



**FINANCE AND FACILITIES COMMITTEE
NOVEMBER 18, 2014
8:00 A.M.**

**MCCORMICK ROOM
30 7TH STREET EAST
SAINT PAUL, MN**

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

- (1) Minutes of the Finance and Facilities Committee of October 21, 2014
(pp. 1 – 9)**
- (2) FY2016-2017 Legislative Request (Second Reading) (pp. 10 – 23)**
- (3) 2015 Revenue Fund Bond Sale (Second Reading) (pp. 24 – 69)**
- (4) Proposed Policy 5.25 Use of Electronic Signatures (Second Reading)
(pp. 70 – 73)**
- (5) Proposed Amendments to Policy 7.3 Financial Administration (First Reading)
(pp. 74 – 77)**
- (6) Proposed Amendments to Policy 7.5 Financial Institutions and Investments (First
Reading) (pp. 78 – 81)**
- (7) Metropolitan State Construction Update (pg. 82)**
- (8) Janitorial Supplies Contract Approval for Contract Exceeding \$3 Million
(pp. 83-85)**
- (9) Approval for Northland Community College Lease at Thief River Falls
Airport (pp. 86 – 92)**
- (10) Approval for Lake Superior College Lease at Duluth Airport (pp. 93 – 97)**

Committee Members

Michael Vekich, Chair
Jay Cowles, Vice Chair
Duane Benson
Phil Krinkie
Maleah Otterson
Erma Vizenor

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

October 21, 2014

Finance and Facilities Committee Members Present: Chair Michael Vekich, Vice Chair Jay Cowles, Duane Benson, Philip Krinkie, and Maleah Otterson

Other Board Members Present: Trustees Margaret Anderson Kelliher, Kelly Charpentier-Berg, Alexander Cirillo, Dawn Erlandson, Elise Ristau, and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Douglas Allen, Associate Vice Chancellor and Managing Director of the CSC, Phil Davis, and President Robert Musgrove

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on June 18, 2014, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 12:42 p.m.

1. Minutes of June 18, 2014

The minutes of the June 18, 2014 Finance and Facilities Committee were approved as written.

2. Finance and Facilities Update

Vice Chancellor King reported the Metro State construction update, including the situation summary and remediation recommendations, is scheduled for next month. Trustees were previously briefed on the emergent ground pollution issues at the site of the parking ramp construction on the St. Paul campus.

Fall 2014 FYE enrollment is down 4.2 percent from last year—5.2 percent at MnSCU colleges and 2.7 percent at MnSCU universities. Even with the recent enrollment declines, FYE enrollment is projected to be 9.7 percent higher in FY2015 than in FY2002. Presidents and their leadership teams are managing with recruitment efforts, cost reductions and academic program planning. The final budget impacts will not be known until all the leadership actions are complete.

The resiliency model was introduced at the board retreat in September. Calls were recently completed with all system CFOs to review and refine the resiliency modeling and projections. The Finance committee will be kept informed as the tool is perfected.

The 2014 financial reporting season is almost complete. A new audit firm is on site and on campuses and coordination with Minnesota Management and Budget continues. So far, no material or adverse events have been identified. The final results will go before the Audit

committee in November and will be on the Finance committee agenda in January 2015 for discussion.

There were several occasions when trustees joined campus and community leadership at dedications or ground breakings. Vice Chancellor King thanked Trustees Cowles, Anderson Kelliher, Hoffman, Charpentier-Berg, and Otterson for their participation.

As a proactive measure to Ebola, Academic and Student Affairs and system leadership are working with colleges and universities to refresh campus planning and alert systems. There are no immediate risks anywhere in the system.

3. FY2016 – FY2017 Legislative Request – 1st Reading

Chancellor Rosenstone opened the presentation with remarks highlighting the critical importance of state appropriation to the future of Minnesota State Colleges and Universities. The funding received from the state sets constraints on compensation, programs supporting growth, student success services, technologies and equipment, new initiatives and investments, opportunities for new partnerships and the ability to innovate. Chancellor Rosenstone thanked the trustees for their participation at the board retreat in September and the presidents for conducting the campus conversations last spring that helped developed this proposal. The FY2016-FY2017 request is meant to continue to protect affordability, insure access to education for all, protect in-demand programs and the faculty and staff needed to deliver those programs. Chancellor Rosenstone turned the presentation to Vice Chancellor King and President Douglas Allen.

Vice Chancellor King said the FY2014 - FY2015 operating budgets place a strong emphasis on protecting affordability for our students and supporting the strategic framework's goal of offering the highest value/most affordable higher education option in Minnesota. Freezing undergraduate tuition for a third consecutive year, placing limits on fee increases, and increases to the state grant program and federal Pell grants have helped keep the cost of attendance for undergraduate students essentially flat for the past three years, and increasing scholarship funds makes an already affordable education more affordable still. As a result of flat tuition rates in FY2014 - FY2015, MnSCU college students will save an average of \$435 in tuition over the biennium (\$145/year) and university students will save an average of \$615 over the biennium (\$205/year).

The FY2016 - FY2017 legislative request of \$142 million is for funds to cover inflationary cost increases. These are the funds needed to avoid a tuition increase and to protect programs needed to serve students and communities across the state. As the state has reduced its support for higher education, students have borne a higher and higher share of the costs. In 2002, the state provided 66.3 percent of the cost of a student's education. Today that share is 43.9 percent, a decline of 34 percent. The request of \$142 million is not to return to the 2002 levels of budget support, but rather to move towards a 50:50 financing plan, with the state providing 50 percent, and student provides the remaining 50 percent. State funds are not being requested to fund new initiatives. New investments will be funded internally by prioritization based on the needs of the students.

Data from 2013 financial aid records shows that over 60 percent of MnSCU undergraduate students receive some form of aid, including federal and state grants. The board, as well as our presidents and the chancellor, have been very concerned about student debt. MnSCU had more students with no debt and the lowest median debt in the state in comparison to other higher education providers, profit and non-profit.

Vice Chancellor King summarized the legislative request: \$72 million to cover a portion of annual salary and fringe benefit cost increase (total of 3 percent total annual compensation increase) replaces revenue from a 3 percent tuition increase, plus \$70 million to cover a portion of annual salary increases and fringe benefit increases, plus inflation on operating costs, totaling \$142 million. Both elements of the request will enable MnSCU to offer services designed for student success, maintain and grow quality, in-demand programs, attract quality faculty and staff at competitive wages, and respond to growing gaps in workforce needs across the state. The \$142 million in new funding would increase MnSCU's base funding by 11.4 percent from the FY2014 - FY2015 biennium. This increase would include a 5.8 percent increase over two years to fund the tuition buy down and a 5.6 percent increase over two years to fund inflationary costs.

Since last spring, MnSCU has experienced enrollment declines deeper than originally forecast. Presidents and their leadership teams have moved swiftly to improve enrollment strategies and to maintain budget discipline. The request does not ask the legislature to assist with this shortfall.

President Allen acknowledged that \$142 million is a large request and said that there was unanimous consensus within the Leadership Council to keep tuition down. The legislative request needs to be what it costs to operate the system. State funding is needed to help deliver on the state's commitment to a high quality education at an affordable price. The request asks for help to cover operational cost inflation in order to keep the tuition at 2013 levels. Without it, tuition will have to increase, or programs, access, and staffing levels will need to be cut.

Vice Chancellor King said the next steps are to continue consulting with students, faculty and staff leadership, presidents and legislative leaders. The board will have the second reading of the legislative request in November, and upon approval, will be submitted to the Executive Branch on November 20, 2014.

Chair Vekich asked, if this request precludes the board from exercising its fiduciary responsibility to increase tuition if deemed necessary. Vice Chancellor King responded that \$142 million is needed to accomplish the goals that are set, and if the request is not met, the board's message will be to vote to increase tuition. As an example, a \$70 million shortfall would translate to 500 layoffs, closing programs (which would lose enrollments), technology investments, buildings and grounds care. Trustee Krinkie said that the legislature has given the board the responsibility for budgeting and setting tuition, and asked why the board would want to relinquish its statutory authority to set tuition on its own by saying this equates to a tuition freeze. There is the possibility that the legislature may not fully fund the request, and still impose a tuition increase. Trustee Krinkie suggested why not ask for the \$142 million,

with the message that this funding will allow MnSCU to hold tuition increases instead of freezing tuition voluntarily.

Vice Chancellor King responded that the board's message to the legislature is clear in that it has financial responsibility for the condition of the system, which translates into resources. The best possible approach would be to request the funding, and the board would consider a tuition freeze, but MnSCU does not have the luxury of absolute autonomy in that regard. There is no legislative history that suggests funding will be made for the full request. Assumptions, such as enrollment and contract settlements for the next two years, need to be made so that a recommendation to the board can be made. Chancellor Rosenstone said Trustee Krinkie had an important point which can be reflected in the way the resolution can be crafted for adopted in November. The resolution can be crafted that it is clear that the board has the ability to do "x" if we have the resources to do "x". That is the board making those decisions, not the legislature. There is a lot of work to be done before November in order to take Trustee Krinkie's comments into consideration, but also that MnSCU needs the \$142 million.

Trustee Anderson Kelliher said that recent history shows there have been restrictions placed on the board by the legislature. It is important to make sure that it is strongly advocated that the board retains its fiduciary responsibility. There are challenges ahead in the state forecast and enrollment and urged that the wording of the request maintains that feeling. Trustee Benson suggested that MnSCU should come up with its own formula for funding because the legislature has increasingly dictated items that should be board action.

Trustee Charpentier-Berg attended a MSCSA conference and said there was consensus that students would rather see tuition increases than to see more cuts in student services at the campuses. Trustee Otterson concurred. Kaylee Schoonmaker, MSCSA president, expressed appreciation for the board's commitment to access and affordability for the tuition freeze that has been in place the past two years. Students are engaged in conversations and priorities have been identified as a continued tuition freeze, and continuation of quality education and programs. Chancellor Rosenstone noted that there is a pledge to students to be a part of the consultation process.

The chair invited members of the audience to address the committee.

June Clark, AFSCME president, approved of the tuition freeze, only if the \$142 million is received.

Jim Grabowska, IFO president, said that the IFO is "all in" for the request. President Grabowska said that it is written in statute that it is the intent of the legislature to provide 67 percent of the funding. The IFO is pleased that the intent is to return to 50:50 funding for now, but is committed to having the state live up to its commitment of 67 percent. President Grabowska said the IFO is committed to the proposal and will give support to defend the board's rights to the legislature.

Chair Vekich said that there is a general consensus to support the \$142 million request, with the understanding that it is clear that the board's statutory responsibility to take other actions,

if necessary, is retained. Chancellor Rosenstone affirmed the board's authority for approval of contracts, modify budgets, and set tuition rates. The resolution will reflect that this authority will not be relinquished. Chancellor Rosenstone will work with Vice Chancellor King to modify the motion.

4. 2015 Capital Bonding Recommendation and Update

Brian Yolitz, Associate Vice Chancellor for Facilities, said the purpose of the capital bonding presentation was to gain board approval of capital investment priorities for the 2015 legislative session and to endorse a statutory language change for a Southwest Minnesota State University project. Capital bonding, the revenue fund, and tuition and fees are the system's sources of revenue. Capital bonding traditionally occurs during the even number years of a legislative session and supports academic priorities. The 2014 session provided \$159.8 million for board approved priorities. Development is underway for 2016 recommendations.

The 2015 request includes 2014 unfunded priorities including HEAPR (\$67.5 million), demolition (\$5 million) and 8 unfunded projects listed on Attachment B (\$39.6 million), and construction tails of 5 projects also listed on Attachment B (\$70.5 million). The program total is \$182.6 million. Of that \$145.9 million will be funded through capital bonding and \$36.7 million will be system financed.

There is \$474,000 remaining from 2012 capital bonding design work at Southwest Minnesota State University. A statutory clarification will be pursued to allow the university to use the funds for pool deck repairs, entry door replacement, light replacement and design link repairs.

Trustee Benson moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Krinkie seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE MOTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following motion:

The Board of Trustees approves the capital bonding priorities as presented in **Attachment B**, and authorizes submission to the executive and legislative branches for consideration as part of the 2015 legislative session. The Chancellor is authorized to make cost and related adjustments to the request as required and shall advise the board of any subsequent changes in the capital bonding request through the 2015 legislative process. In addition, as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

Further, the Board of Trustees endorses the pursuit of legislative action enabling the use of capital funds from fiscal year 2012 no longer required for capital project design work at Southwest Minnesota State University for asset preservation work through HEAPR at the university.

5. 2015 Revenue Fund Bond Sale (First Reading)

Brian Yolitz, Associate Vice Chancellor for Facilities, said the purpose of the first reading of the 2015 revenue fund bond sale is to gain board support for construction of three capital projects and enable future designs, and a refunding of outstanding bonds from the 2005 revenue fund bond sale.

The revenue fund supports auxiliary priorities such as residence halls, student unions, athletic and fitness facilities and parking ramps, with the debt carried by the institution and serviced by fees. It is a system driven process that is legislatively authorized in an odd-year cycle, opposite of the capital bonding cycle. The revenue fund is part of campus master planning, involves an extensive student consultation process, and debt capacity analysis. It includes a predesign and financial feasibility study, resulting in a preliminary project list, followed by campus work, and financial refinement and student consultation. The projects before the board today are the result of this process. Upon board approval in November, rating agency visits will be scheduled for December or January. The bond sale is scheduled for February.

The 2015 projects include the MSU, Mankato dining facility, MSU Moorhead Comstock Union renovation, Vermilion student housing, and design funds held at the system office for use to satisfy emerging private use opportunities and initiate design of future projects. The debt service is retained at the system office, and once a project is assigned, it transfers to that institution. This bond sale also includes refunding the 2005 revenue bonds that remain outstanding. (Details of the projects can be found in the board packet.)

