


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

*I. Review and approve minutes of the meeting of July 15, 2020*

-  **Minutes of July 15, 2020**

*II. Financial Advisor RFP*

-  **Contains Proprietary Information – Board will receive RFP Draft separately**


*III. Policy Updates*

-  **Standing Rules of Operation 2020 (Sections 100 and 200)**

*IV. Old Business*

*V. New Business*

*VI. Other Business*

-  **August 2020 Budget vs Actual**

# MEMORANDUM



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Date: 9 September 2020

To: Minnesota Higher Education Facilities Authority Board Members

From: Barry W. Fick, Executive Director

Subject: September2020 Authority Board Meeting Outline

Greetings to the Minnesota Higher Education Facilities Authority September 16, 2020 video and teleconference Board meeting. The September 2020 Board meeting will focus on administrative policy updates and the Request for Qualifications / Request for Proposal for a Municipal Advisor pool.

We have consulted with the MN Department of Administration and received confirmation that under the Governor's emergency orders and statute 13D.021, board members may participate in Authority Board meetings by video conference without public access mandates in force.

We will present the near-final Municipal Advisor Request for Qualifications / Request for Proposal and discuss the timing and procedure along with the process for conducting the Municipal Advisor solicitation.

We continue to work from home according to Executive Order issued by the Governor and endorsed by MMB, with occasional visits to the office.

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

Wednesday, September 16, 2020

2:00 PM

*Meeting to be held via electronic means due to pandemic emergency social distancing.*

*The public should utilize the conference call line provided below.*

*Individuals may request reasonable accommodation or modifications in order to participate in Authority programs by contacting the Authority at least 24 hours in advance of the event.*

- I. Review and approve minutes of the meeting of July 15, 2020
- II. Draft of Financial Advisor RFP
- III. Policy Updates
- IV. Old Business
  - Authority Investment Options
- V. New Business
  - Audit Update
- VI. Other Business
  - Executive Director's Report

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

**Meeting to be conducted via Zoom – Board Members will receive a link to join the meeting**

*General Public call-in number: 888-742-5095    Conference Code: 582 273 6685#*

The Minnesota Higher Education Facilities Authority (the “Authority” or “MHEFA”) convened a regular Board meeting at 2:00 PM CDT, Wednesday, July 15, 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) 888-742-5095; Pass Code: 582 273 6685#.

## Executive Summary – Minnesota Higher Education Facilities Authority

Meeting on July 15, 2020

Board Actions Taken:

| <b>Motions:</b>                                                | <b>Result:</b> | <b>Vote:</b> |
|----------------------------------------------------------------|----------------|--------------|
| Approval of Meeting Minutes of June 17, 2020                   | Passed         | Unanimous    |
| Acceptance of Loffler Proposal for Telecommunications Services | Passed         | Unanimous    |

| <b>Resolutions</b>                                                                         | <b>Result:</b> | <b>Vote:</b> |
|--------------------------------------------------------------------------------------------|----------------|--------------|
| 07-2020-01 Resolution Relating to Financing Terms (University of St. Thomas Series 2020AB) | Passed         | Unanimous    |
| 07-2020-02 Series Resolution (University of St. Thomas Series 2020AB)                      | Passed         | Unanimous    |

The official meeting began with a roll call to determine who was attending the meeting. The following board members or their designees were participating and attending by telephone:

Board Members: Gary Benson  
Mary Ives  
Mark Misukanis  
Michael Ranum  
Bonnie Anderson Rons - Joined at 2:23 pm CDT  
David Rowland  
Ray Vin Zant  
Poawit Yang  
Paul Cerkvenik, Minnesota Private College Council, ex officio without vote

Absent: Nancy Sampair

Other Attendees: Peter Cooper, McGrann Shea, Bond Counsel  
Elizabeth Bergman, Baker Tilly Municipal Advisors  
Mark LeMay, Member of the Public

Also Present: Barry W. Fick (in-person) Executive Director MHEFA  
Amanda Lee, Operations Manager, MHEFA

All participants except Executive Director Fick attended the meeting 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 June 17, 2020 Board meeting.**

The first item on the Agenda is the review and consideration of the minutes of the June 17, 2020 Authority Board meeting. A motion was made by Mary Ives to approve the June 17, 2020 minutes. The motion was seconded by Ray Vin Zant. Chair Ranum asked if there were any questions, discussion, or changes to the minutes of the June 17, 2020 Board meeting. There were no questions or changes to the minutes from the Board members.

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 |
|                | Mary Ives     | Yes |
|                | Michael Ranum | Yes |
|                | David Rowland | Yes |
|                | Ray Vin Zant  | Yes |
|                | Poawit Yang   | Yes |

There were no votes against the motion and the Minutes of the June 17, 2020 Authority Board meeting were approved.

