Orders.

The public were able to monitor the meeting by calling (toll free) 888-742-50956; Pass Code: 582 273 6685#.

A roll call was taken and the following board members or their designees were present and attending by telephone:

Board Members:        Gary Benson  
                              Mark Misukanis  
                              Michael Ranum  
                              Bonnie Anderson Rons  
                              David Rowland  
                              Nancy Sampair  
                              Powait Yang

Paul Cerkvenik, Minnesota Private College Council, ex officio without vote

Absent: Mary Ives  
Ray VinZant

Public Attendees: Mark LeMay (by telephone)  
Scott Graham, Wilmington Trust (by telephone)

Also present: Barry W. Fick (in-person) Executive Director MHEFA  
Amanda Lee, Operations Manager, MHEFA (by telephone)  
Carol Peterfeso, University of St. Thomas (by telephone)  
Zachary Smith, University of St. Thomas (by telephone)  
Elizabeth Bergman, Baker Tilly Municipal Advisors (by telephone)

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

### **Agenda Item I – Minutes of the April 15, 2020 Board meeting.**

The first item on the Agenda is the review and consideration of the minutes of the April 15, 2020 Authority Board meeting. A motion was made by Nancy Sampair to approve the April 15, 2020 minutes. The motion was seconded by Gary Benson. Chair Ranum asked if there were any questions, discussion or changes to the minutes of the April 15, 2020 Board meeting.

Chair Ranum called for a voice vote regarding the approval of the minutes. A voice vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mark Misukanis	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	Yes
	Nancy Sampair	Yes
	Powait Yang	Yes

There were no votes against the motion and the Minutes of the April 15, 2020 Authority Board meeting were approved.

The next item on the Agenda is the review and consideration of the minutes of the April 16, 2020 Special Authority Board meeting. A motion was made by Nancy Sampair to approve the April 16, 2020 minutes. The motion was seconded by Bonnie Anderson Rons. Chair Ranum asked if there were any questions, discussion or changes to the minutes of the April 16, 2020 Special Board meeting.

Chair Ranum called for a voice vote regarding the approval of the minutes. A voice vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mark Misukanis	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	Yes
	Nancy Sampair	Yes
	Powait Yang	Yes

## **Agenda Item II – University of St. Thomas Public Hearing**

St. Thomas University has applied to the Authority for assistance in financing a number of projects to be constructed on the campus of the University, as well as to reimburse the University for qualified expenses on projects which qualify for reimbursement. The Authority published a Notice of Public Hearing for the purpose of conducting a Tax Equity and Fiscal Responsibility Act (“TEFRA”) hearing as required by Internal Revenue Service (“IRS”) regulations for the issue of tax-exempt bonds. The Public Hearing Notice was timely published in the State Register and on the Website of the Authority.

Chair Ranum opened the Public Hearing and introduced the representatives from St. Thomas University. Mr. Zachary Smith and Ms. Carol Peterfeso of St. Thomas University (“St. Thomas” or “University”) were present by telephone to present information regarding the financing request by St. Thomas.

Mr. Smith walked Board members through a PowerPoint presentation that provided information showing the progress of new construction on the St. Paul campus of the University for projects funded with 2 series of Bonds issued in 2019 by the Authority for the University. The presentation



also provided details of the projects to be funded or reimbursed with funds from the requested Series 2020 financing.

In addition to new projects, the University's financing application includes funding to refund certain outstanding debt of the University for the purpose of fixing the interest rate on the debt and reducing interest costs.

After the presentation Board members asked questions related to the use of the newly renovated Wellness Center and if it would be available for the public and if it would be a resource for COVID-19 issues. Carol Peterfeso from St. Thomas noted that no persons from outside the University community could use the Wellness facility, as it is dedicated to student and staff use. Ms. Peterfeso also noted that the Wellness Center will provide COVID-19 testing.

Chairman Ranum asked Ms. Peterfeso to expand on the University's planning for COVID-19 and how both the academic year just concluding has been affected and what planning and options for the campus community the University is looking at for Fall 2020.

Ms. Peterfeso noted that the University anticipates an \$8 million loss this spring, primarily due to residence hall refunds and conference cancellations. UST has mitigated about \$6 million of the \$8 million loss. St. Thomas will receive \$5 million in CARES Act funding, which consists of \$2.5 million to mitigate/reimburse St. Thomas for lost revenue and \$2.5 million in assistance to students. In addition, St. Thomas has implemented a 10% salary reduction, removal of 9.4% retirement contribution (currently through 12/31), eliminated travel and will spend less on supplies and food. St. Thomas will need to spend about net \$2.5 million in FY20 for COVID-19 losses/expenses.

The plan for FY21 is to hold in-person fall classes. St. Thomas will require facemasks while in classes and some public spaces, will reduce class size and residence hall capacity. Entire floors or even whole residence halls could be dedicated for quarantine.

Confirmed deposits are at 95% of deposits compared to last year. St. Thomas has extended the acceptance confirmation date to June 1 from May 1.

The University is engaged in scenario planning for Fall 2020 and the academic year 20/21. They are focusing on moderate and severe scenarios, were around 20% enrollment reduction for a moderate scenario and fully online for a severe scenario. Under either scenario, the University anticipates net

losses, which would be offset in part by cost and expenditure reductions, additional investment income draws or possibly reserve draws.

The University wants to implement strategies to handle campus outbreaks instead of sending everyone home. The Head of St. Thomas' Center for Well-Being is a nurse on the Governor's COVID19 Taskforce for testing, and the CEO of Allina Health is on St. Thomas' Board. The University feels well-informed having these experts as a resource for planning. 10,000 facemasks with Tommie colors have been ordered and will be handed out to employees and students on campus. The plan is to be able to test ill-feeling students, as they are not sure they have the capacity to test everyone. The University is also looking into hiring contact tracers.

Nancy Sampair asked if in the limited to severe estimates, are legal expenses incorporated? Ms. Peterfeso noted that internal legal counsel is working with state and federal contacts on indemnification language. It is difficult to determine where someone was infected, but internal legal counsel is looking to draft language to reasonably mitigate legal risk and liability to the University.

Board member Sampair asked if virtual classroom instruction would increase. Ms. Peterfeso noted that for undergraduate classes, St. Thomas' preference is still in-person interaction, but they will return to online if necessary. More graduate classes have moved online, which is less of a concern for adult learners at the graduate level. For instance, the Executive MBA program already only meets once per month as part of its instruction model.

Paul Cerkvenik added that our colleges are working with an epidemiologist at the MN Department of Health who was assigned to Higher Education. Testing and contact tracing work group results are expected May 29<sup>th</sup>. K-12 and Higher Education may be a new priority for testing in the state as we move closer to fall semester and schools reopening.

Upon conclusion of questions from Board members, Chair Ranum closed the public hearing. He then asked Ms. Elizabeth Bergman of Baker Tilly Municipal Advisors LLC to discuss the firms review of the University's Application for Financing.

Ms. Bregman outlined the requested financing assistance by the University. She noted that in the professional opinion of Baker Tilly, a borrowing for the University's purposes in the requested amount can be successfully executed. Ms. Bergman noted that the requested financing includes a conversion of the outstanding Series 2017C Variable Rate Note to a fixed rate note. This reduces

the outstanding variable rate debt component of overall university debt to 2% of total outstanding long-term University debt. This is a credit positive for the University.

The size of the proposed financing is anticipated to be approximately \$18.75 million, which is less than the maximum allowable size of \$22.1 million. The University will not borrow more than is needed to accomplish its plans. The lower issue size will reduce annual debt service when compared to a larger issue. Since the Series 2020 Notes are being structured as private commercial bank placements, no credit rating and no Continuing Disclosure filing will be required, helping keep costs of issue lower. A complete review of the financing for the projects and the refunding will be presented at a future Authority Board meeting, after documentation is prepared by the parties to the financing.