A bond refunding involves the issuance of refunding bonds to take advantage of lower interest rates and achieve cost savings for the campuses. Two of the candidates for the refunding are the Julia Sears resident hall at MSU, Mankato, and St. Cloud State University's parking ramp. The 2015 revenue bond sale would include the bond refunding in the same issuance for new revenue bonds, with an anticipated net present value savings of \$3.6 million – \$4 million after the refunding is completed, translating to \$300,000 - \$350,000 savings per year in debt service costs.

The system proposes to sell two series of bonds: Series A tax exempt revenue bonds to fund the Vermilion Community College project and the tax exempt refunding bonds and Series B taxable revenue bonds to fund the dining facility at Mankato, the student union at Moorhead, and a small portion for MnSCU planning purposes. System revenue bonds have typically been sold in a competitive sale process, and are usually purchased by financial institutions and brokers.

Trustee Vekich asked if there was full consultation with students and other stakeholders. Mr. Yolitz replied that copies are included in the board packet. Trustee Vekich pointed out that the Vermilion student housing fees will increase 6 percent in 2015 and goes to 11 percent in 2016. The project will allow for the replacement of 84 beds in modular housing to 120 beds into a two tier townhome design. Provost Shawn Bina responded that student have been fully advised and support the fees.

6. Proposed Policy 5.25 – Use of Electronic Signatures (1st reading)

Vice Chancellor King indicated that the proposed policy represents a substantial tool in the effort to streamline administrative processes and is pleased to finally have this policy before the committee. The policy has been overseen by the General Counsel's office to ensure conformance with state and federal law and shared with Leadership Council.

The draft policy defines specific types of electronic signatures, and sets out the general parameters for campuses and the system office to follow before implementing electronic signatures for each specific use. A system procedure, currently under development, will establish the type of electronic signature allowable for specific categories of documents, considering their associated level of risk based on the dollar value of the contract and the parties involved, as well as other factors such as reputational risk and access to private data. The policy would not be effective until the related procedure is in place.

7. Rochester Community and Technical College Workforce Center Lease Exceeding \$3 Million

Mr. Yolitz reported that 2012 bonding bill included an \$8.746 million appropriation for the construction of a workforce center to be located on the Rochester Community and Technical College campus attached to a campus building. The legislation directed MnSCU and the Department of Employment and Economic Development (DEED) to enter into a lease that included payments that would cover the operating costs and debt service attributable to the workforce center's use. The workforce center lease is the subject of this request with the potential to exceed \$3 million over the full term of the lease if all renewal options are exercised. The initial term of the lease is five (5) years with three (3) five (5) year options to renew.

Trustee Krinkie moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Cowles seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion.

The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Department of Employment and Economic Development (DEED), its successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.

8. Minnesota State University, Mankato Approval of Contract Exceeding \$3 Million for Beverage Sponsorship

Vice Chancellor King introduced MSU, Mankato Vice President of Finance Rick Straka. Vice Chancellor King reported that the purpose of this presentation is to request board approval of a beverage sponsorship contract with a value not to exceed \$5,000,000 for on campus pouring services at Minnesota State University, Mankato.

The university has issued a call for RFPs for this purpose. Respondents were asked to provide information on exclusive pouring rights in all campus facilities, athletics, residence halls, student unions, and all other facilities. The university evaluated the term that offers the greatest benefit to the university based on consideration of the information provided in response to the RFP. The preferred vendor is not named in the materials consistent with state law concerning private data until the contract negotiations are complete and the board has approved the contract. The university last bid this relationship in 1998.

The contract would be five years in length with one option to renew for 5 additional years. The total value of the contract, if it runs the full ten years, is estimated at more than \$3 million and less than \$5 million.

Trustee Benson asked if this was strictly non-alcoholic. Vice Chancellor King replied yes, and these contracts are very typical at the universities. Mr. Straka added that percentage breakdowns on healthy juices, carbonated beverages and water were included in the RFP.

Trustee Otterson asked why student government letters are not included in the packet. Vice Chancellor King said student government letters are in policy as part of the operating budget and capital budget. Mr. Straka assured that students were part of the consultation process. Trustee Otterson requested that student letters be included in the packet. Vice Chancellor King responded that is a large request and asked that there be a subsequent conversation on it.

Trustee Krinkie moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Benson seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE MOTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees approves Minnesota State University, Mankato entering into a beverage sponsorship contract not to exceed \$5,000,000 million for on campus pouring services. Execution of the contract is subject to the review and approval of the contract by the chancellor or his designee.

9. Campus Service Cooperative Update

Associate Vice Chancellor and Managing Director Phil Davis gave an update on the Campus Service Cooperative (CSC). Mr. Davis introduced President Musgrove to assist with the presentation.

The CSC began in 2011 to demonstrate how campuses can work together to develop efficiency in delivery of support services. The board approved a contract with IBM for \$4.9 million to assist with leveraging the collective purchasing power the colleges and universities, and finding ways to streamline business processes. In 2012, with the help of IBM, the CSC developed a shared services platform focusing on business office, human resources and

financial aid services and sourcing and procurement initiatives. The earliest return on investments was seen in office services, managed print and purchasing cards.

The \$4.9 million investment is estimated to return \$6.3 million (an average annual return of 5.7 percent) in the first five years. The expectation is to receive the same \$6.3 million in savings again over the following five year period, this time without any consulting expenses.

Mr. Davis acknowledged that earlier projections predicted higher returns in the early years. The difference was principally the result of lower-than-expected adoption rates, longer project launch cycles, and greater efficiency in campus spending. Mr. Davis noted that if a campus can find better pricing, then they should use that vendor and share that resource with other campuses. Chancellor Rosenstone noted that the campuses see the value of the CSC and participation is voluntary and he supports the discretion to use local vendors.

President Musgrove said the next steps for strategic sourcing will be to identify and execute high potential projects, increase the adoption rates and build a sustainable staffing model. Likewise, proposals for shared services will be solicited and campuses will be engaged in the selection and implementation. Chancellor Rosenstone asked how the projects will be housed. Mr. Davis said that the CSC will find campus champions who can manage the work, preferably campuses who are leading the initiatives.

Trustee Vekich said that he is comfortable with both the CSC's approach and with the metrics on savings, with more to come. Mr. Davis responded that there are many great ideas and the framework is set up for the greatest benefits to the campuses with minimal risks. Chancellor Rosenstone said that the CSC is a powerful example of collaboration. The presidents and the campuses own it, not the system, and it has value proposition for them.

The meeting was adjourned at 3:26 p.m.

Respectfully submitted,

Laury Anderson, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: FY2016-FY2017 Legislative Request – Second Reading

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 5.9, *Biennial and Annual Operating Budget Planning and Approval*, requires the Board of Trustees to approve the systemwide operating budget request. This is the second reading of the FY2016-FY2017 Biennial Budget legislative request.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

ACTION ITEM
FY2016-FY2017 LEGISLATIVE REQUEST SECOND READING

INTRODUCTION

Board Policy 5.9, *Biennial and Annual Operating Budget Planning and Approval*, requires the Board of Trustees to approve the systemwide operating budget request prior to submission to the executive and legislative branches of state government. This is the second reading of the FY2016-FY2017 Biennial Budget legislative request.

BACKGROUND

The FY2016-FY2017 Biennial Budget legislative request is a proactive strategy that addresses what was heard from key constituencies throughout the state. In preparing the legislative proposal, counsel was sought from presidents, faculty, staff, students, and bargaining unit representatives. The resulting budget request is committed to protecting affordability and access for our students, providing the talented faculty and staff who deliver an extraordinary education to our students and prepare them for work and careers, and supporting the programs on our campuses that serve our students and enhance the economic vitality of our state.

The FY2016-FY2017 Biennial Budget legislative request proposes a partnership with the state, the colleges and universities and the communities MnSCU serves. The partnership seeks to improve state support and move towards a 50:50 relationship between state support and tuition. It will provide for inflationary costs in order to ensure continued high quality educational offerings and student services.

The Board of Trustees has been entrusted in state statute with the authority to govern and operate Minnesota State Colleges and Universities. The board, after full consultation with MnSCU constituencies, will make final budget decisions, including the matter of tuition, at the conclusion of the legislative session. If the legislative request is fully funded the board intends to hold resident tuition rates at current levels.

The FY2016-FY2017 Biennial Budget presentation for the November 2014 Board of Trustee meeting is attached to this report.

Underlined sections are additions to the October version

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

November Board Motion

Minnesota's future depends upon a broad-based, highly-trained, highly-skilled workforce. To support increased educational and economic opportunities for all Minnesotans, the Board of Trustees of the Minnesota State Colleges and Universities is committed to protecting affordability and the access it provides to our academic programs and student success; providing the talented faculty and staff who deliver an extraordinary education to our students and prepare them for work and careers; and protecting the programs on our campuses that are vital to serving our students and communities across Minnesota and vital to the economic growth of our state.

The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability. The Board of Trustees approves the 2016-2017 biennial budget request in the amount of \$669,143,000 in FY2016 and \$717,143,000 in FY2017 for a total of \$1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request. The Board of Trustees has been entrusted in state statute with the authority to govern and operate Minnesota State Colleges and Universities. The Board, after full consultation with MnSCU constituencies, will make final budget decisions, including the matter of tuition, at the conclusion of the legislative session. If the legislative request is fully funded the board intends to hold resident tuition rates at current levels.

RECOMMENDED BOARD OF TRUSTEES MOTION:

November Board Motion

Minnesota's future depends upon a broad-based, highly-trained, highly-skilled workforce. To support increased educational and economic opportunities for all Minnesotans, the Board of Trustees of the Minnesota State Colleges and Universities is committed to protecting affordability and the access it provides to our academic programs and student success; providing the talented faculty and staff who deliver an extraordinary education to our students and prepare them for work and careers; and protecting the programs on our campuses that are vital to serving our students and communities across Minnesota and vital to the economic growth of our state.

The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability. The Board of Trustees approves the 2016-2017 biennial budget request in the amount of \$669,143,000 in FY2016 and \$717,143,000 in FY2017 for a total of \$1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request. The Board of Trustees has been entrusted in state statute with the authority to govern and operate Minnesota State Colleges and Universities. The Board, after full consultation with MnSCU constituencies, will make final budget decisions, including the matter of tuition, at the conclusion of the legislative session. If the legislative request is fully funded the board intends to hold resident tuition rates at current levels.

Presented to the Board of Trustees: November 18, 2014

FY2016-FY2017 Legislative Request



Board of Trustees
Finance and Facilities Committee
November 2014

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

The Minnesota State Colleges and Universities represents the highest value, most affordable higher education in the state. Our legislative request is committed to strengthening the state's historic commitment to access, affordability and excellence.



Consultation

- 24 colleges and universities forwarded ideas from campus discussions
- All bargaining units and student associations consulted multiple times; written feedback received from MAPE, AFSCME, and IFO
- Common themes:
 - Access and affordability
 - Student success
 - Academic excellence
 - Workforce/community partnerships



3

Goals for biennial legislative request

- Protect access and affordability
- Improve student success
- Advance academic excellence
- Meet community and workforce needs

... But the paradigm is shifting ...



4

Addressing the shifting paradigm

Our need is urgent.

At this time in our state's history, we must maintain the quality of our educated workforce – a quality for which we are nationally known – to maintain our economic vitality.

Inflationary costs are a factor for any organization. We hope to address them together, but at the same time protect the quality of the activities we provide our students and our ability to deliver the workforce the state desperately needs.



5

Our story

Minnesota State Colleges & Universities believe an opportunity to go to college should be available to everyone. We measure our value not by the number of students we turn away, but by the number of students we educate.

We provide higher education to the most Minnesotans (410,000 students last year) at the lowest cost possible – roughly ½ the average cost of other large public universities and roughly 1/5 the cost of private colleges and universities in the state. We have a college option for all, from doctoral programs to EMT certifications.

At a time when 74 percent of jobs in Minnesota will soon require some higher education, we feel a tremendous responsibility to provide the education our students require to prepare them for those careers and the quality of life that comes with higher education.

Is there a better investment?



6

Our ask

Our request is for funds to cover inflationary cost increases in order to protect affordability. This will provide the funds needed to avoid a tuition increase and to protect programs needed to serve students and communities across the state. We appreciate that state support per student FYE has begun to improve in constant dollars, but it is still 32% below 2002 levels, far from the 50:50 goal.

We need an increase in state support to continue to serve our students at the current level and to keep education at the lowest possible cost to those students – an affordable option for the students who often need it most.

State funds are not being requested to fund new initiatives. We will fund new investments internally by prioritization based on the needs of the students.

We must make sure students get the same level of extraordinary education they are getting today. Our request for \$142 million reflects the costs for providing the highest quality education. In order to protect both the quality of programs and affordability for our students, we are asking the state to fund a tuition freeze. We will fund new investments internally by prioritization based on the needs of students, employers and communities.



The face of MnSCU is the face of Minnesota

There is no “typical” student in our colleges and universities. Like Minnesota, our students represent a rich patchwork of backgrounds, stories and achievements, including:

Kevin Fitzgerald, a student in the Fire Program (ERTC Training Center) at Lake Superior College, left a desk job after earning an undergraduate degree when he realized he wanted to be the person that is there for people when they are likely having the worst day of their life.

Fadumo Abdi, a Psychology Major at Minneapolis Community & Technical College, was born in Kenya to parents who fled civil war in Somalia, and was elected President of the Student Senate for the 2013-2014 academic year.

Takanda Epps, a Hennepin Technical College graduate, was the first African-American female to graduate from the Automation Robotics Engineering Technology Program

Danika Stelton, who earned a Technology, Art and Design degree at Bemidji State University, designed the Exhibit Designers and Producers Association booth used at the 2014 EuroShop trade show in Düsseldorf, Germany.

Carl White, a student at Winona State University in Social Work, is married and the father of two young children: a 7-year old daughter with Down syndrome and a 4-year old son, and will become the first of his 14 brothers and sisters to graduate from college.