### **Agenda Item II – University of St. Thomas Financing**

The next item for consideration was the University of St. Thomas financing plan. Chair Ranum called on Ms. Elizabeth Bergman of Baker Tilly Municipal Advisors to review the Preliminary Financing

Plan for the Board. Ms. Bergman reviewed the Preliminary Financing Plan for the Revenue Refunding Note, Series 2020A and the Revenue Note, Series 2020B, which will be issued by the Authority on behalf of the University of St. Thomas. Proceeds of Series 2020A will be used to refund the outstanding principal of the Series 2017C Notes, issued by the Authority for the benefit of the University. Proceeds of the Series 2020B Note will be used to fund a portion of the improvement, renovation and upgrades to Ireland Hall and the Child Development Center/Center for Well-Being, both located on the St. Paul campus of the University.

The Notes will be purchased by US Bank N.A. as a tax-exempt private placement. Both Series of Notes will have a fixed interest rate. Interest will be paid monthly, and principal will be paid annually. The University will have a limited ability to pre-pay principal annually. Both Notes have a mandatory tender date in 2027, when the University and the bank may agree to continue the Note with an updated market rate or the University may pay the bank and redeem the outstanding principal balance in full using University funds or funds from another financing.

The repayment term of Series 2020A matches that of Series 2017C, with a final principal payment due October 1, 2032. The repayment term for Series 2020B is October 1, 2030.

Both Series 2020A and 2020B include financial covenants including a minimum liquidity covenant of 1.00:1, which may be 1.10:1 if the University has a Debt to Net Asset ratio of 0.45:1. In addition, the minimum Debt to Net Assets ratio may not exceed 0.85:1 on any measuring date.

The Authority plans to close the sale of the Notes on July 17, 2020 and the Bank will deposit Note proceeds in an account for the benefit of the University on that same day.

The proceeds of the Series 2020A Note will redeem the Series 2017C Note, which will then be extinguished. The University will use a portion of the Series 2020B Note to reimburse itself for allowable Project expenses. Additional Series 2020B Note proceeds will be used to pay costs of issue for the Notes and the remaining balance of Series 2020B Note proceeds will be drawn by the University in the near future to pay for project costs.

Ms. Bergman asked if there were any questions from Authority Board members about the Preliminary Finance Plan. There were no questions and Mr. Ranum next requested Mr. Peter Cooper to review the Resolution Relating to Finance Terms.

Mr. Cooper reviewed the 11 paragraphs of the Resolution Relating to Finance Terms for University of St. Thomas. The Resolution outlined the purpose of the Series 2020A and 2020B Notes, affirmed that the University has assured the Authority that all conditions related to issue of the Notes have been or will be met by the day of closing and that there have not been any adverse changes in the financial condition of the University that would affect the financing.

The Resolution affirms that Baker Tilly Municipal Advisors has reviewed the financial terms of the Notes and has recommended the use of US Bank N.A. as the purchaser of the Series 2020A/B Notes.

The Resolution authorizes the Executive Director to execute and deliver documents necessary to complete the financing and requires the Executive Director to direct bond counsel to prepare all legal documents needed to complete the proposed transaction. It notes that no official statement needs to be prepared for the Series 2020A/B Notes and finally authorizes issuance of the Series 2020A/B Notes after the Authority Board approves and adopts a Series Resolution with respect to the Series 2020A/B Notes.

Bond Counsel Cooper asked if there were any questions from Board members related to the Financing Terms Resolution. There were no questions from Board members related to the Financing Terms Resolution.

A motion to approve the Resolution Relating to Financing Terms for University of St. Thomas was made by Ray Vin Zant. The motion was seconded by Gary Benson.

Chair Ranum called for a roll call vote on the Resolution Relating to Financing Terms for University of St. Thomas. A roll call vote was conducted, and the Board members voted as follows:

|                |                |     |
|----------------|----------------|-----|
| Board Members: | Gary Benson    | Yes |
|                | Mary Ives      | Yes |
|                | Mark Misukanis | Yes |
|                | Michael Ranum  | Yes |
|                | David Rowland  | Yes |
|                | Ray Vin Zant   | Yes |
|                | Poawit Yang    | Yes |



There were no votes in opposition to the Resolution and the Resolution Relating to Financing Terms for University of St. Thomas was approved.

Board Chair Ranum asked Mr. Cooper to review the Series Resolution. Mr. Cooper explained that the purpose of the Series Resolution is to affirm all prior actions taken relating to a financing, to review the terms of the financing and to recite the actions taken by the Authority and Authority agents on behalf of the Authority to prepare appropriate documentation for an Authority financing.

Mr. Cooper reviewed the 14 paragraphs of the Series Resolution of the Minnesota Higher Education Facilities Authority Revenue Refunding Note, Series 2020 (University of St. Thomas) and Revenue Note Series 2020B (University of St. Thomas). The Series Resolution noted that the Authority has properly noticed and conducted a public hearing related to the 2020A/B Notes, the size of the Series 2020A/B Notes is within the not to exceed size and the documents related to the Series 2020A/B Notes have been prepared by Bond Counsel and reviewed by the parties to the financing, including the Authority.