Baker Tilly discussed the possible effects of COVID-19 on the University and noted that as the University itself noted in their discussion of the effect of COVID-19 on the University and its financial situation, there is an element of uncertainty for future debt servicing ability. Regardless, the modest size of the proposed financing should allow the University to fund debt service with little problem.

Board Member Rons asked if the University considered waiting to conclude the financing later, when more information would be known about University finances. Ms. Peterfeso noted that the current financing is for funding current construction, so it can't be deferred. In addition, rates are low and the conversion of a variable rate to a fixed rate for a portion of the financing will reduce financial risk to the University and allow it to take advantage of low current interest rates.

There were no other questions from the Board for Ms. Bergman.

Chair Ranum next called on Peter Cooper, Bond Counsel, to review the legal Memo Related to the Application. Mr. Cooper reviewed the memo, noting that the University will need to supply additional information prior to closing on the Notes, but does not anticipate any issues with obtaining that information. Mr. Cooper outlined the various procedural items that have been and will be undertaken to complete the financing.

Board Member Rons asked about the difference between the expected Note size of \$18.75 million and the maximum size listed in the Memorandum of \$22.1 million. Mr. Cooper noted that the larger number is designed to cover all possible contingencies and is almost always higher than the actual

financing amount. This is done to eliminate the need for a subsequent additional public hearing if the costs exceed the originally stated size of the borrowing.

Chair Ranum next called on Mr. Cooper to review the Resolution Relating to Application for University of St. Thomas. Mr. Cooper reviewed the terms of the Resolution with the Board. He noted that the Resolution documents the actions taken to date for the financing and that the Resolution documents compliance by the University with IRS rules relating to issuing tax-exempt financing. The Resolution authorizes the Executive Director to engage and direct bond counsel and the municipal advisor to prepare and submit documents related to the transaction and submit them to the Board for consideration at a future Authority meeting.

There were no other questions for Mr. Cooper and Chair Ranum directed the Board to consideration of the Resolution Relating to Application of St. Thomas University for Financing.

A motion to approve the Resolution was made by Gary Benson. The motion was seconded by Nancy Sampair. Chair Ranum called for a roll call vote regarding the approval of the minutes. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mark Misukanis	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	Yes
	David Rowland	Yes
	Nancy Sampair	Yes
	Powait Yang	Yes

There were no votes opposed to the Resolution and the Resolution was approved and adopted. The results of the Public Hearing will be sent to the Governor of Minnesota for Approval.

### **Agenda Item III – Consideration of FY2020 Proposed Budget Adjustments**

Chair Ranum called on Executive Director Fick to discuss state agency COVID-19 directives, including working from home (WFH) requirement and the development of a “return to work” plan for the Authority. Mr. Fick noted that the State of Minnesota has required that all state employees who can work from home should work from home. The Authority has undertaken substantial process updates during the past two years, allowing staff to WFH and access Authority files very securely

and effectively. The challenge has been that WFH equipment was not efficient to maximize productivity when WFH. Both Executive Director Fick and Operations Manager Lee have purchased equipment to allow them to efficiently WFH.

The Authority Board was asked to consider a Resolution Related to Employee COVID-19 Related Expenses. This resolution would allow the Authority to reimburse staff for WFH expenses incurred to acquire equipment to facilitate efficient WFH by staff.

A motion to approve the Resolution was made by Nancy Sampair. Powait Yang provided the second to approve the Resolution. The Board discussed the level of reimbursement and who would have ownership of the equipment purchased to facilitate WFH. Board members felt that the Authority should retain ownership of the purchased equipment and allow the equipment to be used at the home office location of staff. The Board also noted that in connection with WFH, it will be incumbent on the staff to examine the need for a Board office and commence a dialogue with the Board in the future on the results of the staff analysis on the need for future office space.

Discussion was concluded and Chair Ranum called for a roll call vote on the Resolution Related to Employee COVID-19 Related Expenses. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mark Misukanis	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	No
	David Rowland	Yes
	Nancy Sampair	Yes
	Powait Yang	Yes

The Resolution was approved and adopted.

The next budget adjustment item was consideration of acquiring a new office communication system, including telephone service, conference phone service, conference and video call service and switching to Voice Over Internet Protocol (VOIP) communications. Staff suggested continuing to work with our computer and office systems vendor, DTS to provide the VOIP equipment.

The Board indicated that it would be preferable to obtain additional bids for the services requested. That would allow a stronger comparison and provide assurance that the Authority fully conducted a solicitation of proposals for communications services. Staff agreed this would be a prudent course of action. Staff will contact additional vendors and request quotes for the requested services. Upon receipt of the additional quotes, Staff will prepare a report for the Authority and present that report at a future meeting.

With that course of action established, consideration of awarding a contract for communication services was tabled and deferred to a future Authority meeting.

The next item was consideration of the updated FY2020 Budget. Chair Ranum called on Operations Manager Lee to outline the proposed changes from the originally adopted budget. Ms. Lee noted that a number of additional budget items have been incurred for FY2020, including Website Development costs and legal costs for issuance expansion for the Authority. Offsetting these are reduced financial advisory service costs, reduced travel costs and reduced conference costs. These items are no longer to be incurred as a result of COVID-19 conference cancellations or postponements.

Authority revenue is expected to be below budget due to fewer bond transactions resulting from financial disruption due to COVID-19 effect on Authority borrowers.

The net result of the changes to revenues and expenses is to show a net deficit for FY2020. The deficit is projected to be modest and can easily be handled by use of Authority reserves.

Board members asked a number of questions about specific budget items which were answered by Ms. Lee. With no other questions from Board members related to the Adjusted 2020 Budget, Chair Ranum asked for consideration of a Motion to Approve the FY2020 Adjusted Budget. A Motion to approve was made by Gary Benson. A second to the Motion was made by David Rowland.

Chair Ranum called for a roll call vote on the Motion to Approve the Adjusted FY2020 Budget. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
	Mark Misukanis	Yes
	Michael Ranum	Yes
	Bonnie Anderson Rons	Yes

David Rowland	Yes
Nancy Sampair	Yes
Powait Yang	Yes

There were no votes in opposition to the Motion and the Resolution was approved and adopted.

#### **Agenda Item IV – Administrative Items**

The first item for consideration under Administrative Items is the Proposed Meeting Schedule for FY2021. The Board has regularly scheduled meetings on the 3<sup>rd</sup> Wednesday of each month at 2:00 pm Central Time. For FY21 there are no conflicts with observed holidays, so staff proposes to have meetings at the regularly scheduled day and time each month from July 2020 through June 2021.

The Board discussed the schedule and agreed that the schedule looks fine for meetings in the next fiscal year. There is no action to be taken on the proposed schedule. With no opposition or request for changed dates, the proposed meeting schedule is adopted.

The next item for consideration is election of Board officers for FY2021. Board officers have served two terms of one-year. The current officers are:

Michael Ranum, Chair  
Gary Benson, Secretary  
David Rowland, Vice-Chair

Each of them is completing their first year in their positions. Each of them has agreed to serve for another year in their respective positions, pending approval by the entire Authority Board. Staff recommends continuing with the same officers for FY2021. Discussion by the Board was in favor of electing the officers to another term.

A Motion to approve the election of Authority Board officers was made by Nancy Sampair. A second to the Motion was made by Bonnie Anderson Rons.

Chair Ranum called for a roll call vote on the Election of Board Officers for FY2021. A roll call vote was conducted, and the Board members voted as follows:

Board Members:	Gary Benson	Yes
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Mark Misukanis	Yes
Michael Ranum	Yes
Bonnie Anderson Rons	Yes
David Rowland	Yes
Nancy Sampair	Yes
Powait Yang	Yes

There were no votes in opposition to the Motion and the election of FY21 Officers was approved.

Board Chair Ranum asked if in the interest of time, some of the items on the May 2020 Authority Board Agenda could be deferred to the June Meeting. Other Board members agreed with that approach. Based on that, the following items were deferred to the June 2020 meeting for consideration:

Consideration of the FY2021 Plan of Action  
Executive Director Job Performance Review  
Initial discussion of Authority Fee for FY2021

Miscellaneous Administrative items

Amanda Lee reviewed the MHEFA Website Upgrade. The upgraded website went May 4, 2020 and has received strong positive reviews from users. Staff will continue to monitor and improve the website and use it to provide value added services to Authority Borrowers.