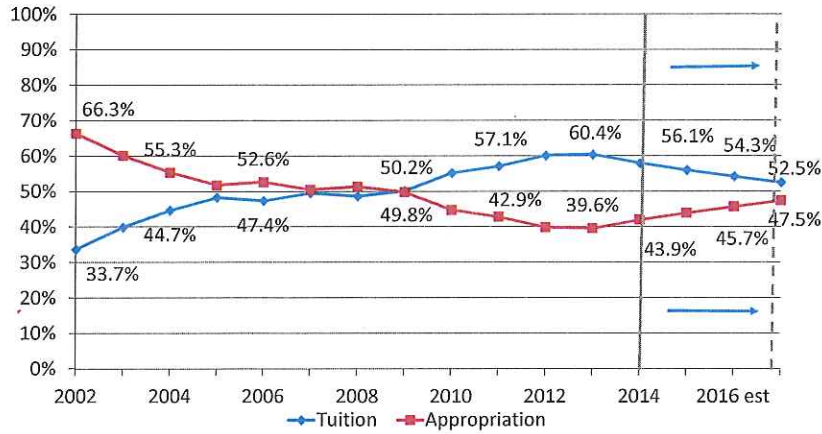
Desaleyn “D” Zemenfes is a high school student in Worthington (WHS) currently working at a local grocery, while also taking classes at Minnesota West Community & Technical College in a PSEO program. He is also very active in his high school, is the president of the WHS FFA chapter, chief programmer for the school’s robotic team, participates in youth volunteer efforts and is preparing for the upcoming track season.

Leah Fisher, a lawyer who graduated from Lake Superior College, began her education at a two-year college and graduated with zero debt, helping her eventual finance of her upper level degrees.

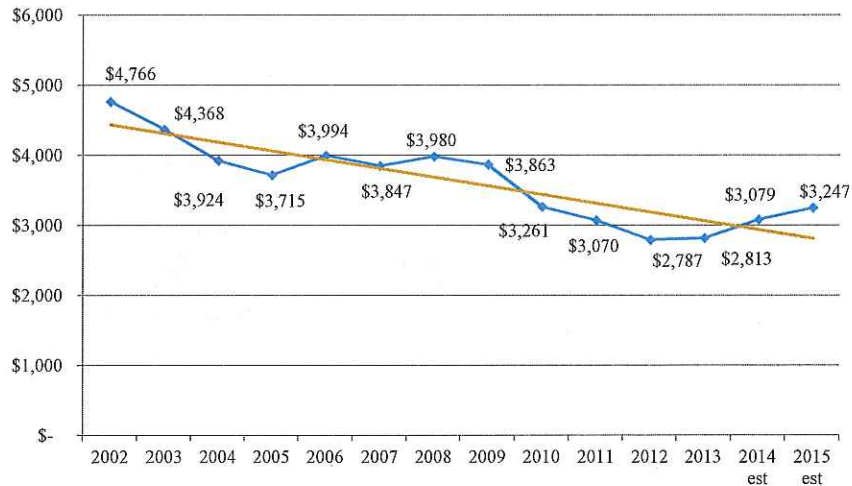


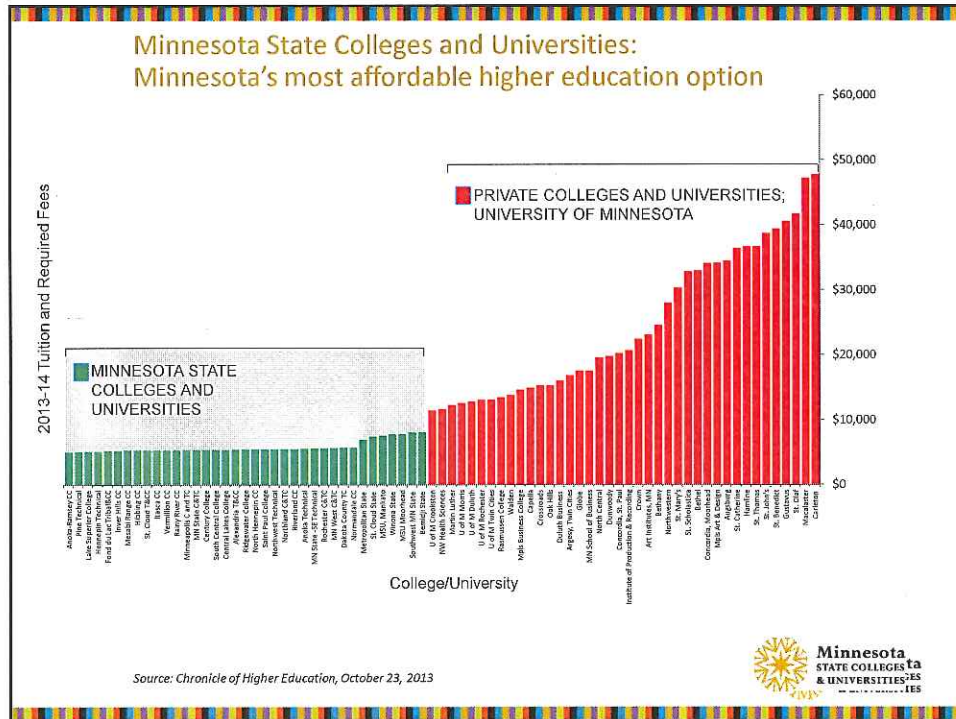
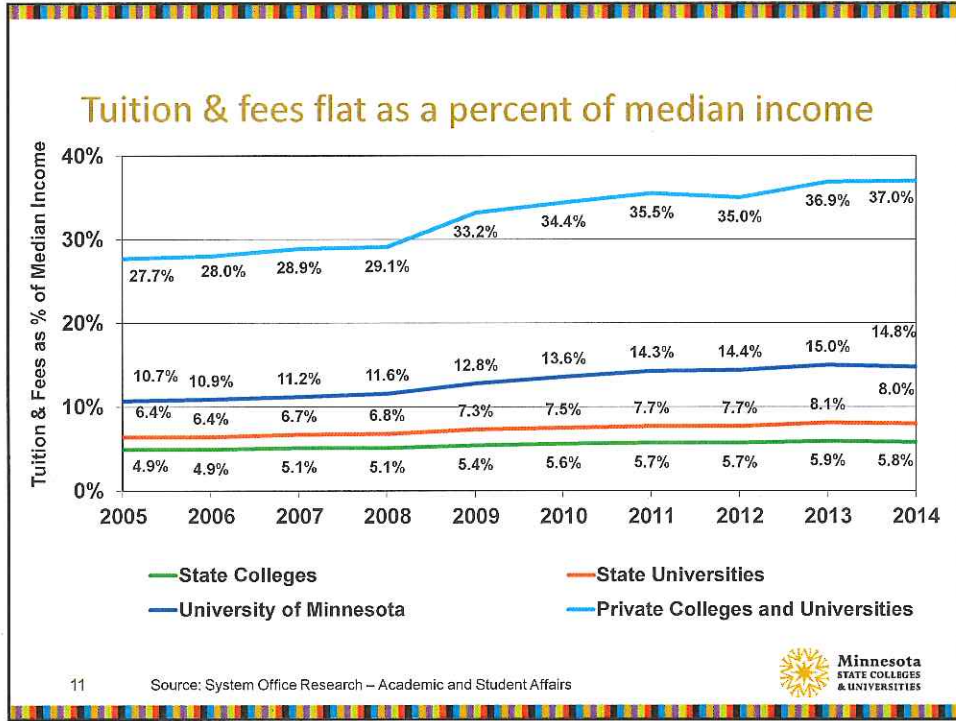
Move state support toward 50:50

State buying down tuition and investing to cover inflationary costs will keep college affordable



State support per student FYE has begun to improve in constant dollars, but is still 32% below 2002 levels





Estimated net student tuition cost Academic year 2014-2015

2014-15 tuition rate for full-time students (30 credits, 15 per term) minus estimated state and Pell grants:

**MnSCU
COLLEGE
STUDENTS**

**MnSCU
UNIVERSITY
STUDENTS**

INCOME LEVELS FOR GRANT RECIPIENTS	AVERAGE 2014-15 STUDENT TUITION COST	AVERAGE 2014-15 STUDENT TUITION COST
Less than \$20,000	\$626	\$801
\$20,000 to \$39,999	\$1,197	\$1,254
\$40,000 to \$59,999	\$2,062	\$2,671
\$60,000 and above	\$3,134	\$4,419



Math behind the request: Additional resources needed in the next biennium to cover inflationary costs

Increase in
resources needed for
the biennium

3% compensation increase = \$108 million

3% inflationary increases in operating costs = \$ 34 million

Total required: \$142 million

State funds are not being requested to fund new initiatives. We will fund new investments internally by prioritization based on the needs of the students.



Biennial budget request FY2016-FY2017

\$ in thousands

Base budget	\$622,143	\$622,143	\$1,244,286
Requested increase	\$47,000	\$95,000	\$142,000
<u>Total requested appropriation</u>	<u>\$669,143</u>	<u>\$717,143</u>	<u>\$1,386,286</u>

Two year percent increase in base to fund tuition buy-down 5.8%

Two year percent increase in base to fund inflationary expenses 5.6%



15

Student benefits

- With the state's support, the legislative request enables undergraduate tuition to remain at 2012-2013 levels
- Annual university undergraduate student savings of \$205
- Annual college student savings of \$145
- A full time university student enrolled as a freshman in the fall of 2012 would save \$2,050 over four years
- A full time college student enrolled in a two-year program would save \$435 if they enrolled anytime between the fall of 2012 and the fall of 2016



16

How should we fund inflationary costs in compensation, utilities and supplies?

\$s in millions

Recommended FY2016-2017 legislative request

Tuition revenue from tuition increase	0
State appropriation increase	142
<hr/>	
Total inflationary costs	\$ 142



17

Goals for biennial legislative request

- Protect access and affordability
- Improve student success
- Advance academic excellence
- Meet community and workforce needs



18

Board motion

Minnesota's future depends upon a broad-based, highly-trained, highly-skilled workforce. To support increased educational and economic opportunities for all Minnesotans, the Board of Trustees of the Minnesota State Colleges and Universities is committed to protecting affordability and the access it provides to our academic programs and student success; providing the talented faculty and staff who deliver an extraordinary education to our students and prepare them for work and careers; and protecting the programs on our campuses that are vital to serving our students and communities across Minnesota and vital to the economic growth of our state.



19

Board motion (continued)

The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability. The Board of Trustees approves the 2016-2017 biennial budget request in the amount of \$669,143,000 in FY2016 and \$717,143,000 in FY2017 for a total of \$1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request.

The Board of Trustees has been entrusted in state statute with the authority to govern and operate Minnesota State Colleges and Universities. The Board, after full consultation with MnSCU constituencies, will make final budget decisions, including the matter of tuition, at the conclusion of the legislative session. If the legislative request is fully funded the board intends to hold resident tuition rates at current levels.



20

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: 2015 Revenue Fund Bond Sale – Second Reading

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

The first reading of the 2015 revenue fund bond sale took place in October, 2014. The Board of Trustees is being asked to issue up to \$84 million of new and refunding bonds for a 2015 revenue bond sale for four projects.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

ACTION ITEM
2015 Revenue Fund Bond Sale (Second Reading)

EXECUTIVE SUMMARY

The Board of Trustees is being asked to issue up to \$84 million of new and refunding bonds for a 2015 revenue bond sale. The new projects funded in this sale include:

- Minnesota State University, Mankato - Construction of an approximately 60,000 sq. ft. new dining facility at Minnesota State University, Mankato to replace the dining capacity of Gage Hall and planned demolition of Carkoski Commons - Total project cost of \$31.5 million
- Minnesota State University Moorhead - Renovation of 37,000 sq. ft. and construction of an approximately 3,100 sq. ft. addition of the Minnesota State University Moorhead student union – Total project cost of \$9 million
- Vermilion Community College - Replacing 84 beds of “temporary” modular student housing at Vermilion Community College in Ely with 120 beds of new townhouse style housing – Total project cost of \$5.5 million
- System Planning/Advance Design - Advancing design work on future projects or issuing funds for smaller, initiative-style projects in between bond sales - \$1.5 million.

Details on source and use of funds are found further in this narrative.

The proposed sale also involves a bond refunding of the 2005 revenue bond sale. The amounts shown are the projected new bond principal amounts for each of the refunding portions. The amounts assume that existing debt service reserve funds and fund earmarked for debt service are applied to the refunding and also take into account the creation of new debt service reserve funds and payment of all costs of issuance:

- Minnesota State University, Mankato – bond refunding of Julia Sears residence hall – \$28.75 million.
- St. Cloud State University – bond refunding of proceeds for campus parking ramp - \$2.99 million.

The 2015 revenue bond sale highlights:

- Projects include two (2) of the seven (7) university campuses and adds a new member to the revenue fund, Vermilion Community College in Ely
- The projects in Ely and Moorhead will remove between \$3-4 million worth of current and future deferred maintenance in the revenue fund

- Approximately \$1.5 million of the Vermilion project is funded from state housing grant funds and IRRRB infrastructure grants
- The bond refunding is expected to save campuses between \$3.6 million to \$4 million (net present value) in bond costs over the remaining term

BACKGROUND – OVERVIEW OF CAPITAL PLANNING AND FUNDING

Minnesota State Colleges and Universities (MnSCU) relies on two major programs to buy, build, renovate and repair the majority of its buildings and infrastructure, primarily based on the type of use:

- 1) State issued general obligation bonds through the capital bonding program for academic and student support facilities, and
- 2) Minnesota State Colleges and Universities-issued revenue bonds for auxiliary-type facilities, such as residence halls, student unions, athletic and fitness facilities, parking ramps and other eligible revenue generating facilities

Academic and Student Support Facilities

The state's capital bonding program addresses funding for academic and student support space. Such space represents approximately 78 percent of overall system facility square footage or about 22 million square feet. To fund academic facility needs, the system participates in the biennial capital budget process, typically held during even-numbered year legislative sessions. During such sessions, the board develops and puts forth a prioritized capital budget list to be considered by the legislature and governor, competing for state-issued general obligation bond financing with other state and local agencies.