The Series Resolution outlines the terms of the Series 2020A/B Notes and verifies the legal authority of the Authority to issue the Notes on behalf of the University. The Series Resolution affirms the selection of US Bank N.A. as the Purchaser of the Notes. The Series Resolution also outlines the terms of the Notes and the related loss of the Notes by a holder, the transfer of a Note by the holder to another holder and affirms and ratifies all actions taken by the Authority has undertaken related to the Notes. The Series Resolution further ratifies actions taken by Bond Counsel and Municipal Advisor and authorizes the parties to execute and deliver closing documents and undertake the actions required to deliver the Notes and complete the financing.

Bond Counsel Cooper asked if there were any questions from Board members related to the Series Resolution. There were no questions from Board members related to the Series Resolution.

A motion to approve the Series Resolution was made by Mary Ives. The motion was seconded by Ray Vin Zandt.

Chair Ranum called for a roll call vote on the Series Resolution. A roll call vote was conducted, and the Board members voted as follows:

Board Members:      Gary Benson                      Yes

|                |     |
|----------------|-----|
| Mary Ives      | Yes |
| Mark Misukanis | Yes |
| Michael Ranum  | Yes |
| David Rowland  | Yes |
| Ray Vin Zant   | Yes |
| Poawit Yang    | Yes |

There were no votes in opposition to the Resolution and the Resolution Relating to Financing Terms for University of St. Thomas was approved.

Elizabeth Bergman, Peter Cooper and Mark LeMay excused themselves from the call. Board Member Bonnie Anderson Rons joined the call.

### **Agenda Item III – Review of Phone System Upgrade Proposals**

The Authority plans to update its telephone and communication systems to enhance reliability, capability, and flexibility. The upgrade will include business telephone service, conference call service, facsimile service, and video call service. The Authority initially consulted with the current IT services provider for phone service options. The Board suggested that a wider search of qualified providers be conducted to enhance the ability of the Authority to obtain quality systems, hardware, and service. The Authority prepared a scope of the project and invited 5 firms to respond to the request for proposal. The five firms are:

- DTS
- Loffler
- Compudyne
- MNIT (State of Minnesota)
- Ring Central

Upon receipt of the proposals, the authority reviewed each proposal and engaged in follow-up discussions with representatives from each proposer. The Authority then prepared a comparison matrix to show how each proposal responded to the request of the Authority for Communication Services. The matrix was distributed to board members for review. Each proposal contained proprietary information and trade secrets making the proposals exempt from public data disclosure requirements.

After Board review of the VOIP Phone Solution Proposal Comparison Matrix, the Board discussed with Authority staff the specifics of each proposal. Based on the discussion, a review of the Comparison Matrix and reading the proposals, the Board and the Authority agreed that the Proposals were all substantially responsive to the request for proposal. Based on the features of each proposal, the cost for hardware and ongoing cost, the flexibility and expandability of the systems suggested by the proposers, the Board and the Authority Staff agree that the proposal most responsive to the Authority's need was submitted by Loffler.

Chair Ranum asked for a motion to select Loffler to provide telecommunication services to the Authority. The Chair asked if there were any questions from Board members related to the motion. There were no questions.

A motion to Select Loffler to provide Telecommunications Services was made by Michael Ranum. The motion was seconded by Ray Vin Zandt.

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

|                |                      |     |
|----------------|----------------------|-----|
| Board Members: | Gary Benson          | Yes |
|                | Bonnie Anderson Rons | Yes |
|                | Mary Ives            | Yes |
|                | Michael Ranum        | Yes |
|                | David Rowland        | Yes |
|                | Ray Vin Zant         | Yes |
|                | Poawit Yang          | Yes |

There were no votes in opposition to the motion to select Loffler as the Authority's Telecommunications Services Provider and the motion was approved.

#### **Agenda Item IV – Municipal Advisor Request for Proposal**

The Authority has engaged the Municipal Advisory firm of Baker Tilly Municipal Advisors LLC ("BTMA") as Municipal Advisor. The current engagement has been in effect since 2014, beginning with Springsted Incorporated and was continued with BTMA upon the acquisition of Springsted by

BTMA. The current engagement expires September 30, 2020. The Authority believes it would be prudent to conduct a Request for Proposal process to expand the Authority's Municipal Advisor representation to include a number of firms. This would follow the current system of Bond Counsel by the Authority. Having a roster of firms to use as the Authority's Municipal Advisor would reduce the possibility of a conflict of interest by an advisor and provide additional options for both the Authority and the advisors on the roster.

A DRAFT Municipal Advisor Request for Proposal (RFP) was distributed by a separate email to Board members prior to the meeting. Authority staff encouraged the Board members to read the DRAFT RFP and submit suggestions for edits to the RFP to staff at their convenience. The RFP form will be finalized and presented for consideration by the Board at the September 16, 2020 meeting. The RFP will be distributed widely, including publication in a national RFP database (no cost to post).