The Minnesota Management and Budget announced that for FY2020, there will be no achievement awards for state employees. This means that there will be no awards for staff for meeting the FY2020 Plan of Action items.

The Minnesota legislature was inconclusive in its consideration and approval of salary increases for State employees. Compensation for State employees was negotiated in November 2019 and was to be considered by the legislature prior to adjournment. There was a legal question about the action of the legislature as it relates to their consideration and approval of compensation. Until there is resolution of the issue, State employee compensation changes is on hold.

Authority Staff briefed Board members on changes to senior leadership at Minnesota colleges and universities. There are a number of pending or completed president changes and a number of



pending and future changes to Chief Financial Officer staff. We will continue to update the Board on future changes.

The Executive Director's report was presented in brief. Even without the challenges presented by COVID-19 Pandemic, it has been a busy month for the Authority. We continue to function in accord with State of Minnesota "if you can work from home you must work from home" mandate. We make separate occasional visits to the office, including for the May 20, Public Hearing.

The Government Finance Officers Association annual conference began on a virtual basis this past Monday. It continues for 4 weeks, with sessions spread out over multiple days. Executive Director Fick will be moderating a panel and presenting at a session on June 3, 2020.

As Ms. Lee noted, the web site is up and running. We have received positive feedback and are looking for continued feedback from all types of users. Our goal is to continuously enhance the website information capacity and expand its use by schools, industry members and the general public.

Executive Director Fick been elected Vice President of National Association of Health and Educational Facilities Finance Authorities (NAHEFFA). This is a 2-year term, followed by a 2-year term as President of the Organization.

The recommendation to reappoint the incumbent Board members to their positions was submitted to the Governor's office in March. The schedule provided to the Authority by the Governor's office showed that our Board positions are scheduled to be considered by the Governor this month (May 2020). Executive Director Fick contacted the Governor's staff person who is in charge of appointments earlier this week to inquire about the status of our reappointment request. She indicated the Governor is on track to have a decision made by the end of May on the two open Board member positions. She gave the Authority no indication that our recommendation would not be approved, and a check of the Application website reveals no additional applicants for the open positions. We will of course let everyone know when we hear from the Governor's office. Also, no legislative hearings for board member reappointment was held this year.

Authority expansion legislation was going very well early in the session. Executive Director Fick met with multiple legislators and received uniformly favorable feedback regarding the legislation. The Authority obtained multiple sponsors in both the Senate and the House, from both parties.

Once the legislature discontinued visits to the House and Senate offices, the Authority continued to have periodic discussions with committee chairs regarding our legislation. Ultimately, the focus by

the legislature on COVID-19 related legislation resulted in consideration of our bill being deferred. We do not anticipate that our legislation will be considered at a legislative special session as that session will focus on a small number of legislative bills.

The Authority's legislative consultant continues to work on passage, but we expect that our legislation will be reintroduced and considered in the 2021 legislative session.

As noted above, the Executive Session of the Board to consider Executive Director Fick's performance Review and update to the Executive Director job description is deferred to the June 2020 Authority Board meeting.

The Chair asked if there was any other business for the Board. Hearing of no other business, the Chair asked for a motion to adjourn.

A motion to adjourn was made by Nancy Sampair, with a second by David Rowland. The Board voted by voice vote to adjourn at 4:50 pm CDT and the meeting was adjourned.

Respectfully submitted,

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Assistant Secretary

## Plan of Action for Fiscal Year Ending June 30, 2020

### Authority's Statutory Mandate:

#### Assist Eligible Institutions In Financing Facilities In An Efficient and Cost Effective Manner

1. Communicate regularly with eligible institutions to explain tax-exempt debt and Authority **services**. Provide pre-application guidance. Maintain consistency in financial advisory, bond counsel, corporate trust, rating agency and other professional services. Conduct on-campus site visits with all borrower schools at least 1 time.
  - Ongoing. Focus now on calls & broadcast emails to all schools with COVID related updates, including continuing disclosure, etc.
2. Arrange for monthly **meetings** and special events for the Authority, including possible campus visits.
  - Successfully completed. November 2019 meeting at Augsburg University campus. Possible expansion in future (FY22?) if “work from home” continues after COVID crisis is contained
3. Arrange for an annual conference as continuing **education** for eligible institutions. Provide post-closing education and assistance to borrowers in matters such as tax law compliance, continuing disclosure, investor relations, credit rating and IRS inquiries affecting tax exempt bonds.
  - Planning well underway, postponed due to COVID concerns. Instead, attention turned to providing assistance to schools for CARES Act and other COVID-related questions. Proactively provided schools with information and assistance.
4. Prepare and disseminate the **annual report** of the Authority, including the audited financial statements.
  - Completed & updated presentation/font to conform with State guidelines
  - Completed the FY2019 annual report with updated branding to conform with State brand standards. Maintained only one finding in the FY2019 audit which the Authority can only eliminate through additional staff. Results of audit successfully reported in the FY2019 annual report.
5. Prepare a “**Capital Commentary**” newsletter for each financing as a reference tool for eligible institutions and the Authority.
  - Completed for each financing completed by the Authority, now available on MHEFA's new website, easily referenced in a table, sortable by school, series or year.

6. Stay informed on industry developments and operational practices through **affiliations** with government issuers and regulatory agencies, trade organizations and nonprofit organizations such as the National Association of Health and Educational Facilities Finance Authorities, Central Association of College and University Business Officers and National Association of Bond Lawyers.
  - Continuing to do so. Barry Fick has been elected Vice President of NAHEFFA for FY 2021 & 2022 term
7. Monitor regulatory and legislative **proposals at the state and federal level** regarding the capital market and possible limitations on the use of tax-exempt debt, develop coordinated responses and keep borrowers informed.
  - Continuing to do so through GFOA and MSRB Committee representation
8. Complete work with Wells Fargo to set up MHEFA's CEO Portal for online access to include all bank accounts. Explore options for ACH payments and approval of transfers and payments through the CEO Portal. Evaluate current and future banking needs, including the need for separate accounts.
  - CEO Portal implementation completed, transitioning deposits, bill payment and statements to electronic access. CEO Portal also provides additional account security features and current transaction review instead of monthly paper statement access only. Authority credit card access has now also been added through wells Fargo.com, allowing for current transaction review, online statement access, and online payments.
9. Complete the transition of Great Plains to QuickBooks accounting software, leveraging BerganKDV's QuickBooks group or others for any needed assistance. GreatPlains license expires January 26, 2020.
  - Transition successfully completed and operational status attained for QuickBooks. Authority now has remote access to accounting software through QuickBooks, and the ability to maintain two separate "classes" within one account to accurately track Education and Healthcare expenses if expansion is approved.
10. Continue working with MNIT for VOIP phone system options, expanding search beyond MNIT if allowed and warranted, and install new VOIP phone system.
  - Working with DTS on comprehensive solution that replaces phone, fax with VOIP-based communication system that includes video and telephone conferencing, portable system. Contract to be considered at May Board Meeting
11. Install video conferencing system including sound/microphone system, TV/Smart Board, and video capabilities in MHEFA's conference room.
  - TV / Smart Board successfully installed, Video conferencing installed