The state and system share in paying the debt associated with this work. The state carries and pays the debt for all asset preservation work through Higher Education Asset Preservation and Renovation (HEAPR) and two-thirds of the debt associated with major line-item capital projects. The system bears the one-third debt associated with major line-item capital projects. The system as a whole pays one half of the one-third debt service. The campus gaining the capital improvement is responsible for the other half of one-third. This campus portion is serviced through state appropriation, tuition and other fees.

Minn. Stat. §135A.034 directs the Board of Trustees to consider the following criteria in establishing priorities for requests for general obligation bond funds for capital projects:

- (1) maintenance and preservation of existing facilities;
- (2) completion of projects that have received funding;
- (3) updating facilities to meet contemporary needs;

- (4) providing geographic distribution of capital projects; and
- (5) maximizing the use of non-state contributions.

During the 2014 legislative session, Minn. Stat. §135A.034 was amended to clarify that the priorities are not in rank order. This approach to prioritizing capital investment in facilities is well recognized by the executive and legislative branches and internal constituencies and consistent with the board's long standing practices.

Revenue Fund Facilities

The revenue fund program is authorized by statute to address facilities traditionally considered "auxiliary" on a campus. The revenue fund represents about 6 million square feet of buildings owned and operated by the system. Under the revenue fund program, MnSCU issues revenue bonds to buy, build, renovate or repair residence halls, student unions, parking, dining and similar revenue-generating facilities.

The board possesses statutory authority to issue revenue bonds on behalf of the system to finance these needs, subject to consultation with the legislature. The full cost of the projects, including debt service, is paid for by student and user fees. No tuition or appropriation revenues are used to pay to build or renovate revenue fund facilities or for their operating costs.

REVENUE FUND CAPITAL PLANNING AND FINANCING

During its March 2014 meeting, the board endorsed six capital planning and financing principles for the revenue fund program that included:

1. Evidence of strong student involvement and support consistent with Board Policy 2.3, Student Involvement in Decision-Making and related system procedures
2. Reduction of deferred maintenance backlog
3. Balances student expectations with physical and financial realities
4. Takes into account enrollment and occupancy projections
5. Responds to competitive pressures
6. Leverages partnership or private industry to generate additional income

REVENUE BOND SALE PROCESS

Revenue fund projects follow similar planning, design, and construction processes as any other system capital project with some variations to accommodate specific revenue bonding requirements. Below are highlights of the revenue fund project process.

- Revenue Fund Sale Cycle. The system operates and plans revenue bond sales on a 2 year, odd-numbered year cycle. The 2-year cycle is designed to give campuses ample time to develop the projects and refine the project scope and cost, and consult with

students. The cycle also provides enough time to finalize financial statements from the most recent fiscal year.

- Facilities Master Plan. Campuses update their Facilities Master Plans, including revenue-funded capital projects, on a five-year cycle. Most residential campuses supplement a Facilities Master plan with residential life plans.
- Debt Capacity Study. Before each revenue bond cycle, the system office obtains a debt capacity study from our financial advisor to determine the debt capacity of the revenue fund program as a whole and for each individual campus. This study sets the basic parameters of what a campus can afford in a given bond sale.
- Predesign and Feasibility. Campus leadership and students refine the need for a revenue fund project. The first formal step in the revenue fund project planning process is for campus leadership to initiate a predesign to evaluate the feasibility of the project. The campus also works with system office staff to develop a financial pro forma that models the financial requirements for a viable project.
- Student Consultation. Since student fees are the primary source of revenue for the repayment of revenue fund debt and operating costs, students are expected to be involved in project planning. At critical stages, student consultation letters are solicited from student leadership and forwarded to the chancellor and the Board of Trustees.
- Project List. After the predesign process and evaluation of a project's financial viability, a final project list is assembled for consideration by the chancellor and the Board of Trustees.

REVENUE FUND CAMPUSES AND FACILITIES

The following chart identifies the fifteen (15) campuses that operate in the revenue fund and the types of facilities at each campus. This chart includes the addition of Vermilion Community College, which would be new to the fund with the 2015 sale. The revenue fund program includes all seven (7) universities and eight (8) colleges.

	Campus	Res Hall	Union	Parking	Health	Athletic Fields	Hockey
1	Alexandria Technical and Community College						
2	Anoka Ramsey Community College Coon Rapids						
3	Bemidji State University						
4	Century College						
5	Metropolitan State University						

6	Minnesota State Community and Technical College Moorhead						
7	Minnesota State University, Mankato						
8	Minnesota State University Moorhead						
9	Minneapolis Community & Technical College						
10	Normandale Community College						
11	St. Cloud State University						
12	Saint Paul College						
13	Southwest Minnesota State University						
14	Vermilion Community College*						
15	Winona State University						

* New addition to the fund with 2015 revenue bond sale

REVENUE BOND AUTHORITY

During the 2012 legislative session, the system successfully obtained an increase in the revenue fund debt authority from \$300 to \$405 million. Revenue bond authority is the maximum amount of outstanding principal the system may incur. The current outstanding revenue fund debt is approximately \$281 million.

FUND FINANCES AND FISCAL SUSTAINABILITY

The fund's net position improved between FY2011 and FY2013 from \$189.5 million in FY2011 to \$217.6 million FY2013. Total operating revenues were flat between FY2012 from FY2013 at \$109 million both years, and early indications are that total operating revenues will remain fairly flat for FY2014. The residential hall program typically constitutes 70 percent of total operating revenues in the fund.

Each project in this sale represents the culmination of careful planning on behalf of the campuses to ensure that the campus maintains long term financial sustainability through targeted investment in its residential or student union space. Each campus has balanced the cost of these projects with the impact on student fees and affordability.

In Mankato and Moorhead, each university had planned for the projects as part of their overall strategy to maintain and enhance their capacity to serve students. Moorhead predicts their project will significantly modernize their student union space and is financing half the total cost of the project through bonds and the remainder with fund balances that have been

accumulated for this purpose. Mankato's project will be financed partially (about 10 percent) through program operating revenues. Vermilion, in addition to the bond proceeds, is using a \$1.1 million targeted state housing grant and is expected to receive a \$500,000 grant from the Iron Range Resources and Rehabilitation Board (IRRRB) to offset infrastructure costs of the project.

Bond Refunding

This bond sale also includes refunding the 2005 revenue bonds that remain outstanding. Similar in concept to a mortgage refinancing, a bond refunding involves the issuance of "refunding bonds" to take advantage of lower interest rates and achieve cost savings for the campus(es). The board last approved a bond refunding in 2012 for the 2002 revenue bonds.

The 2005 sale involved three projects, two of which are candidates for bond refunding consideration: 1) Julia Sears residence hall at MSU, Mankato and 2) St. Cloud State University's parking ramp. The remaining project (Winona residence) will be paid off in October of 2015 with Winona's funds on hand including the related debt service reserve balance.

The 2015 revenue bond sale would include the bond refunding in the same issuance for new revenue bonds. The purpose of including the bond refunding with the same sale as new projects is to minimize the risk of interest rate fluctuation, save the cost of separate bond issuance, and lock in the expected savings now for the two campuses to plan for the future.

The system anticipates a total of \$3.6 million to \$4 million total net present value savings after the refunding is completed. The cost savings accrue to the two campuses whose projects are refunded. This translates to be between \$300,000 - \$350,000 total savings per year in debt service cost. Mankato, as the campus with the larger of the two projects in 2005, will receive the majority of the interest cost savings.

Additional summary details on the bond refunding are contained in the Attachment A-1.

BOND STRUCTURE

The system proposes to sell two series of bonds: Series A tax exempt revenue bonds to fund the Vermilion Community College project and the tax exempt refunding bonds and Series B taxable revenue bonds for the dining facility at Mankato, the student union at Moorhead, and a small portion for MnSCU planning purposes.

The new project bonds will mature in 20 years and the MnSCU planning bonds will mature in 10 years. The refunding bonds will be structured to match the maturities on the bonds they refund, which result in 18 years for the Mankato portion of the refunding and 11 years for the St. Cloud portion of the refunding.

System revenue bonds have typically been sold in a competitive sale process, and are usually purchased by financial institutions and brokers. Depending on the particular bond issue, the system has the option of issuing bonds via negotiated sale.

Tax exempt bonds typically serve as the primary financing vehicle for revenue fund projects, although taxable bonds are also issued for future planning and design funds, for smaller projects, and for portions of construction or renovation of projects such as dining services and student unions because those facilities often house for-profit retail services, such as here.

2015 REVENUE FUND BOND PROJECTS

All campuses in this sale have completed predesigns and financial pro formas for their projects, and have sought student consultation letters. All project requests are described below. A portion of taxable bonds will be sold to be used for planning funds for future projects.

Project Terms

- The bond proceeds may finance up to 100 percent of project costs, although many campuses choose to contribute funds to reduce the amount of debt carried on a project. Both Mankato and Moorhead are contributing campus funds. Vermilion advanced funds for design from their operating budget.
- The estimated project cost listed below includes all source of funds used to finance the project.
- The portion of a project financed with revenue bonds includes an additional 11 percent which represents an estimated cost of issuance estimate. The majority of issuance costs represents debt service reserve equal to one full year of debt service; the remainder of costs include advisory costs, such as bond counsel, financial counsel, cost of document preparations for regulatory compliance, such as publication of the official statement and related costs.
- Student consultation letters that have been received in time for this meeting are attached and incorporated in this report as **Attachment D**.
- Square footage and cost amounts are based on the most current information available. As the projects advance through the design process, square footages and costs may fluctuate slightly from what is represented here.

The proposed projects for the 2015 revenue bond sale are as follows:

1. Construction of New Dining Facility, MSU, Mankato

CURRENT CAMPUS:	1,725,252 sq. ft.
NEW CONSTRUCTION:	60,614 sq. ft.
OCCUPANCY:	Summer 2017

PROJECT DESCRIPTION: New construction of a 61,800 gross sq. ft. student dining facility, which is part of the next phase in MSU, Mankato's residential life master plan. This project replaces the dining capacity lost after the demolition of Gage Towers and consolidates dining around the residential precinct, which included Julia Sears and Preska residence halls. Upon completion, this facility will serve up to 2,850 students. The existing dining hall (Carkoski Commons) will remain in place until at least 2019, at which time it is expected to be demolished for the final phase of student housing.

STUDENT FEES: The campus is proposing a 3 percent - 4.5 percent increase per year in room and board rates to accommodate this project. The fee schedule has been developed with student consultation.

ESTIMATED PROJECT COST: \$31,500,000

SOURCE OF FUNDS:

Revenue Bonds	\$28,500,000
Revenue Fund Reserve (campus)	\$ 3,000,000

2. Addition and Renovation of Comstock Memorial Student Union, Minnesota State University Moorhead

CURRENT CAMPUS:	1,163,688 sq. ft.
RENOVATED SPACE	36,402 sq. ft.
NEW SPACE:	3,100 sq. ft.
OCCUPANCY:	January 2017

PROJECT DESCRIPTION: This project includes design, renovation and a small addition to Comstock Memorial Union, the university's existing student union constructed in two phases in 1965 and 1970. This renovation will greatly enhance the usability of the student union, and bolsters the student activities areas and addresses ADA accessibility issues. The project is estimated to remove approximately \$1 million in current and projected deferred maintenance.

STUDENT FEES: The campus is proposing a 3 percent increase in the student union facility fee to accommodate the new debt and allow for increases in operating expenses. This will bring the annual student cost to the maximum of \$300 per year.

TOTAL ESTIMATED COST: \$9,000,000

SOURCE OF FUNDS:

Revenue Bonds	\$4,500,000
Revenue Fund Reserve	\$4,500,000

3. Construction of new student housing at Vermilion Community College in Ely.

CURRENT FACILITIES:	125,760 sq. ft.
DEMOLISHED SPACE:	18,480 sq. ft.
NEW SPACE:	29,750 sq. ft.
COMPLETION:	July 2016

PROJECT DESCRIPTION: Due to its proximity to the Boundary Waters Canoe Area, limited student housing options within Ely, and specialized natural resource programs, Vermilion Community College has operated a residential life program for over 30 years. This project will replace 84 beds of “temporary” modular housing units that were brought on site in 1993 and will eliminate \$471,000 of current maintenance backlog and over \$1 million of future renewal needs. The project consists of constructing five (5) new buildings, each containing 3 units in a townhome style. Each townhouse will include 8 beds (120 beds total). The result will be the replacement of 84 substandard beds with a net total addition of 36 beds. The older units are scheduled to be demolished sometime before FY2017. This will avoid \$1.028 million of future scheduled maintenance for the modular units and will address the college’s unique situation as a destination college adjacent to the Boundary Waters Canoe Area.

FEES: The campus is proposing an initial increase of 6 percent to the room rates in FY2015 and 11 percent in FY2016 to bring it in line with the market and debt service costs. After that time, the project is expected to stabilize and rates are anticipated to smooth out with any rate increases in line with representative inflation rates. The fee structure has been developed with student consultation.

TOTAL ESTIMATED COST: \$5,500,000

SOURCE OF FUNDS:

Revenue Bonds	\$4,000,000
Housing Grant (2014 Bonding bill)	\$1,100,000
IRRRB Grant	\$ 500,000

4. TAXABLE BONDS / PLANNING FUNDS FOR FUTURE PROJECTS

Each bond sale includes a taxable component to offset private use that may impact ordinary tax exempt bond financing. Taxable bond funds are also available for campuses to use for design of future projects.

The system's revenue fund operations budget pays the debt service on these planning monies until the bonds are placed at a campus.

TAXABLE AMOUNT: \$1,500,000

BOND RATING

Presentations are expected to be scheduled in January 2015 with Moody's Investors Service and to Standard & Poor's on the proposed sale. Moody's and Standard & Poor's have most recently rated MnSCU revenue fund bonds a favorable Aa2 and AA- respectively. Considering the financial condition of the revenue fund, similar ratings are anticipated for the new sale.

As a comparison, the State of Minnesota's ratings are Moody's: Aa1, Standard & Poor's: AAA, and Fitch: AAA. The General Obligation of the state bonds carries the full faith and credit of the State of Minnesota, while the MnSCU revenue bonds only pledge the facilities of the Fund and the revenue generated therein.