A full review of the RFP Draft will be outlined for the Board in September 2020. The Authority plans to select the Municipal Advisor team by the end of 2020.

### **Agenda Item V – Authority Policy Update & Reporting**

Authority staff have been working on policy updates and annual reporting of internal controls as required by Minnesota Management & Budget. We have completed and submitted the following policies to the appropriate State of Minnesota Agencies:

- Affirmative Action Plan
- Return to Work Policy

We are also nearly complete on preparing the FY2020 Internal Control assessment for the MMB. This document is prepared each year by all state of Minnesota agencies. The Authority has been complimented by MMB staff for the through work on preparing the assessment. MMB has indicated that they use MHEFA's preparation as a sort of benchmark to show other small agencies how to appropriately complete the internal control assessment. The format of the FY2020 Internal Control Assessment reporting document has been changed from prior years. The Authority has nearly completed the form and will be submitting it prior to the July 31, 2020 submission date. As in prior years, we expect that MMB Internal Audit and Control Staff will meet with Authority staff and Board Chair Ranum in the fall to review the submitted Internal Control Assessment document.

### **Agenda Item VI – Old Business**

Chair Ranum asked if there was any Old Business for consideration by the Board. Mr. Fick noted that as was discussed at the June 2020 meeting, the current interest rate paid by commercial banks on Certificates of Deposit is substantially lower than the rate received in the past two years. It appears that rates on Certificates of Deposit from Credit Unions or other types of Banks are substantially higher than available from Commercial banks. Authority staff continues working with the staff at the Attorney General's office to determine if the Authority may invest in Certificate of Deposits with Credit Unions.

There were no other old business items from staff or Board members.

### **Agenda Item VII – New Business**

Chair Ranum asked Mr. Fick to update the Board on any new business. Mr. Fick indicated there was no new business from the perspective of Authority Staff.

Mr. Ranum asked if there were any New Business items from Board members for discussion. There were no New Business items from Board members for discussion.

### **Agenda Item VIII – Other Business**

Chair Ranum called upon Executive Director Fick to discuss Other Business. Mr. Fick presented his Executive Director's report. It included the following items regarding staff and Authority activity and events and personnel changes at the schools.

Mr. Fick noted that the COVID-19 Pandemic has placed significant planning challenges before Minnesota private (and public) higher education. Revenue streams for FY2020 were disrupted due to early closing of in-person classes in March 2020 and the subsequent switch to distance learning for the Spring 2020 Semester. Enrollment for Fall 2020 is uncertain, as is the type of instruction that will be offered. The situation is very fluid and college plans change almost daily. As a result, most schools have put any capital improvement plans on hold pending some financial clarity for operations. For the Authority, this means that projects planned by St. John's and St. Olaf are on hold.

With the conclusion of the St. Thomas private placement financing in late July, the Authority will have no active higher education financing application in progress. There is still substantial ongoing work with borrowers. Moody's discussions and updates on credit opinions continue, with Moody's having spoken with nearly 1/2 of all Minnesota private higher education institutions through August 2020.

Mr. Fick's work on national higher education organizations continues to pay dividends for the Authority and borrower schools. Mr. Fick recently participated in a phone call with Minneapolis Federal Reserve President and senior staff on how to make federal aid programs more helpful to non-profit borrowers.

Mr. Fick also continues to work with the GFOA Debt Committee and the MSRB Compliance Advisory Group on disclosure matters and relationships between issuers, borrowers, and underwriters. Both the GFOA and MSRB have expressed appreciation for the perspective we bring to their discussions.

Mr. Fick presented to the GFOA 2020 National conference, which was held virtually. The Session at which Mr. Fick presented had over 950 unique listeners.

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 June and July 2020 Board Meetings.

That concluded Mr. Fick's Executive Director's report for July 2020.

At the conclusion of the Executive Directors report, Chair Ranum entertained a motion to adjourn the general meeting. A motion to adjourn as made by Ray Vin Zant and seconded by Bonnie Anderson Rons.

The Board then voted by voice vote to adjourn at 3:35 pm, CDT.