12. Update MHEFA staff job descriptions consistent with Minnesota Management and Budget guidelines (every three years).
  - Executive Director job description now due for update. Updated version to be considered at June 2020 Board meeting. (Operations Manager job description update due in Q1 of calendar year 2021)
13. Execute Authority logo and website redesign with outside graphic/web designer utilizing State of MN Branding material. Engage BondLink to build and maintain MHEFA Investor Relations websites, which will include public information and documents for each school as a “one stop shop” for investors.
  - Logo & Branding updated to current 2020 State of Minnesota criteria.
  - Completely redesigned website through contract with Voom. Website now conforms to state branding, utilizes modern website layout and structure, and replaces outdated previous website. Added helpful instructional information, as well as pages for each school we serve. New website went live May 4, 2020.
  - Created MHEFA Investor website through contract with BondLink. Investor site also utilizes state color branding, presents public school financial data in a one-stop website, and allows data collection of potential investors visiting site for increased visibility and communication. Website went live May 4, 2020.
14. Annual Fee updates & changes, coordinate with annual Operating Budget update and monitoring.
  - Done for FY2020, maintaining discount rate at a steady level for consistency and allowing for better budget planning by schools. In process for FY2021
15. Continue to reassess status of record retention and disposal of official **records** and access for business continuity purposes.
  - Ongoing. Successful move to Cloud and digitization of Authority records and documentation has allowed successful transition to “work from home” compliance with Governor’s Emergency Declaration

Resolution No. 06-2020-\_\_\_\_\_

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

RESOLUTION AUTHORIZING GENERAL SALARY INCREASE UNDER MANAGERIAL  
PLAN 2019-2021

WHEREAS, the Managerial Plan established compensation, terms and conditions of employment for employees identified by the Minnesota Management & Budget (“MMB”) as “managerial” for the two-year period that began on July 1, 2019 and will end on June 30, 2021.

WHEREAS, on May 11, 2020 the Minnesota House of Representatives approved the negotiated labor agreements and compensation plans

WHEREAS, on May 17, 2020 the Minnesota Senate approved the agreements and plans, while also proposing a modification

WHEREAS, on May 20, 2020 MMB concluded that the legal effect of the Legislature’s action is to ratify the agreements and plans as submitted and MMB will implement the labor agreements and plans without modification

WHEREAS, the Managerial Plan grants a general salary increase of 2.25% for each manager for the fiscal year that began July 1, 2019 and a general salary increase of 2.5% for the fiscal year that will begin July 1, 2020.

WHEREAS, on June 17, 2020, the Authority reviewed the overall performance of Barry W. Fick and Amanda G. Lee (each a “manager”) based up on their progress on the Authority’s Plan of Action for the relevant fiscal year and determined that each manager has consistently excelled in the performance of his/her respective job duties and the overall evaluation of the performance review of each manager is “outstanding.”

BE IT RESOLVED as follows:

1. Barry W. Fick is eligible for a 2.25% general salary increase granted under the Managerial Plan for the fiscal year that began July 1, 2019
2. Amanda G. Lee is eligible for a 2.25% general salary increase granted under the Managerial Plan for the fiscal year that began July 1, 2019
3. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 2.25% general salary increase as granted under the Managerial Plan for Barry W. Fick for the fiscal year that began July 1, 2019
4. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 2.25% general salary increase as granted under the Managerial Plan for Amanda G. Lee for the fiscal year that began July 1, 2019

Adopted: June 17, 2020

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_

Michael Ranum, Chair

By \_\_\_\_\_

Gary Benson, Secretary

Resolution No. 06-2020-\_\_\_\_\_

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

RESOLUTION AUTHORIZING GENERAL SALARY INCREASE UNDER MANAGERIAL  
PLAN 2019-2021

WHEREAS, the Managerial Plan established compensation, terms and conditions of employment for employees identified by the Minnesota Management & Budget (“MMB”) as “managerial” for the two-year period that began on July 1, 2019 and will end on June 30, 2021.

WHEREAS, on May 11, 2020 the Minnesota House of Representative approved the negotiated labor agreements and compensation plans

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WHEREAS, on June 17, 2020, the Authority reviewed the overall performance of Barry W. Fick and Amanda G. Lee (each a “manager”) based up on their progress on the Authority’s Plan of Action for the relevant fiscal year and determined that each manager has consistently excelled in the performance of his/her respective job duties and the overall evaluation of the performance review of each manager is “outstanding.”



BE IT RESOLVED as follows:

1. Barry W. Fick is eligible for a 2.5% general salary increase granted under the Managerial Plan for the fiscal year that will begin July 1, 2020.
2. Amanda G. Lee is eligible for a 2.5% general salary increase granted under the Managerial Plan for the fiscal year that will begin July 1, 2020.
3. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 2.5% general salary increase as granted under the Managerial Plan for Barry W. Fick for the fiscal year that will begin July 1, 2020
4. The Board of the Minnesota Higher Education Facilities Authorities approves and authorizes the application of a 2.5% general salary increase as granted under the Managerial Plan for Amanda G. Lee for the fiscal year that will begin July 1, 2020

Adopted: June 17, 2020

MINNESOTA HIGHER EDUCATION  
FACILITIES AUTHORITY

By \_\_\_\_\_

Michael Ranum, Chair

By \_\_\_\_\_

Gary Benson, Secretary

## Plan of Action for Fiscal Year Ending June 30, 2021

### Authority's Statutory Mandate:

#### Assist Eligible Institutions In Financing Facilities In An Efficient and Cost Effective Manner

1. Communicate regularly with eligible institutions to explain tax-exempt debt and Authority services. Provide pre-application guidance. Maintain consistency in financial advisory, bond counsel, corporate trust, rating agency and other professional services. Conduct video visit or on-campus site visit with all borrower schools at least 1 time.
2. Arrange for monthly meetings and special events for the Authority, including possible campus visits. Review use of video conferencing and telephone meetings within the Minnesota Statutory rules.
3. Arrange for an annual conference as continuing education for finance staff from eligible institutions to gather for sharing ideas, experiences, and networking opportunities. The conference may be in whole or in part an in-person event, a webcast, or a video event, depending on circumstances.
4. Provide post-closing education and assistance to borrowers in matters such as tax law compliance, continuing disclosure, investor relations, credit rating and IRS inquiries affecting tax exempt bonds.
5. Arrange for an annual financing conference to bring representatives of eligible institutions, rating agency staff, attorneys, trustees, municipal advisors, institutional investors, and other related professionals together for a ½ day gathering for presentations, networking opportunities and renewing acquaintances. The conference may be in whole or in part an in-person event, a webcast, or a video event, depending on circumstances.
6. Conduct a Request for Proposal process to review Municipal Advisor firms and select a team of Municipal Advisors.
7. Prepare and disseminate the annual report of the Authority, including the audited financial statements.
8. Prepare a "Capital Commentary" newsletter for each financing as a reference tool for eligible institutions and the Authority.

9. Stay informed on industry developments and operational practices through affiliations with government issuers and regulatory agencies, trade organizations and nonprofit organizations such as the National Association of Health and Educational Facilities Finance Authorities and the National and Central Association of College and University Business Officers.
10. Monitor regulatory and legislative proposals at the state and federal level regarding the capital market and possible limitations on the use of tax-exempt debt, develop coordinated responses and keep borrowers informed. Provide input and commentary as appropriate to affiliated entities.
11. Update MHEFA staff job descriptions consistent with Minnesota Management and Budget guidelines (every three years).
12. Expand staff cross-training on critical Authority items to bolster the Authority's continuity plan and create a more seamless transition should immediate needs arise, such as during an extended absence that is planned or unplanned or a pandemic.
13. Begin development of a Succession Plan for Authority staff.
14. Develop a strategy to identify, cultivate, recruit and recommendations for appointment of Board Members.
15. Monitor and modify as appropriate the new Minnesota Higher Education Facilities Authority website. Develop criteria to monitor usage to enhance the utility of the website for Authority Borrowers, market professionals and the investing public. Continue working with Voom to adjust website based on user feedback. Continue to work with BondLink to maintain and adjust the MHEFA Investor Relations website, based on user feedback, which will include public information and documents for each school as a "one stop shop" for investors.
16. Annual Fee updates & changes, coordinate with annual Operating Budget update and monitoring.
17. Continue to assess status of record retention and disposal of official records and access for business continuity purposes.
18. Work with Building ownership to review Lease and Options as Building Owners determine "best use" for the building. Identify long term workspace needs and future flexibility to attract and retain qualified staff. Plan for alternative office space needs of the Authority, taking into consideration the benefits and costs of allowing staff to work remotely on a semi

or full-time basis. Current Lease at 380 Jackson Street, Suite 450 (Cray/Galtier Plaza) ends November 30, 2022, with a 1-year extension at the option of the Authority.