BOND SALE RESOLUTION

The Board of Trustees is being asked to approve the sale based on the parameters shown in **Attachment A**. The draft Series Resolution authorizing the bond sale is presented at **Attachment B**. After the second reading in November, the system's financial advisor, Springsted, Incorporated will publish notification of sale. The Series Resolution will also be finalized with assistance of bond counsel. Pending final board approval, the sale would be scheduled to occur in February.

The blanks in the Series Resolution will be completed based on the results of either a competitive or negotiated sale of the bonds. The interest rates, redemption features, and other details, as well as whether all or any of the bonds are insured, will be determined on the basis of the best (most favorable on a net interest cost basis) bid received from those submitting offers, and will be memorialized in the Series Resolution, the bonds themselves, and in a certificate signed by the MnSCU Chief Financial Officer.

STUDENT CONSULTATION

Student consultation letters have been received in the system office confirming that student consultation has taken place regarding these projects. Copies of the letters are attached and incorporated in this report as **Attachment D**.

SUMMARY

The Board of Trustees is being asked to authorize approximately \$36 million in tax exempt bonds allocated among the following purposes:

Project (Tax Exempt)	Par Amount	Term
Refund Series 2005A, Mankato portion	\$28,745,000	18 yrs

Refund Series 2005B, St. Cloud portion	2,985,000	11 yrs
New Vermilion project, student housing	4,330,000	20 yrs
	<u>\$36,060,000</u>	

The Board of Trustees is being asked to authorize approximately \$40.7 million in taxable bonds allocated among the following purposes:

Project (Taxable)	Par Amount	Term
New Mankato project, dining hall	\$34,040,000	20 yrs
New Moorhead project, student union	4,950,000	20 yrs
New funding, system office/design	1,655,000	10 yrs
	<u>\$40,645,000</u>	

To allow for market movement or premium or discount bids received, the board motion allows for authorization of up to \$40 million for tax exempt and \$44 million taxable bonds.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees authorizes a revenue bond sale for not more than \$40,000,000 of tax-exempt Series 2015A Bonds and for not more than \$44,000,000 of taxable Series 2015B Bonds subject to the sale parameters as presented on **Attachment A**. The Board of Trustees approves the Series Resolution as described in **Attachment B**. In addition, as bond proceeds are made available, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees authorizes a revenue bond sale for not more than \$40,000,000 of tax-exempt Series 2015A Bonds and for not more than \$44,000,000 of taxable Series 2015B Bonds subject to the sale parameters as presented on **Attachment A**. The Board of Trustees approves the Series Resolution as described in **Attachment B**. In addition, as bond proceeds are made available, the Chancellor or his designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

Date Presented to the Board: November 19, 2014

**ATTACHMENT A
SALE PARAMETERS**

Series 2015A (Tax Exempt) (Including new money bonds and refunding bonds)

- 1. Maximum Interest Rate (TIC): up to 4.50%**
- 2. Maximum Principal: \$ \$40,000,000**
- 3. Maximum Discount: 1.5 % of par or \$1.50/\$1,000 Bond. Minimum bid of 98.5% is required per the Official Statement**
- 4. Earliest Redemption date: October 1, 2025**

Series 2015B (Taxable)

- 1. Maximum Interest Rate (TIC): up to 5.00%**
- 2. Maximum Principal: \$44,000,000**
- 3. Maximum Discount: 1.2 % of par or \$12.00/\$1,000 Bond. Minimum bid of 98.8% is required per the Official Statement**
- 4. Redemption date: October 1, 2025**

In any event, the total principal for Series 2015A and 2015B may not exceed \$84,000,000.

ATTACHMENT B

SERIES RESOLUTION

OF

THE BOARD OF TRUSTEES

OF THE

MINNESOTA STATE COLLEGES AND UNIVERSITIES

RELATING TO

**REVENUE FUND BONDS
SERIES 2015A and TAXABLE SERIES 2015B**

FIRST READING: October 21, 2014

ADOPTED: November [18], 2014

TABLE OF CONTENTS

ARTICLE 1 – DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION..... 3

 Section 1.1 Definitions 3

 Section 1.2 Effect of this Series Resolution 4

 Section 1.3 Exhibits 5

ARTICLE 2 – THE SERIES 2015 BONDS 5

 PART A — THE SERIES 2015A BONDS 5

 Section 2.1A The Series 2015A Bonds 5

 Section 2.2A The Series 2015A Bonds – Initial Issue..... 6

 Section 2.3A The Series 2015A Bonds – Redemption..... 7

 PART B — THE SERIES 2015B BONDS 8

 Section 2.1B The Series 2015B Bonds..... 8

 Section 2.2B The Series 2015B Bonds – Initial Issue..... 8

 Section 2.3B The Series 2015B Bonds – Redemption 9

 Section 2.4 Method of Redemption for the Series 2015 Bonds..... 10

ARTICLE 3 – FUNDS AND ACCOUNTS 11

 Section 3.1 Series 2015 Revenue Receipts Subaccounts..... 11

 Section 3.2 Series 2015 Debt Service Subaccounts..... 11

 Section 3.3 Capital Expenditure Account..... 11

 Section 3.4 Refunding Fund 11

 Section 3.5 Establishment of Accounts 12

ARTICLE 4 – SERIES COVENANTS 12

 Section 4.1 Payment of Principal, Purchase Price, Premium and Interest..... 12

 Section 4.2 Performance of and Authority for Covenants..... 12

 Section 4.3 Books and Records 12

 Section 4.4 Bondholders’ Access to Bond Register 12

 Section 4.5 Continuing Disclosure 13

 Section 4.6 Resignation or Removal of Registrar and Paying Agent 17

 Section 4.7 Compliance with DTC Requirements..... 17

 Section 4.8 Notices to Rating Agency 17

Exhibit A-1 – Form of Series 2015A Bond A-1

Exhibit A-2 – Form of Series 2015B Bond..... A-2

Exhibit B – Annual Report Information B

Exhibit C – DTC Blanket Letter of Representations C

RESOLUTION

BE IT RESOLVED by the Board of Trustees of the Minnesota State Colleges and Universities (the “Issuer” or “MnSCU”) as follows:

WITNESSETH

WHEREAS:

1. MnSCU is a public body and agency of the State of Minnesota duly created and existing under Minnesota Statutes, Chapter 136F, as amended (the “Act”), having the rights, powers, privileges and duties provided in the Act, including those set forth in the Master Indenture (defined herein).

2. MnSCU has previously entered into an Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, as amended by the First Amendment to the Amended and Restated Indenture, dated as of March 1, 2013 (together, as amended, the “Master Indenture”), with U.S. Bank National Association (the “Trustee”), pursuant to which MnSCU and the Trustee agreed to the terms and conditions governing the Revenue Fund Bonds issued by MnSCU pursuant to the Master Indenture.

3. All terms capitalized but not otherwise defined herein have the meanings assigned to those terms in the Master Indenture.

4. MnSCU has previously issued its Revenue Fund Bonds, Series 2005A (the “Series 2005A Bonds”) in the original aggregate principal amount of \$41,930,000, which are outstanding in the aggregate principal amount of \$31,945,000 as of October 1, 2015.

4. MnSCU has determined that the capital expenditure needs of the Facilities and the debt service savings on the Series 2005 Bonds make it necessary and desirable for MnSCU to issue its Revenue Fund Bonds in an original principal amount up to \$84,000,000 (the “Series 2015 Bonds” or the “Bonds”) consisting of its Revenue Fund Bonds, Series 2015A (the “Series 2015A Bonds”) and its Revenue Fund Bonds, Taxable Series 2015B (the “Series 2015B Bonds”), and to use the proceeds of the Series 2015 Bonds to: (i) fund capital costs incurred in connection with the Facilities; (ii) advance refund the outstanding Series 2005A Bonds; (iii) fund the Debt Service Reserve Account in the amount of the Reserve Requirement; (iv) pay certain costs of issuing the Series 2015 Bonds; and (v) pay interest on a portion of the Series 2015 Bonds for an initial period.

5. The Institutions which anticipate using proceeds of the Bonds for their Facilities have advised MnSCU that they need to begin work on planning and other activities related to such Facilities prior to the issuance of the Bonds in order to complete the Facilities in a timely manner, and expect to incur expenditures for this purpose prior to the issuance of the Series 2015 Bonds which they will seek to have reimbursed from the proceeds of the Series 2015 Bonds.

6. MnSCU intends to use a portion of the proceeds of the Series 2015 Bonds to reimburse the Institutions for eligible costs incurred in connection with the financed Facilities.

7. The execution and delivery of this Series Resolution and the issuance of the Series 2015 Bonds have been in all respects duly and validly authorized by the Issuer.

8. All things necessary to make the Series 2015 Bonds, when authenticated by the Trustee and issued and secured as provided in the Master Indenture and this Series Resolution, valid, binding and legal limited obligations of the Issuer according to the import thereof, have been done and performed; and

the creation, execution and delivery of this Series Resolution, and the creation, execution and issuance of said Series 2015 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS SERIES RESOLUTION WITNESSETH:

The Issuer, in consideration of the premises and the purchase and acceptance of the Series 2015 Bonds by the Holders thereof, in order to secure the payment of the principal of, interest on, and premium, if any, on the Series 2015 Bonds according to their tenor and effect, does hereby grant a security interest in and assign to the Holders of the Series 2015 Bonds and all Revenue Fund Bonds (other than Subordinate Bonds) issued pursuant to the Master Indenture and any Series Resolution (including this Series Resolution), and to the beneficiaries of any Senior Guarantees, regardless of when such Senior Bonds or Senior Guarantees were or are issued, on an equal and parity basis, except as expressly stated below, the following:

FIRST

The “Net Revenues” as defined in the Master Indenture as heretofore amended and as amended by this Series Resolution;

SECOND

All proceeds, earnings and investment income derived from the foregoing (except Rebate Amounts); and

PROVIDED that:

First, the foregoing equal and ratable parity pledge shall not extend to Subordinate Bonds which shall be secured solely by moneys held in the Surplus Fund as provided in the Master Indenture and therein; and

Second, the proceeds of any Credit Enhancement Instrument issued to secure a particular Series of Revenue Fund Bonds shall benefit only that Series of Revenue Fund Bonds and the proceeds of such Credit Enhancement Instrument shall not be applied for the benefit of or payment of any other series of Revenue Fund Bonds; and

Third, moneys applied to the payment of Revenue Fund Bonds and Senior Guarantees shall be withdrawn from the funds and accounts created by the Master Indenture in strict order of the priority set forth therein.

SUCH PLEDGE having been made, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all Holders from time to time of the Revenue Fund Bonds, and all Senior Bonds and Senior Guarantees heretofore issued and to be issued under and secured by the Master Indenture and this Series Resolution and other Series Resolutions (but excluding Subordinate Bonds) without privilege, priority or distinction as to lien or otherwise of any of such bonds or guarantees over any of the others except as otherwise provided therein and herein.

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or provide fully for payment as herein provided of the principal of the Series 2015 Bonds and the interest due or to become due thereon (together with premium, if any), at the time and in the manner set forth in the Series 2015 Bonds according to the true intent and meaning thereof, and shall well and truly

keep, perform and observe all the covenants and conditions pursuant to the terms of the Master Indenture and this Series Resolution to be kept, performed and observed by it, and shall pay to the Registrar and Paying Agent all sums of money due or to become due in accordance with the terms and provisions of the Master Indenture and this Series Resolution as from time to time supplemented, then this Series Resolution and the rights hereby granted shall cease, terminate and be void except as otherwise provided herein; otherwise, the Master Indenture and this Series Resolution shall be and remain in full force and effect.

UNDER THE PROVISIONS OF THE ACT and the Series Resolution, the Series 2015 Bonds may not be payable from or be a charge upon any funds of the Issuer or the State other than the revenues pledged to the payment thereof nor shall the Issuer or State be subject to any pecuniary liability thereon except from moneys expressly pledged, and no Holder or Holders of the Series 2015 Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer or the State to pay any Revenue Fund Bond or the interest and premium, if any, thereon, or to enforce payment thereof against any property of the Issuer or the State, except as above provided; the Series 2015 Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Issuer, except as above provided; but nothing in the Act impairs the rights of Holders of Series 2015 Bonds issued under the Master Indenture and this Series Resolution and any other Series Resolutions and the beneficiaries of Senior Guarantees to enforce the covenants made for the security thereof, to the extent specifically provided herein, for the equal and proportionate benefit of all Holders of the Series 2015 Bonds, all other Revenue Fund Bonds, and the beneficiaries of Senior Guarantees, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. All terms capitalized but not otherwise defined in this Series Resolution shall have the meanings assigned to such terms in the Master Indenture. In this Series Resolution the following terms have the following respective meanings unless the context hereof clearly requires otherwise.

Authorized Denomination means \$5,000, or any integral multiple thereof.

Closing Certificate means the certificate of the Issuer executed by an Authorized Representative reflecting the final principal amounts, maturity dates, interest rates, and sinking fund redemption dates of the Bonds, as well as the allocation of Bond proceeds among the various funds and accounts, (i) established by the Original Purchaser in the winning bid or bids for the Bonds accepted by the Issuer or (ii) negotiated by the Issuer and the Original Purchaser pursuant to a Bond Purchaser Agreement between the Issuer and such Original Purchaser.

Interest Payment Date means, with regard to the Series 2015 Bonds, each April 1 and October 1, commencing with October 1, 2015.

Master Indenture means the Amended and Restated Master Indenture of Trust, dated as of June 1, 2009, relating to MnSCU's Revenue Fund Bonds, as amended from time to time.

Maturity Date means any date on which principal of or interest and premium, if any, on the Series 2015 Bonds is due, whether at maturity, on a scheduled Interest Payment Date, or upon redemption or acceleration, or otherwise.

MnSCU or the Issuer means the Board of Trustees of the Minnesota State Colleges and Universities, or any successor to its functions.

Original Purchaser means the original purchaser(s) of the Series 2015 Bonds, (i) in the case of a competitive sale, as determined after the acceptance of the bids, as identified in the Closing Certificate, or (ii) in the case of a negotiated sale, as selected by the Issuer.