Respectfully submitted,

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Assistant Secretary



# Standing Rules of Operation



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## 100 Financing Governance

(Renamed from “100 Financing programs”)

### 101 Executive Director Arbitrage Election Authorization

|                                                 |
|-------------------------------------------------|
| Created through Resolution 5-89-2, May 24, 1989 |
| Policy Review Schedule: <i>None required</i>    |
| Most Recent Review: February 21, 2018           |

Renumbers policy from: 201 Executive Director Arbitrage Election Authorization

- Authorizes the Executive Director to make elections required by the Arbitrage Rebate Regulations with respect to bond issues.

|                                                         |
|---------------------------------------------------------|
| <i>2020 Update:</i>                                     |
| Sections 100 and 200 have been combined and renumbered. |

### 102 Executive Director to Conduct Public Hearings

|                                                       |
|-------------------------------------------------------|
| Created through Resolution 12-92-4, December 16, 1992 |
| Policy Review Schedule: <i>Annual</i>                 |
| Most Recent Review: February 21, 2018                 |

1. Under Section 147(f) of the Internal Revenue Code, the Authority is required to hold a public hearing with respect to each project described in the application after notice of the public hearing is published at least 7 days prior to the date of the hearing on the Authority’s primary public website in an area of the website used to inform residents about events affecting the residents. Notice is also published at least 7 days prior to the date of the hearing in the Minnesota State Register, the official publication of the State of Minnesota’s Executive Branch of government, which contains official notices of the State of Minnesota.
2. In the event fewer than a quorum of the Authority members are able to attend, for whatever reason, any public hearing, the Executive Director of the Authority may conduct such hearing to allow all members of the public who wish to comment on a proposed project the opportunity to express their views. The Executive Director shall report on the public hearing and provide a recording of the hearing and written comments, if any, submitted by the public to the Authority at the next meeting

of the Authority. The Authority shall consider and take action on the application under review after receiving the Executive Director’s report and reviewing the recording and written comments, if any, and after an opportunity to discuss the application with the institution at the next or any future meeting of the Authority.

*2020 Update:*

Public Hearing date published has been updated from 14 to 7 days in accordance with the update of the IRS regulations regarding notice requirements.

Public Hearing notice requirements updated from two publications (State Register and newspaper) to website and State Register.

Simplified from resolution language

<https://www.govinfo.gov/content/pkg/FR-2018-12-31/pdf/2018-28371.pdf>

Sections 100 and 200 have been combined and renumbered.

### **103** Compliance with SEC Rule 15c2-12 (Continuing Disclosure)

Created through Resolution 3-96-6, March 20, 1996

Policy Review Schedule: *Annual*

Most Recent Review: February 21, 2018

Renumbers policy from: 205 Compliance with SEC Rule 15c2-2 (Continuing Disclosure)

- It shall be the policy of the Minnesota Higher Education Facilities Authority (the “Authority”) that for each issue of debt securities subject to the continuing disclosure requirement of SEC Rule 15c2-12, a Continuing Disclosure Agreement will be prepared and executed as a part of the initial financing documents, pursuant to which the obligated party (generally the college of university) will agree with the trustee (for the benefit of the bondholders) to provide annual reports and reporting of material events, as specified by the Rule.
- To facilitate compliance with the Continuing Disclosure Agreement, the Authority will coordinate with the borrowing institution to provide for the Authority to function as a dissemination agent for the annual report information. In that role, the Authority will agree to receive a copy of the institution’s annual report information and file the report with EMMA. If an institution declines, the Authority will confirm with the borrowing institution that the obligation to comply with Rule 15c2-12 lies with the institution rather than the Authority. While not obligating itself to ensure the timely preparation and filing of each institution’s reports, the Authority will maintain a “tickler” file of due dates for reporting by the various institutions which have entered into Continuing Disclosure Agreements and consult with the institutions to help facilitate timely filing of the annual report with EMMA.

*2020 Update:*

Process has changed since EMMA was created in 2009. Updates designed to keep the spirit of the resolution while conveying the current process.

Sections 100 and 200 have been combined and renumbered.

## 104 Application Questionnaire

Policy Review Schedule: *None required*

Most Recent Review: April 16, 2020

Renumbers policy from: 102 Application Questionnaire

- The Authority shall maintain an Application Questionnaire to obtain project information and to initiate the financing process.

*2020 Update and Response:*

The application document was previously contained within the Standard Rules of Operation. The document has been removed in favor of a policy that the Authority shall maintain an Application Questionnaire to obtain required information to begin the financing process. This allows the form to be updated as needed.

The application questionnaire is completed for each financing.

## 105 Policy on Private Placement Financing

Policy Review Schedule: *Annual*

Created: May 20, 2009

Most Recent Policy Review: *February 21, 2018*

The Authority will entertain proposals to finance projects by means of a direct placement of debt obligations where that option is deemed to be more cost-effective than a public offering of bonds. Eligible projects include any project within the Authority's legislative authorization. The program is expected to be cost-effective based on prevailing investor interest and market conditions. This policy supersedes the Policy Statement on Small Project Financing originally approved as Resolution No. 1-90-2 and revised by Resolution 5-02-4 to better reflect current industry practices.