19. Review and revise Authority operating procedures for updates due to new technology, pandemic environment, continuity of operations, alternative work locations, and review and update best practices to maintain a safe and healthy work environment and health of employees.
20. Implement a new phone solution for the Authority, taking into consideration new and changing needs of the Authority.

Minnesota Higher Education Facilities Authority  
 FY2021 Proposed Budget  
 July 2020 - June 2021



	FY20 Budget	FY21 Proposed Budget	Difference
<b>Income</b>			
4010 Annual Fee Income	410,742.76	403,745.38	(6,997.38)
4020 Application Fee Income	4,000.00	-	(4,000.00)
4000 Interest Income	44,675.17	36,000.00	(8,675.17)
<b>Total Income</b>	<b>459,417.93</b>	<b>439,745.38</b>	<b>(19,672.55)</b>
<b>Asset Expenses</b>			
1502 Current Year Asset Acquisition	-	7,500.00	7,500.00
<b>Expenses</b>			
6000 Stipends	3,520.00	3,520.00	-
6001 Board Travel	2,000.00	2,500.00	500.00
6002 Communications			
6002.01 Communications - Phones		7,500.00	
6002.02 Communications - Internet		1,800.00	
6002.03 Communications - Software		750.00	
6002.04 Communications - Website		13,414.00	
6002.05 Communications - Misc		600.00	
<b>Total 6002 Communications</b>	<b>50,000.00</b>	<b>24,064.00</b>	<b>(25,936.00)</b>
6003 Staff Travel	12,500.00	6,250.00	(6,250.00)
6004 Office Rent	47,956.97	48,480.72	523.75
6005 Office Supplies	700.00	750.00	50.00
6005.01 COVID-19 Related Expenses	2,750.00	1,000.00	(1,750.00)
6006 Repairs	-	500.00	500.00
6007 Printing Expense	800.00	2,500.00	1,700.00
6008 Periodicals/Memberships	7,018.66	8,000.00	981.34
6009 Fiscal Consultant Fees	600.00	1,000.00	400.00
6010 Audit Fees	18,850.00	19,125.00	275.00
6012 Legal Fees	50,106.40	52,000.00	1,893.60
6013 Insurance Expense	1,589.53	2,000.00	410.47
6015 Miscellaneous Expense	250.00	1,000.00	750.00
6016 Bank Service Charges	2,000.00	3,000.00	1,000.00
6017 Conference Expenses	300.00	5,000.00	4,700.00
6018 Professional Development-Board	-	-	-
6020 Professional Development-STAFF	3,250.00	5,000.00	1,750.00
6021 IT			
6021.01 IT - Managed IT Services		7,800.00	
6021.02 IT - Software		1,500.00	
6021.03 IT - Consulting and Training		-	
6021.04 IT - Misc		500.00	
<b>Total 6021 IT</b>	<b>10,500.00</b>	<b>9,800.00</b>	<b>(700.00)</b>
6023 Postage/Delivery Expense	275.00	275.00	-
6100 Salaries	200,500.00	210,000.00	9,500.00
6101 Fringe Benefits	67,750.00	64,000.00	(3,750.00)
6104 Worker's Compensation	170.00	170.00	-
6200 Equipment Leases			
6200.01 Equipment Lease - Copier	3,578.75	3,420.00	(158.75)
6200.02 Equipment Lease - Postage Machine	735.65	740.00	4.35
6200.03 Equipment Lease - Aquos Board	2,330.10	2,820.00	489.90
<b>Total 6200 Equipment Leases</b>	<b>6,644.50</b>	<b>6,980.00</b>	<b>335.50</b>
<b>Total Expenses</b>	<b>490,031.06</b>	<b>484,414.72</b>	<b>(5,616.34)</b>
<b>Net Operating Income</b>	<b>(30,613.13)</b>	<b>(44,669.34)</b>	<b>(14,056.21)</b>
<b>Other Income (Non-cash)</b>			
4050 Unrealized Gain/Loss Adjustment on Sale	36,618.52	(20,000.00)	(56,618.52)
<b>Total Other Income</b>	<b>36,618.52</b>	<b>(20,000.00)</b>	<b>(56,618.52)</b>
<b>Net Income</b>	<b>6,005.39</b>	<b>(64,669.34)</b>	<b>(70,674.73)</b>

FY21 Budget Low End	FY21 Budget High End
395,551.01	420,000.00
-	1,000.00
33,500.00	45,000.00
<b>429,051.01</b>	<b>466,000.00</b>
5,000.00	10,000.00
1,320.00	5,280.00
-	5,000.00
4,980.00	8,500.00
1,800.00	2,500.00
552.00	1,000.00
8,414.00	27,064.00
-	600.00
<b>15,746.00</b>	<b>39,664.00</b>
500.00	12,500.00
48,480.72	48,480.72
700.00	1,500.00
-	5,000.00
-	-
500.00	4,000.00
7,000.00	9,000.00
-	5,000.00
19,125.00	19,125.00
150.00	52,000.00
1,690.18	2,026.65
250.00	2,000.00
2,700.00	3,600.00
-	15,000.00
-	1,000.00
3,250.00	7,500.00
5,750.00	8,000.00
1,081.68	2,160.00
-	2,000.00
-	1,000.00
<b>6,831.68</b>	<b>13,160.00</b>
100.00	500.00
210,000.00	210,000.00
64,000.00	64,000.00
170.00	200.00
3,420.00	3,420.00
740.00	740.00
2,820.00	2,820.00
<b>6,980.00</b>	<b>6,980.00</b>
<b>394,493.58</b>	<b>542,516.37</b>
<b>34,557.43</b>	<b>(76,516.37)</b>
20,000.00	(40,000.00)
<b>20,000.00</b>	<b>(40,000.00)</b>
<b>54,557.43</b>	<b>(116,516.37)</b>

## MHEFA OPERATING BUDGET

Fiscal Year 2021

July 1, 2020 - June 30, 2021

### Line Item Description

**1502 CURRENT YEAR ASSET ACQUISITION:** This line item contains expected asset purchases during the fiscal year. Assets purchased are planned to be above the Authority's \$500 threshold for depreciation. While this is cash spent during the fiscal year, the expenses are realized over 3-10 years through asset depreciation.

**6000 STIPENDS:** Stipend expense for Authority members to attend regular Authority meetings or committee meetings. Eight members are eligible to receive meeting stipends as two members are ex-officio and are not eligible to receive the stipend. Included in the budget is the approved stipend for eight board members for eight meetings during FY2021.

**6001 BOARD TRAVEL AND EXPENSES:** Reimbursement to Authority members for travel expenses in connection with attendance at regular Authority meetings or committee meetings. For FY2021 this amount has been kept low due to the likelihood that in-person Authority Board Meetings may not be able to be held for at least a portion of the fiscal year due to social distancing protocols, resulting in less travel expense from the Board. This line item also includes expenses incurred in connection with meetings held on college campuses and the board recognition dinner.

**6002 COMMUNICATIONS:** This account has been broken into five subaccounts following the Authority's conversion to QuickBooks accounting software.

**6002.01 Phones:** This includes local, long distance and conference line expenses, currently charged through MNIT. The Authority is actively seeking a new phone solution and expects to complete a transition to a Voice Over IP ("VOIP") phone solution in FY2021. This subaccount also contains expenses for Authority cell phones. For FY2021, this subaccount also includes expenses for new phone hardware and the fees associated with a transition to VOIP phones.

**6002.02 Internet:** This line item covers monthly internet expenses, currently charged through Comcast.

**6002.03 Software:** This line item covers communication software such as Microsoft Email, Zoom, CorpNote, and an estimate for the potential addition of Slack or other collaboration software.