Prior Bonds means all bonds issued or secured under the Master Indenture prior to the issuance of the Series 2015 Bonds.

Rating Agency means Moody's Investors Service or Standard & Poor's Ratings Services or Fitch Ratings or any other nationally recognized credit rating agency which has been solicited to issue a rating on, and has issued a rating on, the Series 2015 Bonds; and with respect to the credit rating (claims payment ability rating) of an insurance company, A.M. Best & Company or any other nationally recognized credit rating agency rating the claims payment ability of insurance companies.

Registrar and Paying Agent means U.S. Bank National Association, whose principal corporate trust office is located in Saint Paul, Minnesota.

Revenue Fund Bonds means, collectively, the Prior Bonds and the Series 2015 Bonds.

Series 2005 Refunding Subaccount means the fund identified as the Refunding Account created by Section 3.4 hereof, into which a portion of the proceeds of the Series 2015 Bonds are to be deposited for the purpose of refunding a portion of the Series 2005A Bonds.

Series Resolution means this Series Resolution adopted on November [18], 2014 by the Board of Trustees of Minnesota State Colleges and Universities.

Term Bonds means the Series 2015 Bonds identified as such pursuant to Section 2.3(A)(2), and the Closing Certificate, if any.

Series 2015 Bonds or Bonds means the Board of Trustees of Minnesota State Colleges and Universities, Revenue Fund Bonds dated as of the date of delivery and issued in the original principal amount of up to \$84,000,000, consisting of the Series 2015A Bonds and the Series 2015B Bonds issued pursuant to this Series Resolution.

Series 2015A Bonds means the Board of Trustees of Minnesota State Colleges and Universities, Revenue Fund Bonds, Series 2015A, dated as of the date of delivery and expected to be issued in an original principal amount of no more than \$40,000,000 pursuant to this Series Resolution.

Series 2015B Bonds means the Minnesota State Colleges and Universities, Revenue Fund Bonds, Taxable Series 2015B, dated as of date of delivery and expected to be issued in an original principal amount of no more than \$44,000,000 pursuant to this Series Resolution.

Trustee means U.S. Bank National Association, its successors and assigns.

Section 1.2 Effect of this Series Resolution.

(a) Except as expressly supplemented or amended by this Series Resolution, all of the terms and provisions of the Master Indenture, as heretofore amended, shall apply to the Series 2015 Bonds.

(b) To the extent of any inconsistency between the terms and provisions of this Series Resolution and the terms and provisions of the Master Indenture, this Series Resolution shall control. Except as provided in the preceding sentence, the terms and provisions of this Series Resolution shall be construed with the terms and provisions of the Master Indenture so as to give the maximum effect to both.

(c) This Series Resolution shall take effect on the date of issue of the Series 2015 Bonds.

(d) The Rules of Interpretation stated in Section 2.02 of the Master Indenture shall apply to this Series Resolution.

Section 1.3 Exhibits. The following Exhibits are attached to and by reference made a part of this Series Resolution:

- (1) Exhibit A-1: Form of Series 2015A Bonds;
- (2) Exhibit A-2: Form of Series 2015B Bonds;
- (3) Exhibit B: Annual Report Information;
- (4) Exhibit C: Blanket Issuer Letter of Representation.

ARTICLE 2

THE SERIES 2015 BONDS

PART A — THE SERIES 2015A BONDS

Section 2.1A The Series 2015A Bonds.

(A) The Series 2015A Bonds shall be issued as:

- (1) Tax-Exempt Bonds;
- (2) Book-Entry Form Bonds; and
- (3) as Revenue Fund Bonds bearing interest at a fixed rate of interest.

The Series 2015A Bonds are expected to be issued in a principal amount not to exceed \$40,000,000, with the actual principal amount issued to be identified in the Closing Certificate relating to the Series 2015A Bonds, provided that the total principal amount of the Series 2015 Bonds will not exceed \$84,000,000. The total principal amount of Series 2015A Bonds which may be Outstanding hereunder is expressly limited to the amount identified in the Closing Certificate relating to the Series 2015A Bonds unless duplicate Series 2015A Bonds are issued as provided in Section 2.12 of the Master Indenture. The Series 2015A Bonds shall be issued in Authorized Denominations and in substantially the form of Exhibit A-1 hereto, with such variations, additions or deletions as may be appropriate to conform the terms of such Series 2015A Bonds to the terms of this Article 2.

The Vice Chancellor-Chief Financial Officer, in her discretion, is hereby authorized to provide for the sale of the Series 2015A Bonds by: (i) a competitive sale pursuant to Section 2.18(a) of the Master Indenture or (ii) a negotiated sale pursuant to Section 2.18(b) of the Master Indenture. In the case of a negotiated sale, the Vice Chancellor-Chief Financial Officer is authorized to select an underwriter as the Original Purchaser and is authorized to enter into a Bond Purchase Agreement with such Original Purchaser. The Vice Chancellor-Chief Financial Officer or her designee is authorized to complete the

Closing Certificate for the Series 2015A Bonds to establish their specific terms on the basis of: (i) in the case of a competitive sale, the highest and best bid meeting the criteria established herein and in the Master Indenture, or (ii) in the case of a negotiated sale, the specific terms and conditions negotiated by MnSCU and the Original Purchaser in the Bond Purchaser Agreement. The maximum discount at which the Original Purchaser may purchase the Series 2015A Bonds is 98.5% of par.

(B) Upon issuance, the net proceeds of the Series 2015A Bonds (the original principal amount thereof, plus any premium or less any discount allowed to the Original Purchaser) shall be deposited by MnSCU into such accounts as shall be determined by the Issuer in the Closing Certificate. A portion of the amount deposited in the Capital Expenditures Account, in the amount stated in said Closing Certificate, shall be applied to pay the costs of issuing the Series 2015A Bonds.

Section 2.2A The Series 2015A Bonds – Initial Issue. The Series 2015A Bonds shall be initially issued in the aggregate principal amount set forth in the Closing Certificate relating to the Series 2015A Bonds and shall:

(1) be initially dated as of the date of delivery, and thereafter be dated the date of their registration as provided in Section 2.6(a) of the Master Indenture;

(2) be issued in Book-Entry Form and delivered by the Original Purchaser to the Depository as set forth in Section 2.15 of the Master Indenture;

(3) mature on October 1 in the years and amounts set forth in the Closing Certificate, subject to prior redemption as provided in the Closing Certificate;

(4) (a) Interest shall accrue on the Series 2015A Bonds from the date of issuance until the principal amount is paid or payment is duly provided for in accordance with this Series Resolution, and shall be payable on each Interest Payment Date. Interest accrued on any Series 2015A Bond or portion thereof redeemed pursuant to Sections 2.3A(A) hereof shall also be payable on the Redemption Date as to Series 2015A Bonds called for redemption.

(b) the Series 2015A Bonds shall mature on October 1 in the years and in the amounts, and bear interest at the rate or rates, set forth in the Closing Certificate. Interest payable shall be computed at the rates set forth below based on a 360-day year of twelve, 30-day months, for the actual number of complete months, and of days less than a complete month, and shall not exceed a true interest cost of 4.50%.

(5) be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the principal trust office of the Trustee, or a duly appointed successor Trustee, except that interest on the Series 2015A Bonds will be payable by check or draft mailed by the Trustee to the Holders of such Series 2015A Bonds on the applicable Regular Record Date (the “Record Date Holders”) at the last addresses thereof as shown in the Bond Register on the applicable Regular Record Date, provided that interest shall be paid to a Holder of \$1,000,000 or more of the principal amount of the Series 2015A Bonds outstanding by electronic funds transfer if such Holder so requests in writing in a form acceptable to the Paying Agent and principal of and any premium on any Series 2015A Bonds shall be payable at the principal office of the Trustee; and

(6) be subject to redemption upon the terms and conditions and at the prices specified in Sections 2.3A(A) and 2.4 hereof.

Notwithstanding the foregoing, if the date for payment of the principal of, premium, if any, or interest on, of any Series 2015A Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment.

The Series 2015A Bonds shall be delivered by the Trustee to the Original Purchaser thereof upon receipt by the Trustee and/or Issuer of the items listed in Section 2.13 of the Master Indenture, and satisfaction by the Issuer of the conditions stated in Section 2.5 of the Master Indenture.

Section 2.3A The Series 2015A Bonds – Redemption.

(A) Pursuant to the provisions of Section 3.1 of the Master Indenture and 2.4 hereof, the Series 2015A Bonds are subject to redemption prior to maturity as follows:

(1) *Damage or Destruction or Condemnation.* In the event of damage to or destruction of any Facility, in whole or part, the Series 2015A Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

(2) *Scheduled Mandatory Redemption.* The Series 2015A Bonds are subject to mandatory redemption prior to maturity by mandatory sinking fund installments in the amounts and on the dates reflected in the Closing Certificate.

(3) *Optional Redemption.* The Series 2015A Bonds maturing on or after October 1, 2025 are subject to optional redemption and prepayment upon direction by the Issuer to the Trustee in whole on any date on or after April 1, 2025 and in part, on such date or on any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

(4) *Excess Proceeds Redemption.* If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of the Series 2015A Bonds, or (ii) three years from the date of issuance of the Series 2015A Bonds, proceeds of the Series 2015A Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of the Series 2015A Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause the Series 2015A Bonds to lose their tax-exempt status.

(B) No Other Redemption Prior to Maturity. Except as provided in Section 2.3A(A) herein, the Series 2015A Bonds shall not be subject to redemption prior to their stated maturity date.

PART B — THE SERIES 2015B BONDS

Section 2.1B The Series 2015B Bonds.

- (A) The Series 2015B Bonds shall be issued as:
- (1) Taxable Bonds;
 - (2) Book-Entry Form Bonds; and
 - (3) as Bonds bearing interest at a fixed rate of interest.

The Series 2015B Bonds are expected to be issued in a principal amount not to exceed \$44,000,000, with the actual principal amount issued to be identified in the Closing Certificate relating to the Series 2015B Bonds, provided that the total principal amount of the Series 2015 Bonds will not exceed \$84,000,000. The total principal amount of Series 2015B Bonds which may be Outstanding hereunder is expressly limited to the amount identified in the Closing Certificate relating to the Series 2015B Bonds unless duplicate Series 2015B Bonds are issued as provided in Section 2.12 of the Master Indenture. The Series 2015B Bonds shall be issued in Authorized Denominations and in substantially the form of Exhibit A-2 hereto, with such variations, additions or deletions as may be appropriate to conform the terms of such Series 2015B Bonds to the terms of this Article 2.

The Vice Chancellor-Chief Financial Officer, in her discretion, is hereby authorized to provide for the sale of the Series 2015B Bonds by: (i) a competitive sale pursuant to Section 2.18(a) of the Master Indenture or (ii) a negotiated sale pursuant to Section 2.18(b) of the Master Indenture. In the case of a negotiated sale, the Vice Chancellor-Chief Financial Officer is authorized to select an underwriter as the Original Purchaser and is authorized to enter into a Bond Purchase Agreement with such Original Purchaser. The Vice Chancellor-Chief Financial Officer or her designee is authorized to complete the Closing Certificate for the Series 2015B Bonds to establish their specific terms on the basis of: (i) in the case of a competitive sale, the highest and best bid meeting the criteria established herein and in the Master Indenture, or (ii) in the case of a negotiated sale, the specific terms and conditions negotiated by MnSCU and the Original Purchaser in the Bond Purchase Agreement. The maximum discount at which the Original Purchaser may purchase the Series 2015B Bonds is 98.8% of par.

(B) Upon issuance, the net proceeds of the Series 2015B Bonds (the original principal amount thereof, plus any premium or less any discount allowed to the Original Purchaser) shall be deposited by MnSCU into such accounts as shall be determined by the Issuer in the Closing Certificate. A portion of the amount deposited in the Capital Expenditures Account, in the amount stated in said Closing Certificate, shall be applied to pay the costs of issuing the Series 2015B Bonds.

Section 2.2B The Series 2015B Bonds – Initial Issue. The Series 2015B Bonds shall be initially issued in the aggregate principal amount set forth in the Closing Certificate relating to the Series 2015 Bonds and shall:

- (1) be initially dated as of the date of delivery, and thereafter be dated the date of their registration as provided in Section 2.6(a) of the Master Indenture;
- (2) be issued in Book-Entry Form and delivered by the Original Purchaser to the Depository as set forth in Section 2.15 of the Master Indenture;

(3) mature on October 1 in the years and amounts set forth in the Closing Certificate, subject to prior redemption as provided in the Closing Certificate;

(4) (a) Interest shall accrue on the Series 2015B Bonds from the date of issuance until the principal amount is paid or payment is duly provided for in accordance with this Series Resolution, and shall be payable on each Interest Payment Date. Interest accrued on any Series 2015B Bond or portion thereof redeemed pursuant to Sections 2.3B(A) hereof shall also be payable on the Redemption Date as to Series 2015B Bonds called for redemption.

(b) the Series 2015B Bonds shall mature on October 1 in the years and in the amounts, and bear interest at the rate or rates, set forth in the Closing Certificate. Interest payable shall be computed at the rates set forth below based on a 360-day year of twelve, 30-day months, for the actual number of complete months, and of days less than a complete month and shall not exceed a true interest cost of 5.00%.

(5) be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the principal trust office of the Trustee, or a duly appointed successor Trustee, except that interest on the Series 2015B Bonds will be payable by check or draft mailed by the Trustee to the Holders of such Series 2015B Bonds on the applicable Regular Record Date at the last addresses thereof as shown in the Bond Register on the applicable Regular Record Date, provided that interest shall be paid to a Holder of \$1,000,000 or more of the principal amount of the Series 2015B Bonds outstanding by electronic funds transfer if such Holder so requests in writing in a form acceptable to the Paying Agent and principal of and any premium on any Revenue Fund Bonds shall be payable at the principal office of the Trustee; and

(6) be subject to redemption upon the terms and conditions and at the prices specified in Sections 2.3B(A) and 2.4 hereof.