The following general guidelines shall apply to financings under this program:

1. The debt obligation will be in the form of a revenue note or notes issues and sold in a private placement to a financial institution or institutional buyer (including an individual who has the knowledge and means to be an “accredited investor”) as an exempt transaction under the Minnesota Securities Act, Section 80A.46(13) and regulations. A private placement of notes or interests therein to two or more financial institutions or institutional buyers is permitted in denominations of \$100,000 or more.
2. The revenue note will be secured by the general obligation of the borrowing institution and, unless required by the purchaser of the note, no security interest in or mortgage lien on facilities is expected to be granted by the institution to secure the note. Unless required by the purchaser of the note, no debt service reserve or credit enhancement is expected to be pledged to the note. Standard provisions will be included in the loan documents, including representations and covenants relating to insurance and tax covenants.
3. No official statement or private placement memorandum will be issued or approved by the Authority. The borrowing institution may prepare a private placement memorandum or other disclosure materials. The purchaser will be required to furnish an investment letter acknowledging receipt of information necessary for an investment decision and representing that the purchaser has purchased the note for investment and without a view to distribution thereof.
4. No rating of the revenue note is required.
5. The Authority will assign its interest in the loan agreement (except for its rights to fees, reimbursement and indemnity) to the purchasers of the placement agent on its behalf, who shall be responsible for administration of loan repayments and covenants and for keeping the bond registry. No trustee will be appointed by the Authority.
6. Bond counsel for the Authority will prepare and make available standard financing documents, including the loan agreement, revenue note, assignment and note purchase agreement. Any variations will be subject to the approval of the Authority. The form of application and the review and public hearing process are to be the same as for a standard bond financing. Upon submission of the application, the Authority’s bond counsel shall report on the eligibility of the Institution, the project and other legal matters. The Authority’s financial advisor shall provide a financial report and a plan of finance to the effect that:
  - A. The proposed financing appears to be feasible within the available resources of the institution.
  - B. The proposed finance does not appear to violate existing covenants of prior debt financings of the institution.
  - C. The proposed interest rates for the financial are not unreasonable, taking into account the current bond market and the private placement nature of the transaction.
7. The institution shall be responsible for payment of all fees, including fees of the placement agent, the institution’s attorney, the Authority, and the Authority’s financial advisor and bond counsel. Legal fees of attorneys representing the purchaser or the placement agent, if any, shall be paid by the institution, the purchaser or the placement agent, as they may agree. The Authority’s fee will be consistent with the fee applicable to all Authority bonds, subject to any fee reductions approved by the Authority from time to

time. The fee of the Authority's bond counsel shall be as established by the Attorney General from time to time. The fee of the Authority's financial advisor shall be established in the general agreement between the Authority and its financial advisor.

|                                                                                 |
|---------------------------------------------------------------------------------|
| <i>2020 Update and Response:</i>                                                |
| No updates have been made to the policy                                         |
| This policy is referenced by Bond Counsel for each private placement financing. |

## 106 Delayed, Altered or Abandoned Previously Approved Application Projects

|                                                 |
|-------------------------------------------------|
| Created through Resolution 3-91-4, May 27, 1991 |
| Policy Review Schedule: <i>Annual</i>           |
| Most Recent Policy Review: February 21, 2018    |

In the interest of encouraging Colleges to proceed in a timeline manner and with a minimum of change of direction once a financing request is undertaken, and to limit the amount of duplication of effort associated with delays and changes, the Authority adopts the following policy:

### 1. Project Delay or Abandonment

Once a financing project is undertaken, as evidenced by final approval of the application by the Authority, the Authority is entitled to expect satisfactory progress toward completion of the financing on the part of the College. If such progress is not forthcoming, the Authority may deem a project abandoned and authorize billing for services provided as defined in the Indemnity Agreement.

Guidelines for satisfactory progress are as follows:

- After public hearing and final approval of application, the project should proceed to the point of electronically posting or printing the Preliminary Official Statement within two months.
- After publication of the Preliminary Official Statement, sale of the Bonds should be accomplished within four weeks.

If either of these milestones is not reached, due to delay on the part of the College, the Authority shall request the College to provide a report at the Authority's next regular meeting as to the state of the project, reasons for lack of timely progress and plans for continuation of the project, if any. The Authority may then either waive the guideline or declare the project abandoned.

In the event the project is abandoned, bond counsel and fiscal advisor will submit invoices to the College for actual services produced to date, as specified in the Indemnity Agreement.

## 2. Project Changes

### A. Deletion of project components

After final approval of the application and preparation of the first draft of bond documents, significant project components which are dropped from the request for financing will be treated separately as abandoned projects. A special fee shall be negotiated between the College officials and the Authority because of the already completed work of bond counsel and fiscal consultant.