**6002.04 Website:** The Authority website will need to be expanded if the legislative expansion is approved. This line item includes a \$10,000 budget for that website expansion, as well as ongoing updates such as new graphics, stock images, pages, etc., to be done through Voom Creative. Also included is a \$1,200 maintenance fee from BondLink for the Authority Investment site. This fee covers any updates required to the site throughout the fiscal year. A budget for BondLink's fee for promoting new issuances is also included. Also included in this line item are small website fees such as domain registration, website host fees, internal search engine fees, and any other such fees associated with website.

**6002.05 Misc:** This subaccount includes six pick-ups by Shred-It shredding services in FY2021.

**6003 STAFF TRAVEL:** Local and national travel expenses incurred by the staff for travel relating to Authority business. This budget covers routine local travel, such as visits to colleges in the state for annual visits and rating agency reviews, as well as attendance at meetings, workshops and conferences that are sponsored by the National Association of College and University Business Officers (NACUBO), Central Association of College and University Business Officers (CACUBO), National Association of Health and Educational Facilities Finance Authorities (NAHEFFA), State of Minnesota and others.

Also included are expenses related to travel to speaking engagements, such as the GFOA Conference panel. This line item also includes Department Head expenses (to roughly mimic MMB Operating Policy 0804-03 for other agencies) such as meals and related expenses when conducting business with boards, government officials, task forces, etc or small meal items for employee morale and recognition.

For FY2021, this account has been decreased by half of the expected FY2020 expenses due to cancelled upcoming conferences, the possibility of future conference and meeting cancellations (or conversion to video conferencing), the current state of Minnesota employee restriction on out of state travel, and the ability to use flight credits (from FY2020 event cancellations) toward future flight travel.

**6004 OFFICE RENT:** Reflects rent expense for office space. The current five-year lease expires in November 2022.

- July 2020 – June 2021: \$4,040.06 monthly
- FY2021 Total: \$48,480.72

**6005 OFFICE SUPPLIES:** Office supplies used on a daily basis.

**6005.01 COVID-19 Related Office Supplies:** Although the Authority does not receive state funding, the Authority is following the state's practice of tracking COVID-19 related expenses separately. The details of additional required supplies are unknown at this time.

**6006 REPAIRS:** No repairs are expected for FY2021 as the office building has been sold and is slated for renovation. Authority office improvements and minor repairs to the office are not planned for FY2021. There are maintenance contracts on the copier machine and the postage machine. The new postage machine purchased in FY2018 also includes insurance on the machine. Therefore, no equipment maintenance expenses are expected either.

**6007 PRINTING:** Expenses for the printing of the Authority's annual report and consulting on the design and preparation of the report. In FY2021, the Authority anticipates additional printing expense related to the Authority's 50<sup>th</sup> anniversary.

- Printing of the Annual Report: \$750
- Holiday Card/Conference Save the Date and 50th Anniversary Printing: \$1,750

**6008 PERIODICALS/MEMBERSHIPS:** Covers membership or license fees for various organizations that provide a benefit to the Authority and staff. The current expenses include:

- NACUBO, CACUBO: \$1,850
- NAHEFFA: \$3,000
- GFOA: \$225
- CUSIP Global Services (LEI): \$91
- Bond Buyer: 3-year subscription paid in FY2019 good through June 30, 2022
- Chronicle of Higher Education: \$100
- Newspaper Subscriptions: \$1,500
- Bloomberg: \$415
- Other publications/memberships: \$819

**6009 FISCAL CONSULTANT FEES:** The Authority does not have a retainer contract with Baker Tilly Municipal Advisors (formerly Springsted). The Authority does engage Baker Tilly as the Independent Registered Municipal Advisor ("IRMA") for the Authority under an engagement extension that expires September 30, 2020. It is unknown at this time whether or not a new advisory firm will be chosen and if there will be an expense to the Authority in the form of a retainer or other fees. A small expected expense has been included in the FY2021 budget to allow for special project financial advisor expenses.

**6010 AUDIT FEES:** The expenses below reflect a proposal from BerganKDV to continue as auditor for Fiscal Years 2019-2021:

- Audit for FY 2019 \$18,850
- **Audit for FY 2020 \$19,125**
- Audit for FY 2021 \$19,400

**6012 LEGAL FEES:** This line item includes fees of the Attorney General's Office and special attorneys appointed by the Attorney General. In FY2021, it also includes two additional \$25,000 payments to McGrann Shea for legal legislative expansion effort assistance. This fee was included as part of the original engagement with McGrann to serve as legislative process advisor for the Authority in the original McGrann engagement. It allows access to McGrann's services at 2019 rates. The fees for a legislative expansion effort are planned to be recovered by fees charged to healthcare borrowers if the expansion is approved.



**6013 INSURANCE EXPENSE:** Premium payments for the insurance policies that are carried by the Authority. The Authority utilizes the State's Risk Management Division to obtain coverage for the following policies.

- General Liability/Fire Damage Coverage - Property Insurance policy, one-year term currently paid through 6/30/20.
  - One-year renewal for FY2021 estimated at \$500 (FY2020 was \$366)
  - The Authority received communication from the Risk Management Division of the State of Minnesota in May 2020 outlining predicted increases for FY2021. The guidance from Risk Management was to plan on a 27.5% increase in premiums for FY2021. The Authority estimate for FY2021 includes this increase, as well as a small additional amount for any coverage changes requested by the Authority.
- Accidental Death and Dismemberment for Business Related Travel for board members and staff
  - One-year term paid through 11/19/20. (Estimated \$750 for 1 year)
- Commercial Crime (Employee Theft and Computer Crime) (\$1,418 for 3-year term)
  - Policy was renewed and paid in April 2019 (resulting in no cash expense for FY2021). Computer Crime coverage was added at this time as MHEFA is doing much more online and has added VPN and a computer network since the last renewal three years ago. The current policy has a three-year term paid through 4/10/2022.

**6015 MISCELLANEOUS EXPENSES:** This covers miscellaneous items, including UCC filing fees for the Authority and Authority borrowers.

**6016 BANK SERVICE CHARGES:** Monthly banking fees for online Wells Fargo CEO Portal access, which allows viewing of transactions, access to statements, ability to transfer funds between accounts, ACH and wire payments, a fraud filter to catch unauthorized checks and transactions, as well as other online banking features.

**6017 CONFERENCE EXPENSES:** Expenses associated with hosting an annual conference in April for the finance officers of the Minnesota Private Colleges and Universities and representatives of the banking community. This line item also includes a smaller budget for a secondary summer roundtable event.

For FY2021, it is possible that the Authority will again not be able to host an in-person conference or roundtable event due to social distancing protocols. If an in-person event is permitted, the Authority anticipates needing funding to rent space for the event due to the sale, and ultimately the renovation, of Cray/Galtier Plaza. If an in-person event is not permitted, the Authority still plans to host an event, or even several, in a virtual environment. The Authority will also celebrate its 50<sup>th</sup> anniversary during FY2021, and special 50<sup>th</sup> anniversary materials will be requested as part of the celebration.

The current conference expense line item includes a very modest conference budget that will likely not cover expenses expected for an in-person 50<sup>th</sup> anniversary conference. Therefore, this is a line item of importance on the low and high-end budget estimates. If an in-person conference is expected, this line item will likely be closer to the high-end budget.

**6018 PROFESSIONAL DEVELOPMENT - Board:** Expenses of Authority Board Members for registration fees and travel for attendance at conferences or meetings that serve to update and inform members of topics affecting the Authority. Given the anticipated continued restrictions for travel, drop in in-person conferences and meetings, and the historical non-use of this account, no funds have been allocated to this account for FY2021.

**6020 PROFESSIONAL DEVELOPMENT- Staff:** This line item represents the registration fees or tuition associated with the various classes, meetings, and conferences for the staff. These sessions are designed to encourage personal and maintain professional development and qualifications and keep the staff informed of changes in general public finance areas, tax exempt bond financing, higher education and nonprofit business issues.

**6021 IT:** This account has been broken into four subaccounts following the Authority's conversion to QuickBooks accounting software.