Notwithstanding the foregoing, if the date for payment of the principal of, premium, if any, or interest on, of any Series 2015B Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment.

The Series 2015B Bonds shall be delivered by the Registrar and Paying Agent to the Original Purchaser thereof upon receipt by the Registrar and Paying Agent and/or Issuer of the items listed in Section 2.13 of the Master Indenture, and satisfaction by the Issuer of the conditions stated in Section 2.5 of the Master Indenture.

Section 2.3B The Series 2015B Bonds – Redemption.

(A) Pursuant to the provisions of Section 3.1 of the Master Indenture and 2.4 hereof, the Series 2015B Bonds are subject to redemption prior to maturity as follows:

(1) *Damage or Destruction or Condemnation.* In the event of damage to or destruction of any Facility, in whole or part, the Series 2015B Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

(2) *Scheduled Mandatory Redemption.* The Series 2015B Bonds are subject to mandatory redemption prior to maturity by mandatory sinking fund installments in the amounts and on the dates reflected in the Closing Certificate.

(3) *Optional Redemption.* The Series 2015B Bonds maturing on or after October 1, 2025 are subject to optional redemption and prepayment upon direction by the Issuer to the Trustee in whole on any date on or after April 1, 2025 and in part, on such date or on any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

(4) *Excess Proceeds Redemption.* If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of the Series 2015B Bonds, or (ii) three years from the date of issuance of the Series 2015B Bonds, proceeds of the Series 2015B Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of the Series 2015B Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause the Series 2015B Bonds to lose their tax-exempt status.

(B) No Other Redemption Prior to Maturity. Except as provided in Section 2.3B(A) herein, the Series 2015B Bonds shall not be subject to redemption prior to their stated maturity date.

Section 2.4 Method of Redemption for the Series 2015 Bonds.

(1) To effect the redemption of the Series 2015 Bonds under Section 2.3A(A) (1), (3), or (4), or Section 2.3B(A) (1), (3) or (4), the Issuer, at least forty (40) days before the redemption date, shall notify the Trustee of its intention to effect such redemption. The funds required for such redemptions shall be provided to the Trustee at least three business days before the redemption date.

(2) The Trustee, on or before the thirtieth day preceding any specified redemption date, shall select the Series 2015 Bonds of the applicable series to be redeemed. In the event and to the extent the Series 2015 Bonds are redeemed in part, the outstanding amounts shown on the tables in those Sections and the serial maturities of the applicable series of Series 2015 Bonds shall be reduced as the Issuer shall direct in its notice to the Trustee. In the absence of such direction, the Trustee shall make such selection in such manner as the Trustee determines to be fair and appropriate, which may include random selection by lot.

(3) The Trustee shall give notice of redemption of Series 2015 Bonds mailed not less than thirty (30) days prior to the redemption date by mailing a written notice of redemption, first class mail, postage prepaid, to the Holders of the Series 2015 Bonds to be redeemed at the addresses for such Holders shown on the books of the Registrar, and by sending such notice by electronic mail to the Holders of Series 2015 Bonds for whom the Registrar has an electronic mail address, and by sending a notice of such redemption to each Depository in the same manner as an “event notice” under Section 4.5(B)(2) hereof.

(4) To effect the partial redemption of Series 2015 Bonds under Section 2.3A(A) or 2.3B(A) after receipt by the Trustee of notice from the Issuer, as provided herein, the Trustee, prior to giving notice of redemption, shall assign to each Series 2015 Bond of the applicable Series then Outstanding a distinctive number for each Authorized Denomination of the principal amount of such Series 2015 Bond. The Trustee shall then, using such method of selection as it shall deem proper in its discretion but consistent with subsection (2), from the numbers so assigned to such Series 2015 Bonds, select as many numbers as, at the Authorized Denomination for each number, shall equal the principal amount of such Series 2015 Bonds to be redeemed. The Series 2015 Bonds to be redeemed shall be the Series 2015 Bonds to which were assigned numbers so selected; provided that if, as a result of partial redemption there is a Series 2015 Bond outstanding in a principal amount less than the Authorized Denomination, such Series 2015 Bond shall be redeemed first at the next succeeding redemption date and the Trustee shall provide a written notice to that effect to the affected Holder and the Original Purchaser.

(5) As soon as Series 2015 Bonds are called for redemption pursuant to this Section 2.4, sums in the Escrow Account in the Revenue Fund sufficient to effect such redemption shall be irrevocably set aside for such purpose and applied for no other purpose under this Series Resolution.

ARTICLE 3

FUNDS AND ACCOUNTS

Section 3.1 Series 2015 Revenue Receipts Subaccounts. MnSCU is hereby directed to create a Series 2015A Revenue Receipts Subaccount and a Series 2015B Revenue Receipts Subaccount. All payments derived from the Facilities financed by the Series 2015A Bonds shall be deposited to the Series 2015A Revenue Receipts Subaccount. All payments derived from the Facilities financed by the Series 2015B Bonds shall be deposited to the Series 2015B Revenue Receipts Subaccount.

Section 3.2 Series 2015 Debt Service Subaccounts. The Trustee is hereby directed to create a Series 2015A Debt Service Subaccount and a Series 2015B Debt Service Subaccount pursuant to the Master Indenture. Net Revenues held in the Series 2015 Revenue Receipts Subaccounts shall be transferred by MnSCU on each March 1 and September 1 to the Trustee for deposit to the Series 2015 Debt Service Subaccounts, and there applied prior to the use of any other funds, to pay principal of, interest on and redemption price of Series 2015 Bonds.

Section 3.3 Capital Expenditure Account. The Trustee is hereby directed to create a Capital Expenditure Account for the Series 2015 Bonds (the "Series 2015 Capital Expenditure Subaccount") pursuant to the Master Indenture, with subaccounts therein as set forth in the Closing Certificate relating to the Series 2015 Bonds. The Trustee is directed to deposit proceeds of the Series 2015 Bonds therein as described in Section 2.1 hereof. Proceeds of the Series 2015 Bonds may be used to reimburse the colleges and universities which are using proceeds of the Bonds for costs incurred in connection with their respective financed Facilities as directed by the Issuer.

Section 3.4 Refunding Fund. There is hereby created a Refunding Fund, to be held by the Trustee. Certain proceeds of the Series 2015A Bonds, along with the amounts on deposit in the Series 2005A Debt Service Reserve Account and the Series 2005A Debt Service Account, and other available funds of MnSCU in the amounts to be set forth in the Closing Certificate relating to the Series 2015A Bonds and determined by an independent certified public accountant to be sufficient to redeem the Series 2005A Bonds, shall be deposited in the Refunding Fund as described in Section 2.1 hereof and from there

transferred by the Trustee to the Escrow Account established pursuant to an Escrow Agreement (the “Escrow Agreement”) between MnSCU and the Trustee and used to redeem the Series 2005A Bonds on October 1, 2015 pursuant to the terms of Escrow Agreement.

Section 3.5 Establishment of Accounts. MnSCU and the Trustee may, for ease of administration, establish additional subaccounts with any of the accounts held and maintained by them hereunder and under the Master Indenture, and shall establish such subaccounts as are necessary to: (a) separate accounts for debt service on Tax Exempt Revenue Fund Bond and Taxable Revenue Fund Bonds, (b) distinguish funds held for the benefit of different Institutions, (c) hold funds to be paid to a Credit Enhancer, (d) hold funds to be paid pursuant to Senior Guarantees, and (e) comply with Section 136F.94(b) of the Act.

ARTICLE 4

SERIES COVENANTS

Section 4.1 Payment of Principal, Purchase Price, Premium and Interest. Solely from the Net Revenues and sums held in the Accounts in the Revenue Fund, the Issuer will duly and punctually pay the principal of, premium, if any, and interest on the Series 2015 Bonds in accordance with the terms of the Series 2015 Bonds, the Master Indenture and this Series Resolution. Nothing in the Series 2015 Bonds or in this Series Resolution shall be considered as assigning or pledging funds or assets of the Issuer other than those expressly pledged to secure the Series 2015 Bonds (and other Senior Bonds and Senior Guarantees) set forth in the Master Indenture, as supplemented by this Series Resolution.

Section 4.2 Performance of and Authority for Covenants. The Issuer covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in the Master Indenture and this Series Resolution, in any and every Series 2015 Bond executed, authenticated and delivered hereunder and in all proceedings of MnSCU pertaining thereto; that it is duly authorized under the Constitution and laws of the State of Minnesota, including particularly and without limitation the Act, to issue the Series 2015 Bonds authorized hereby, to adopt this Series Resolution, to apply the Series 2015 Bond proceeds to make capital expenditures for the Facilities and to pledge the Net Revenues and moneys held in the Revenue Fund and its Accounts equally and ratably to secure the Series 2015 Bonds (and other Senior Bonds and any Senior Guarantees), in the manner and to the extent set forth in the Master Indenture and herein; that all action on its part for the issuance of the Series 2015 Bonds and the execution and delivery of this Series Resolution has been duly and effectively taken; and that the Series 2015 Bonds in the hands of the Holders thereof are and will be valid and enforceable obligations of the Issuer according to the terms thereof.

Section 4.3 Books and Records. The Registrar and Paying Agent will, so long as any Outstanding Series 2015 Bonds issued hereunder shall be unpaid, keep proper books or records and accounts, in which full, true and correct entries will be made of all its financial dealings or transactions in relation to the Series 2015 Bonds. At reasonable times and under reasonable regulations established by the Registrar and Paying Agent, such books shall be open to the inspection of the Original Purchaser, the Holders and such accountants or other agencies as the Registrar and Paying Agent may from time to time designate.

Section 4.4 Bondholders’ Access to Bond Register. At reasonable times and under reasonable regulations established by the Registrar and Paying Agent, the Bond Register or a copy thereof may be inspected and copied by Holders (or a designated representative thereof) of twenty-five percent (25%) or more in principal amount of the then Outstanding Series 2015 Bonds, such authority of any such designated

representative to be evidenced to the satisfaction of the Registrar and Paying Agent. Except as otherwise may be provided by law, the Bond Register shall not be deemed a public record and shall not be made available for inspection by the public, unless and until notice to the contrary is given to the Registrar and Paying Agent by the Issuer.

Section 4.5 Continuing Disclosure.

(A) Purpose; Definitions. Disclosure of information about the Series 2015 Bonds shall be made as provided in this Section. This Section is intended for the benefit of the Holders of the Series 2015 Bonds.

For the purposes of this Section, the following terms shall have the following meanings:

(1) *EMMA* means the Electronic Municipal Market Access system operated by the MSRB and the primary portal for complying with the continuing disclosure requirements of the Rule (Website: <http://emma.msrb.org/>)

(2) *MSRB* means the Municipal Securities Rulemaking Board;

(3) *Obligated Person* means:

(a) the Issuer; and

(b) any person who provides 10% or more of the Net Revenues securing the Revenue Fund Bonds (but an Institution shall not be deemed a person independent of the Issuer); and

provided that “obligated person” shall not mean a Credit Enhancer;

(4) *Revenue Fund Bonds* means the Prior Bonds and the Series 2015 Bonds;

(5) *Rule* means Securities and Exchange Commission Rule 15c2-12, as from time to time amended; and

(6) *Series 2015 Bonds* means the Bonds issued pursuant to this Series Resolution.

(B) Periodic and Occurrence Notices. Except to the extent this subsection (B) is modified or otherwise altered in accordance with subsection (F) below, the Registrar and Paying Agent or Financial Advisor on behalf of the Issuer shall make or cause to be made public, as provided in subsection (D) below, the information set forth in subsections (1), (2) and (3) below:

(1) Periodic Reports.

(a) the annual audited financial statements for the Revenue Fund of the Issuer; and

(b) annual financial information as to each Obligated Person (subject to subsection (E)(1) below); and

(c) an Annual Disclosure Report in substantially the form of Exhibit B hereto disclosing financial and operating data of the type disclosed in the Official Statement relating to the Series 2015 Bonds; provided that the form of Annual Disclosure Report shall

be amended or changed each year so as to fairly and accurately present financial and operating data required to be disclosed under the Rule.

(2) Occurrence Notices. The Issuer shall give, or shall cause to be given notice of the occurrence of any of the following events within a timely manner, not in excess of ten business days, after the occurrence of the event, and in accordance with the Rule, by filing such notice with the MSRB, in an electronic format prescribed by the MSRB:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Senior Bonds, or other material events affecting the tax-exempt status of the Senior Bonds;
- (g) modifications to rights of Bondholders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Senior Bonds, if Material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of either the Borrower or the Guarantor;
- (m) consummation of a merger, consolidation, or acquisition involving the Borrower or the Guarantor, the or sale of all or substantially all of the assets of the Borrower or the Guarantor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(3) Notice of Failure to Provide Information. In the event the information described in (1) or (2) above is not made public as required by this Section, such failure shall itself be made public by a notice filed with the MSRB.

(C) Information Provided to the Public.

(1) The Registrar and Paying Agent on behalf of the Issuer shall make public every communication which the Registrar and Paying Agent is required to make (or is permitted to make and in fact makes) to Holders, in each case in accordance with subsection (D) and on the same day such communication is transmitted to Holders hereunder.

(2) The Registrar and Paying Agent on behalf of the Issuer shall make public in accordance with subsection (D) and within the time frame set forth in subsection (3) below, the following, but only to the extent information is actually known by the Issuer or Registrar and Paying Agent or is within the possession, custody or control of the Issuer or Registrar and Paying Agent:

(a) all information which the Registrar and Paying Agent on behalf of the Issuer has agreed to make public under subsections (1), (2) and (3) of subsection (B); and

(b) such other information which the Issuer shall in writing request to be made public, so long as such information is permitted by law to be made public.

(3) (a) The Registrar and Paying Agent, on behalf of the Issuer, shall make public the periodic information described in subsection (B)(1), within 30 days after receipt by the Registrar and Paying Agent of each annual audited financial statement of the Issuer.