### B. Additions of project components

If additional project components are added after the first draft of bond documents has been prepared, the Authority may, upon approving the revised application, provide for inclusion of the additional project in the same bond issue, if practical, in order to assist the College to limit printing, rating and other costs, or it may direct that it be placed in a separate issue. However, if it is to be included in the same application, a special fee shall be negotiated between the College officials and the Authority, because of the additional work of bond counsel and fiscal consultant.

|                                                           |
|-----------------------------------------------------------|
| <i>2020 Update and Response:</i>                          |
| The timeline for satisfactory progress has been shortened |

## 107 Guidelines for Selection and Retention of Bank Trustees

|                                                  |
|--------------------------------------------------|
| Created through Resolution 7-92-4, July 29, 1992 |
| Policy Review Schedule: <i>Annual</i>            |
| Most Recent Policy Review: February 21, 2018     |

### 1. Suggested Bank Requirements

- Minimal capital and surplus of at least \$25 million, or if it is part of a bank holding company, look to parent for capital and surplus as long as the trust division meets the balance of criteria
- Bank must be a registered transfer agent as required by Rule 17Ad-13a of SEC
- Minimum of ten years in the trust business

### 2. Operational Qualifications

- Ability to provide “electronic data transmission” where appropriate (including fund transfer)
- Monthly reports that are accurate, meaningful, consistent, and timely
- A well-defined fee structure which permits meaningful comparisons and ability reasonably to project actual costs

### 3. Other Considerations

- Compliance monitoring system which goes beyond the individual trust administrator
- Written policies, procedures, and an account review system

- Demonstrated general knowledge of the arbitrage rebate requirements and willingness to work with Authority appointed expert

|                                                                       |
|-----------------------------------------------------------------------|
| <i>2020 Update and Response:</i>                                      |
| Suggested requirements have been updated to adopt modern requirements |

## 108 Post-Issuance Compliance

These procedures are being reexamined. This is currently a 16-page history and assessment document that primarily compares procedures to a checklist from the National Association of Bond Lawyers 2013.

## 200 Financing Education Provided

(Renamed from “200 Financing Process”)

## 201 Annual Bond Financing Conference

|                                                       |
|-------------------------------------------------------|
| Created through Resolution 9-88-3, September 21, 1988 |
| Policy Review Schedule: <i>None required</i>          |
| Most Recent Review: February 21, 2018                 |

Renumbers policy from: 101 Annual Bond Financing Conference

- Direct the Executive Director to prepare an annual conference with help from Authority Bond Counsel and Fiscal Consultant.
- Three major objectives of this annual conference are:
  1. To explain current policies and procedures of the Authority
  2. To explain debt financing as a useful tool in college financial management; and
  3. To explain current opportunities in the marketplace

|                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------|
| <i>2020 Update:</i>                                                                                                                          |
| The resolution and background information surrounding the creation of an annual conference has been removed in favor of a simplified policy. |



## 202 Financing Education on Authority Website

|                                                  |
|--------------------------------------------------|
| Policy Review Schedule: <i>None required</i>     |
| Most Recent Review: May 2020 (Launch of website) |

Replaces Policies: 103 Guide to Tax Exempt Financing

104 Frequently Asked Questions

- The Authority shall maintain a website which will include information for borrowers and the public on the borrowing process and tax-exempt financing.

|                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>2020 Update and Response:</i>                                                                                                                                                                                                                                                                                                                                                                                 |
| The Guide to Tax-Exempt Financing and Frequently Asked Questions documents were updated and used to create information for borrowers and the public on the Authority website. This update removes the documents from the Standing Rules of Operation in favor of a policy that the same information is maintained on the Authority website and updated as the market, processes and questions evolve and change. |
| The newly redesigned Authority website provides a way to ensure borrowers have updated information instead of documents saved in a folder on their computer, which could potentially be outdated. Directing individuals to the Authority website ensures current information is provided and is accessible to all when needed.                                                                                   |