**6021.01 Managed IT Services:** This subaccount includes coverage of all Authority computers and network hardware through a managed IT plan. This coverage allows for IT support of any kind, virus/threat monitoring, firmware and software upgrades, and monitoring of Authority internet or other outages.

**6021.02 Software:** This line item includes IT software such as Microsoft Office 365, Adobe Acrobat, and QuickBooks monthly fees.

**6021.03 Consulting and Training:** The Authority does not anticipate the need for consulting or training during FY2021, as no new software that would require training is planned for implementation during the fiscal year. However, if the Authority's expansion is approved during FY2021, there is a possibility for the need for consulting or training in regard to the Authority's accounting software, QuickBooks.

**6021.04 Misc:** This covers miscellaneous supplies and fees related to IT needs.

**6023 POSTAGE/DELIVERY EXPENSE:** Expenses incurred for postage and messenger service for local deliveries.

- Postage/Deliveries: \$275

**6100 SALARIES:** This line item covers the salary expense of the Executive Director and the Operations Manager who are employed in the State of Minnesota's Managerial Plan.

**6101 FRINGE BENEFITS:** Includes the following payments made by the employer on behalf of the employee: FICA taxes, MN State Retirement System contributions, Unclassified Retirement contributions, health, life and disability insurance premiums. The amount budgeted was estimated based on FY2020 benefit rates, plus an estimated increase for FY2021. This budget line changes with Authority staff insurance coverage options. In FY2019, both Authority staff members switched to family insurance coverage, but in FY2020, the Operations Manager switched back to single insurance coverage. The amount budgeted assumes that the Operations Manager will have single insurance coverage for all of FY2021.

**6104 WORKER'S COMPENSATION:** The Authority participates in the State's Worker's Compensation Pool and the premium is based on the amount of our past worker's compensation claims and an administrative fee. If the Authority were to have a claim, it would be liable for the total expense of the claim, but the Pool would allow the Authority to spread out the payments over time. The current expense is for administrative fees of the Pool.

#### **6200 EQUIPMENT LEASES:**

**6200.01 Copier:** Expense of \$285 per month for the lease of a digital color copier under a five-year contract (August 2018-August 2023), which includes toner, maintenance, and an included allotment for B&W and color copies. Additional copies are billed at the same rate as that included in the monthly lease payment.

**6200.02 Postage Machine:** Expense of \$185 per month for the lease of a postage machine. Having a postage machine allows for discounted postage.

**6200.03 Aquos Board:** Expense of \$235 per month for the lease of a presentation board.



**To:** Authority Board Members

**From:** Barry W. Fick, Executive Director  
Amanda Lee, Operations Manager  
MN Higher Education Facilities Authority

**Date:** June 17, 2020

**Subject:** Annual Review of Authority Fees

#### Calculation of Discount

Using the procedure outlined in the June 1996 Authority Resolution, the following calculation was made to determine the fee discount for the upcoming fiscal year 2021.

<i>Estimated Net Position as of 6/30/2020:</i>	\$2,087,747
Plus: Projected Fee Revenue for FY 2021	1,153,558
Plus: Projected investment income for FY 2021 <i>(Includes unrealized gain/loss)</i>	<u>16,000</u>
	\$3,257,305
Less: <i>Projected annual operating expense for FY 2021</i>	484,415
Less: <i>Target Net Position (current)</i>	<u>2,087,747</u>
Total	685,143
Divided by: Fee Revenue	<u>\$1,153,558</u>
<b>Calculated fee adjustment for fiscal year 2021</b>	<b>59%</b>

### Background Information

Prior to 1996, the Authority charged the full administrative fee allowed under federal tax rules as its primary source of revenue. Due to surplus revenues from those fees, an operating reserve was created, and the interest earned on that reserve has been used as an additional revenue source. In 1996, the Authority implemented a policy to annually review projected revenues and expenses to determine the fee income necessary to meet expenses while holding the growth of the operating reserve or, as referred to in this analysis, the Net Position, to neither increase or decrease.

Based on the annual review of fee income and expenses, the Authority adjusts the fiscal year reduction to the legally allowed administrative fee to generate sufficient income to fund cash expenses and remain approximately budget neutral for each fiscal year. The following chart shows the Authority fee adjustment for each fiscal year since 1997:

<u>Fiscal Year(s)</u>	<u>Discount</u>	<u>Years</u>
1997	30%	1
1998	40%	1
1999 - 2002	50%	4
2003 - 2004	60%	2
2005	70%	1
2006	80%	1
2007 - 2008	75%	2
2009	70%	1
2010 - 2012	75%	3
2013 - 2016	70%	4
2017 - 2020	65%	4

Based on a Board review of Net Position, the fiscal year fee was set to maintain the Net Position at approximately its current level. Beginning in fiscal year 2007, the discount was set so that projected income equaled estimated expenses, resulting in the Net Position remaining stable from year to year.

### Projection Model

Exhibit 1 is a model showing revenue and expenses for the past 3 years and revenue and expenses for fiscal years 2020 (estimated) and 2021 (projected). There are several alternative discount amounts presented for fiscal year 2021 to show the effect on Net Position.

### Assumptions for Projections

1. Fiscal year 2021 total revenues are based on the assumption that the Authority will issue the following bonds and notes in FY2021:

i. St. Thomas 2020: \$18,730,000

2. The investment earnings estimate is based on income from securities held. Under the Authority's Investment Policy all investments are laddered in Government Securities, Government-agency securities or FDIC insured Certificate of Deposits. There are currently 19 securities in the portfolio ranging in par value from \$100,000 to \$150,000, having maturities ranging from June 2020 to December 2022 with an average interest rate of just over 2 percent.

The Authority anticipates much lower interest rates than current security rates when current securities mature. In addition to two maturities in June 2020, that will likely be reinvested at much lower rates, the Authority will have seven other securities mature during fiscal year 2021. These nine securities, totaling \$945,000, currently have an average interest rate of just over 2 percent. The Authority does not anticipate being able to invest at these same rates in fiscal year 2021 due to market conditions.

3. The Authority adopted the requirements of Statement 31 of the Governmental Accounting Standards Board (GASB) beginning with the fiscal year 1998 financial statements. Under this Statement, the change in market value of an investment is reflected as an unrealized gain or loss in revenue and ultimately an increase or decrease in the Net Position. The Authority's investment policy encourages the holding of securities to maturity, at which time the security matures at its par value and the unrealized gain or loss that affected the financial statements relating to this security must be removed from the current income statement. The unrealized gain/loss calculation in Exhibit 1 for fiscal years 2020 and 2021 is an estimate of the difference between the market value at the end of one fiscal year and the market value at the end of the next fiscal year.

4. The projected expenses are based on known expenses for equipment leases, office space lease, other contractual obligations and anticipated increases from the expenses for the previous year. Fiscal year 2021

expenses include an expense for Authority expansion efforts that, like the same fiscal year 2020 expenses, will be replenished from fees collected from healthcare borrowers if the expansion is approved. Other noncash, year-end adjustments, such as the increase or decrease in earned vacation and severance liability, annual depreciation expense, and pension liability are included in the Net Position for prior years (2017-2019), but are not estimated in the 2020 estimate or 2021 prediction due to volatility. The largest non-cash expense is pension liability, which is calculated at the state from data two years in the past. In fiscal year 2020, this pension liability change accounted for a large portion of the Authority's Net position increase.

### Conclusion

The calculation of discount demonstrates that a fee discount of **59 percent** would enable the Authority to keep the Net Position near its current level. The staff recommends that the discount be set at **65 percent** for fiscal year 2021. This represents the fifth consecutive year the Authority maintains the same discount level, which provides consistency and budgeting predictability for the colleges and universities the Authority serves.

At this level of discount, there is a projected deficit for fiscal year 2021. Investment earnings and unrealized gain/loss on investments are extremely difficult to predict for fiscal year 2021, given the volatility in the market and the current interest rate environment. No matter the outcome of investment performance, the Authority is able to absorb a deficit without dropping our Net Position below 2018 levels.