# Minnesota Higher Education Facilities Authority

## BUDGET VS. ACTUALS: FY2021 BUDGET (ORIGINAL) - FY21 P&L

July 2020 - June 2021

|                                              | TOTAL               |                      |                       |                  |                 |
|----------------------------------------------|---------------------|----------------------|-----------------------|------------------|-----------------|
|                                              | ACTUAL              | BUDGET               | REMAINING             | % OF BUDGET      | % REMAINING     |
| <b>Income</b>                                |                     |                      |                       |                  |                 |
| 4010 Annual Fee Income                       | 350,700.94          | 403,745.38           | 53,044.44             | 86.86 %          | 13.14 %         |
| Discounts given                              | -223,274.99         |                      | 223,274.99            |                  |                 |
| <b>Total Income</b>                          | <b>\$127,425.95</b> | <b>\$403,745.38</b>  | <b>\$276,319.43</b>   | <b>31.56 %</b>   | <b>68.44 %</b>  |
| <b>GROSS PROFIT</b>                          | <b>\$127,425.95</b> | <b>\$403,745.38</b>  | <b>\$276,319.43</b>   | <b>31.56 %</b>   | <b>68.44 %</b>  |
| <b>Expenses</b>                              |                     |                      |                       |                  |                 |
| 6000 Stipends                                | 275.00              | 3,520.00             | 3,245.00              | 7.81 %           | 92.19 %         |
| 6001 Board Travel                            |                     | 2,500.00             | 2,500.00              |                  | 100.00 %        |
| 6002 Communications                          | 824.33              | 24,064.00            | 23,239.67             | 3.43 %           | 96.57 %         |
| 6003 Staff Travel                            | 21.90               | 6,250.00             | 6,228.10              | 0.35 %           | 99.65 %         |
| 6004 Office Rent                             | 8,080.12            | 48,480.72            | 40,400.60             | 16.67 %          | 83.33 %         |
| 6005 Office Supplies                         | 26.71               | 1,750.00             | 1,723.29              | 1.53 %           | 98.47 %         |
| 6006 Repairs                                 |                     | 500.00               | 500.00                |                  | 100.00 %        |
| 6007 Printing Expense                        |                     | 2,500.00             | 2,500.00              |                  | 100.00 %        |
| 6008 Periodicals/Memberships                 | 3,000.00            | 8,000.00             | 5,000.00              | 37.50 %          | 62.50 %         |
| 6009 Fiscal Consultant Fees                  |                     | 1,000.00             | 1,000.00              |                  | 100.00 %        |
| 6010 Audit Fees                              |                     | 19,125.00            | 19,125.00             |                  | 100.00 %        |
| 6012 Legal Fees                              |                     | 52,000.00            | 52,000.00             |                  | 100.00 %        |
| 6013 Insurance Expense                       |                     | 2,000.00             | 2,000.00              |                  | 100.00 %        |
| 6015 Miscellaneous Expense                   | 131.00              | 1,000.00             | 869.00                | 13.10 %          | 86.90 %         |
| 6016 Bank Service Charges                    | 314.98              | 3,000.00             | 2,685.02              | 10.50 %          | 89.50 %         |
| 6017 Conference Expenses                     |                     | 5,000.00             | 5,000.00              |                  | 100.00 %        |
| 6020 Professional Development-STAFF          | 603.00              | 5,000.00             | 4,397.00              | 12.06 %          | 87.94 %         |
| 6021 IT                                      | 1,219.24            | 9,800.00             | 8,580.76              | 12.44 %          | 87.56 %         |
| 6023 Postage/Delivery Expense                |                     | 275.00               | 275.00                |                  | 100.00 %        |
| 6100 Salaries                                | 27,246.80           | 210,000.00           | 182,753.20            | 12.97 %          | 87.03 %         |
| 6101 Fringe Benefits                         | 6,912.80            | 64,000.00            | 57,087.20             | 10.80 %          | 89.20 %         |
| 6104 Worker's Compensation                   |                     | 170.00               | 170.00                |                  | 100.00 %        |
| 6200 Equipment Leases                        | 1,216.01            | 6,980.00             | 5,763.99              | 17.42 %          | 82.58 %         |
| <b>Total Expenses</b>                        | <b>\$49,871.89</b>  | <b>\$476,914.72</b>  | <b>\$427,042.83</b>   | <b>10.46 %</b>   | <b>89.54 %</b>  |
| <b>NET OPERATING INCOME</b>                  | <b>\$77,554.06</b>  | <b>\$ -73,169.34</b> | <b>\$ -150,723.40</b> | <b>-105.99 %</b> | <b>205.99 %</b> |
| <b>Other Income</b>                          |                     |                      |                       |                  |                 |
| 4000 Interest Income                         | 6,898.29            | 36,000.00            | 29,101.71             | 19.16 %          | 80.84 %         |
| 4050 Unrealized Gain/Loss Adjustment on Sale | -357.09             |                      | 357.09                |                  |                 |
| <b>Total Other Income</b>                    | <b>\$6,541.20</b>   | <b>\$36,000.00</b>   | <b>\$29,458.80</b>    | <b>18.17 %</b>   | <b>81.83 %</b>  |
| <b>Other Expenses</b>                        |                     |                      |                       |                  |                 |
| Other Miscellaneous Expense                  |                     | 7,500.00             | 7,500.00              |                  | 100.00 %        |
| <b>Total Other Expenses</b>                  | <b>\$0.00</b>       | <b>\$7,500.00</b>    | <b>\$7,500.00</b>     | <b>0.00%</b>     | <b>100.00 %</b> |
| <b>NET OTHER INCOME</b>                      | <b>\$6,541.20</b>   | <b>\$28,500.00</b>   | <b>\$21,958.80</b>    | <b>22.95 %</b>   | <b>77.05 %</b>  |
| <b>NET INCOME</b>                            | <b>\$84,095.26</b>  | <b>\$ -44,669.34</b> | <b>\$ -128,764.60</b> | <b>-188.26 %</b> | <b>288.26 %</b> |

# Minnesota Higher Education Facilities Authority

BUDGET VS. ACTUALS: FY2021 BUDGET (ORIGINAL) - FY21 P&L

July 2020 - June 2021

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**Note**

16.7% of year elapsed, 83.3% remainings