Since the expense and income estimates and projections are made based on past history and conversations with colleges and universities about their intent to issue bonds in the future, there is no absolute certainty that the expenses and fee income or the interest income will be as stated. The COVID-19 Pandemic has introduced an additional element of uncertainty for the colleges and universities. The immediate result of the Pandemic has been a deferral of building projects by a number of Minnesota private colleges and universities.

We expect that the colleges and universities will continue to issue bonds for new building projects and our income will increase with new issues. We pledge to continue to operate in an efficient manner to keep operating expenses as low as possible.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY



ANNUAL PERCENTAGE REDUCTION ON ALL FEES TO ACHIEVE TARGET TOTAL ASSET BALANCE

ACCRUAL BASIS

REVENUES	2017	2018	2019	2020	FY 2021 ALTERNATIVES				
					2021	2021	2021	2021	2021
Annual Admin Fees @ 0.125% (Existing Issues)	1,206,468	1,174,585	1,247,960	1,178,518	1,130,146	1,130,146	1,130,146	1,130,146	1,130,146
Annual Fees @ 0.125% (Future Issues - 1st year)					23,413	23,413	23,413	23,413	23,413
Fee Credits	(784,204)	(763,480)	(811,174)	(766,037)	(634,457)	(692,135)	(749,813)	(807,491)	(677,819)
Investment Earnings	30,804	33,896	41,377	44,675	36,000	36,000	36,000	36,000	36,000
Unrealized Gain/(Loss)	(22,483)	(30,348)	30,850	40,000	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
<b>Total Revenues</b>	<b>430,585</b>	<b>414,653</b>	<b>509,013</b>	<b>497,156</b>	<b>535,101</b>	<b>477,423</b>	<b>419,745</b>	<b>362,067</b>	<b>491,739</b>
<b>EXPENSES</b>									
Payroll, taxes & benefits	302,426	215,401	198,315	268,420	274,170	274,170	274,170	274,170	274,170
Rent	48,481	40,415	47,224	47,957	48,481	48,481	48,481	48,481	48,481
Legal, audit & fiscal consulting	39,373	30,664	27,929	69,556	72,125	72,125	72,125	72,125	72,125
Other	45,506	77,096	62,261	104,098	89,639	89,639	89,639	89,639	89,639
<b>Total Expenses</b>	<b>435,786</b>	<b>363,576</b>	<b>335,729</b>	<b>490,031</b>	<b>484,415</b>	<b>484,415</b>	<b>484,415</b>	<b>484,415</b>	<b>484,415</b>
Increase/(Decrease) in Total Assets:	(5,201)	51,077	173,284	7,125	50,686	(6,991)	(64,669)	(122,347)	7,324
Beginning Total Asset Balance:	1,861,462	1,856,261	1,907,338	2,080,622	2,080,622	2,080,622	2,080,622	2,080,622	2,080,622
Change in Accounting Principle									
<b>Ending Total Asset Balance:</b>	<b>1,856,261</b>	<b>1,907,338</b>	<b>2,080,622</b>	<b>2,087,747</b>	<b>2,131,308</b>	<b>2,073,630</b>	<b>2,015,952</b>	<b>1,958,274</b>	<b>2,087,946</b>
% Fee Reduction:	65%	65%	65%	65%	55%	60%	65%	70%	58.76%
% Fee Assessment - Actual '17 - '20; Proj '21	0.0438%	0.0438%	0.0438%	0.0438%	0.0563%	0.0500%	0.0438%	0.0375%	0.0516%

Color Code:	Actual
	Estimated
	Projected
	Recommended
	Target if zero increase



# Minnesota Higher Education Facilities Authority

## BUDGET VS. ACTUALS: FY2020 ADJUSTED BUDGET (MAY 2020) - FY20 P&L

July 2019 - June 2020

	TOTAL				
	ACTUAL	BUDGET	REMAINING	% OF BUDGET	% REMAINING
<b>Income</b>					
4010 Annual Fee Income	365,899.20	410,742.76	44,843.56	89.08 %	10.92 %
4020 Application Fee Income	4,000.00	4,000.00	0.00	100.00 %	0.00 %
4030 Miscellaneous Income	36.00		-36.00		
<b>Total Income</b>	<b>\$369,935.20</b>	<b>\$414,742.76</b>	<b>\$44,807.56</b>	<b>89.20 %</b>	<b>10.80 %</b>
<b>GROSS PROFIT</b>	<b>\$369,935.20</b>	<b>\$414,742.76</b>	<b>\$44,807.56</b>	<b>89.20 %</b>	<b>10.80 %</b>
<b>Expenses</b>					
6000 Stipends	2,860.00	3,520.00	660.00	81.25 %	18.75 %
6001 Board Travel	1,931.67	2,000.00	68.33	96.58 %	3.42 %
6002 Communications	47,857.59	50,000.00	2,142.41	95.72 %	4.28 %
6003 Staff Travel	12,158.28	12,500.00	341.72	97.27 %	2.73 %
6004 Office Rent	43,916.91	47,956.97	4,040.06	91.58 %	8.42 %
6005 Office Supplies	3,279.56	3,450.00	170.44	95.06 %	4.94 %
6007 Printing Expense	779.77	800.00	20.23	97.47 %	2.53 %
6008 Periodicals/Memberships	6,758.66	7,018.66	260.00	96.30 %	3.70 %
6009 Fiscal Consultant Fees		600.00	600.00		100.00 %
6010 Audit Fees	18,850.00	18,850.00	0.00	100.00 %	0.00 %
6011 State Agency Fees	41.00		-41.00		
6012 Legal Fees	50,106.40	50,106.40	0.00	100.00 %	0.00 %
6013 Insurance Expense		1,589.53	1,589.53		100.00 %
6015 Miscellaneous Expense	193.71	250.00	56.29	77.48 %	22.52 %
6016 Bank Service Charges	1,429.98	2,000.00	570.02	71.50 %	28.50 %
6017 Conference Expenses	300.00	300.00	0.00	100.00 %	0.00 %
6020 Professional Development-STAFF	2,764.00	3,250.00	486.00	85.05 %	14.95 %
6021 IT	8,136.87	10,500.00	2,363.13	77.49 %	22.51 %
6023 Postage/Delivery Expense	240.90	275.00	34.10	87.60 %	12.40 %
6100 Salaries	169,780.48	200,500.00	30,719.52	84.68 %	15.32 %
6101 Fringe Benefits	57,951.52	67,750.00	9,798.48	85.54 %	14.46 %
6104 Worker's Compensation	170.00	170.00	0.00	100.00 %	0.00 %
6200 Equipment Leases	5,942.78	6,644.50	701.72	89.44 %	10.56 %
<b>Total Expenses</b>	<b>\$435,450.08</b>	<b>\$490,031.06</b>	<b>\$54,580.98</b>	<b>88.86 %</b>	<b>11.14 %</b>
<b>NET OPERATING INCOME</b>	<b>\$ -65,514.88</b>	<b>\$ -75,288.30</b>	<b>\$ -9,773.42</b>	<b>87.02 %</b>	<b>12.98 %</b>
<b>Other Income</b>					
4000 Interest Income	42,164.09	44,675.17	2,511.08	94.38 %	5.62 %
4050 Unrealized Gain/Loss Adjustment on Sale	-732.17		732.17		
<b>Total Other Income</b>	<b>\$41,431.92</b>	<b>\$44,675.17</b>	<b>\$3,243.25</b>	<b>92.74 %</b>	<b>7.26 %</b>
<b>NET OTHER INCOME</b>	<b>\$41,431.92</b>	<b>\$44,675.17</b>	<b>\$3,243.25</b>	<b>92.74 %</b>	<b>7.26 %</b>
<b>NET INCOME</b>	<b>\$ -24,082.96</b>	<b>\$ -30,613.13</b>	<b>\$ -6,530.17</b>	<b>78.67 %</b>	<b>21.33 %</b>