(b) The Registrar and Paying Agent shall, within three business days of obtaining actual knowledge of the occurrence of any of the events described in subsection (B)(2) contact the Issuer, inform the Issuer of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not the event is required to be reported. If the Registrar and Paying Agent has been instructed by the Issuer to report the occurrence, the Registrar and Paying Agent shall file a notice of such occurrence with the MSRB with a copy to the Issuer. Notwithstanding the foregoing, notice of an event described in subsection (B)(2)(d) and (e) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Master Indenture.

(D) Means of Making Information Public. The SEC has designated the EMMA system operated by the MSRB as the nationally recognized municipal securities information repository and the exclusive portal for complying with continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB or the SEC, the Registrar and Paying Agent and/or Dissemination Agent shall make all filings required under this Section 4.5 solely with EMMA

(E) Obligated Persons; Financial Information.

(1) In making information about Obligated Persons which file financial information with the SEC or the MSRB public, the Issuer may, for each Obligated Person that has complied or will comply with the next sentence, disclose financial information about such Obligated Person by cross-reference to information on file with, and publicly available from, the SEC or the MSRB. The Issuer shall cause each such Obligated Person to provide an annual notice stating (a) where its annual reports have been filed, and (b) that the annual reports so filed constitute its annual financial information as an Obligated Person hereunder. Annually the Issuer shall provide to each such Obligated Person a form of such notice and shall direct that such notice be executed by the Obligated Person and returned to the Issuer. In the event such Obligated Person fails or refuses to

provide the executed notice, the Issuer shall provide to the Registrar and Paying Agent a notice stating (a) the identity of such Obligated Person and the fact that such Obligated Person has failed and refused to provide the annual notice required by this subsection, and (b) if known to the Issuer, the place where annual financial information about such Obligated Person may be found. The Issuer shall then provide all such notices to the Registrar and Paying Agent concurrently with delivery of the Issuer's annual financial statements and shall direct the Registrar and Paying Agent to forward such notices to the MSRB and the Minnesota SID, if any.

(2) In determining whether a specific person is an "Obligated Person," the Institution shall

(a) aggregate all contracts executed by such person;

(b) aggregate all buildings or structures, or portions thereof, owned, leased or operated by such person; and

(c) aggregate all entities under common control or ownership.

(3) The Issuer shall determine who are Obligated Persons for each fiscal year and disclose in the Annual Disclosure Report the identity(ies) of each such Obligated Person; the disclosure relating to the identity of Obligated Persons in each Annual Disclosure Report shall be for the same fiscal year as that covered by the audited financial statement of the Issuer made public concurrently with the Annual Disclosure Report.

(4) Financial information about the Issuer, and about each Obligated Person, shall be prepared in accordance with, as applicable, generally accepted accounting principles, accounting principles applicable to state and local governments and agencies, or for persons whose equity or debt securities are registered with the State, the accounting principles then in effect governing filings of financial information with the SEC. Financial information about Obligated Persons which are public entities shall be prepared in accordance with Financial Accounting Standards Board principles as modified by Government Accounting Standards Board principles and by the accounting principles then applied by the Minnesota State Auditor, if applicable.

(F) Amendment of this Section. This Section shall be subject to modification or amendment as provided in Article 10.2, 10.3, and 10.4 of the Master Indenture. In addition to the requirements and limitations of the Master Indenture, no modification or amendment of this Section shall be made unless:

(1) the amendment or modification is made in connection with a change of circumstance arising from a change of legal requirements, change in law, or change in the identity, nature or status of the Obligated Person(s); and

(2) this Section, as amended or modified, would have complied with the Rule on the date of issue of the Series 2015 Bonds, taking into account any subsequent amendments or interpretations of the Rule and any change of circumstances.

The Registrar and Paying Agent and the Issuer may rely in good faith upon an opinion of counsel familiar with the law governing disclosure in connection with municipal securities as to compliance with the requirements of this Section and of the Rule.

Section 4.6 Resignation or Removal of Registrar and Paying Agent. Notwithstanding anything to the contrary contained herein or in the Master Indenture, the Registrar and Paying Agent shall not resign

or be removed until a successor Registrar and Paying Agent has been appointed. The Issuer shall promptly (within 30 days) appoint a successor Registrar and Paying Agent upon the resignation or removal and the then serving Registrar and Paying Agent. Any successor Registrar and Paying Agent shall be a financial institution having trust powers and a capital and surplus of not less than \$50,000,000.

Section 4.7 Compliance with DTC Requirements. So long as the Series 2015 Bonds are held in Book-Entry form at the Depository Trust Company, as Depository, the Registrar and Paying Agent shall comply with the provisions of the Blanket Letter of Representations between the Issuer and The Depository Trust Institution, and shall also comply with the letter from the Issuer to The Depository Trust Institution dated September 10, 2001 and attached hereto as Exhibit C.

Section 4.8 Notices to Rating Agency. Annually, at or about the time that the Issuer provides its Annual Disclosure Report pursuant to Section 4.5 hereof, the Issuer shall provide the same information to each national credit rating agency then maintaining a rating in effect for the Series 2015 Bonds. In addition, the Issuer shall provide to such rating agencies such other information relating to the Series 2015 Bonds, all other Revenue Fund Bonds issued under the Master Indenture, and the Revenue Fund, as they may reasonably request.

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EXHIBIT A-1

Form of Series 2015A Bond

R-_____ \$ _____

**UNITED STATES OF AMERICA
STATE OF MINNESOTA**

**MINNESOTA STATE COLLEGES
AND UNIVERSITIES**

**REVENUE FUND BOND
Series 2015A**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
_____ %	October 1, 20__	_____, 2015	60414F __

Registered owner: Cede & Co.

Stated Principal Amount: _____ **DOLLARS**

KNOW ALL MEN BY THESE PRESENTS that Minnesota State Colleges and Universities (the “Issuer”), for value received, acknowledges itself to be specially indebted and promises to pay to the registered owner named above, or registered assigns, but only from the sources specified herein, the Stated Principal Amount specified above on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2015, to the person or entity in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) preceding the date on which the interest is payable (all subject to the provisions hereof with respect to the redemption of this Bond prior to the maturity date specified above). The interest hereon and, upon presentation and surrender hereof at maturity or upon earlier redemption, the principal hereof, are payable in lawful money of the United States of America, by check or draft issued on each interest payment date by U.S. Bank National Association, in Saint Paul, Minnesota (the “Trustee”), which has been designated as Registrar and Paying Agent for the Revenue Fund Bonds; or at the office of such successor, if any, to said bank as may be designated by the Issuer in accordance with the Master Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Master Indenture until the Certificate of Authentication hereon shall have been executed by the Registrar and Paying Agent by the manual signature of one of its authorized representatives.

This Bond is one of a Series in the Stated Principal Amount of \$_____, each of like date and tenor except as to registration number, interest, maturity date, redemption privilege, and denomination, issued for the purpose of financing the construction or improvement of dormitory, residence hall, student union, food service or other revenue producing buildings and related facilities located or to be located on the campuses of the Institutions comprising the Minnesota State University System (the “System”). The Revenue Fund Bonds of this Series are issued under authority of, and in strict conformity with, the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 136F (the “Act”),

and under and pursuant to an Amended and Restated Master Indenture of Trust (the “Master Indenture”), dated as of June 1, 2009, as amended, between the Issuer and the Trustee, and a Series Resolution adopted by the Issuer on November [18], 2015 (the “Series Resolution”).

Under the Act and the Master Indenture, the principal of and interest on this Bond are payable solely from and secured by an irrevocable pledge of certain Net Revenues (as defined in the Master Indenture) to be derived by the Issuer from the operation of certain revenue producing Facilities of the System which have been pledged and appropriated to the Debt Service Account in the Issuer’s Revenue Fund, on a parity as to both principal and interest with certain other Senior Bonds heretofore or hereafter issued under and pursuant to the Master Indenture, and are further secured by a Reserve Requirement required to be established and maintained in the Debt Service Reserve Account. All covenants and provisions made for the payment and security of Revenue Fund Bonds payable from the Debt Service Account are set forth in the Master Indenture which is available for inspection by the registered owner of this Bond at the Issuer’s administrative office in St. Paul, Minnesota, and which is incorporated herein by reference.

This Bond is not a general obligation of the Issuer, and the full faith and credit of the Issuer is not pledged for its payment. The Issuer has no taxing authority. This Bond does not constitute a debt or obligation of the State of Minnesota within the meaning or application of any constitutional or statutory limitation or provision.

Revenue Fund Bonds of this Series maturing on or after October 1, 2025 are subject to optional redemption and prepayment upon direction of the Issuer in whole on any date after on or after April 1, 2025, or in part on such date or any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

Revenue Fund Bonds of this Series maturing on October 1 in the years ____ and ____ are subject to mandatory redemption prior to maturity by mandatory sinking fund installments, and are to be redeemed by lot, at 100% of the principal amount thereof plus accrued interest to the redemption date, on the following dates and in the following principal amounts:

[to be provided]

If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of these Revenue Fund Bonds, or (ii) three years from the date of issuance of these, proceeds of these Revenue Fund Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of these Revenue Fund Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause these Revenue Fund Bonds to lose their tax-exempt status.

In the event of partial or complete damage to or destruction or condemnation of any Facility, these Revenue Fund Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

Notice of redemption shall be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Redemption Date, to each holder of Revenue Fund Bonds to be redeemed at the address of the holder appearing in the Bond Register. No defect in or failure to give notice by mail to any holder shall affect the validity of the proceedings for redemption of any Revenue Fund Bond held by any holder to which proper notice by mail has been given. If notice by publication is required by law, the Paying Agent shall cause publication to be made in the form and at the time provided by law. All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Revenue Fund Bonds to be redeemed and the identification (and, in the case of partial redemption, the respective principal amounts) of the Revenue Fund Bonds to be redeemed, specifying their CUSIP number, their registration number and Maturity Date; (iv) that on the Redemption Date, the Redemption Price will be due and payable upon each Revenue Fund Bond, and interest will cease to accrue from and after such date (unless, under a redemption conditioned on sufficient funds, such condition is not met); and (v) the place or places where such Revenue Fund Bonds are to be surrendered for payment.

The Revenue Fund Bonds of this Series are issuable only as fully registered Bonds, in Stated Principal Amounts of \$5,000 or any multiple thereof of a single maturity.

As provided in the Master Indenture and subject to certain limitations set forth therein, this Bond is transferable upon the books of the Issuer at the principal corporate trust office of the Trustee, as Registrar and Paying Agent, in Saint Paul, Minnesota, or its successor, by the registered owner hereof, in person or by his attorney, duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar and Paying Agent, duly executed by the registered owner or his duly authorized attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange, the Issuer will cause to be issued in the name of the transferee or owner a new Bond or Bonds of the same aggregate Stated Principal Amount, Series, type, maturity, interest rate and terms as the surrendered Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Issuer or the Registrar and Paying Agent with respect to such transfer. The Issuer and the Registrar and Paying Agent shall treat the person in whose name this Bond is registered upon the books of the Issuer as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon his order shall be valid and effectual to satisfy and discharge the Issuer's liability upon this Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Registrar and Paying Agent shall be affected by any notice to the contrary.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding special obligation of the Issuer in accordance with its terms, do exist, have happened and have been performed in due form, time and manner as so required; that prior to the issuance of this Bond, the Issuer has provided for the payment of the principal of and interest on this Bond as described herein; and that the issuance of this Bond does not cause the indebtedness of the State or the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the manual or printed facsimile signature and countersignature of its Authorized Representative, and by a manual imprint or printed facsimile of its official seal, and has caused this Bond to be dated as of the date set forth below.

Dated: _____

[Authorized Representative]

CERTIFICATE OF AUTHENTICATION

This is one of the Revenue Fund Bonds delivered pursuant to the Authorizing Resolution described within.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite Name and Address of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature

Please Insert Social Security Number or Other Identifying Number of Assignee.

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular without alteration or any change whatever.

EXHIBIT A-2

Form of Series 2015B Bond

R-_____ \$ _____

**UNITED STATES OF AMERICA
STATE OF MINNESOTA**

**MINNESOTA STATE COLLEGES
AND UNIVERSITIES**

**REVENUE FUND BOND
Taxable Series 2015B**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
_____ %	October 1, 20__	_____, 2015	60414F __

Registered owner: Cede & Co.

Stated Principal Amount: _____ **DOLLARS**

KNOW ALL MEN BY THESE PRESENTS that Minnesota State Colleges and Universities (the “Issuer”), for value received, acknowledges itself to be specially indebted and promises to pay to the registered owner named above, or registered assigns, but only from the sources specified herein, the Stated Principal Amount specified above on the maturity date specified above, with interest thereon from the date hereof at the annual rate specified above, payable semiannually on April 1 and October 1 in each year, commencing October 1, 2015, to the person or entity in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) preceding the date on which the interest is payable (all subject to the provisions hereof with respect to the redemption of this Bond prior to the maturity date specified above). The interest hereon and, upon presentation and surrender hereof at maturity or upon earlier redemption, the principal hereof, are payable in lawful money of the United States of America, by check or draft issued on each interest payment date by the U.S. Bank National Association, in Saint Paul, Minnesota (the “Trustee”), which has been designated as Registrar and Paying Agent for the Revenue Fund Bonds; or at the office of such successor, if any, to said bank as may be designated by the Issuer in accordance with the Master Indenture.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Master Indenture until the Certificate of Authentication hereon shall have been executed by the Registrar and Paying Agent by the manual signature of one of its authorized representatives.

This Bond is one of a Series in the Stated Principal Amount of approximately \$_____, each of like date and tenor except as to registration number, interest, maturity date, redemption privilege, and denomination, issued for the purpose of financing the construction or improvement of dormitory, residence hall, student union, food service or other revenue producing buildings and related facilities located or to be located on the campuses of the Institutions comprising the Minnesota State University. System (the “System”). The Revenue Fund Bonds of this Series are issued under authority of, and in strict conformity with, the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 136F (the

“Act”), and under and pursuant to an Amended and Restated Master Indenture of Trust (the “Master Indenture”), dated as of June 1, 2009, as amended, between the Issuer and the Trustee, and a Series Resolution adopted by the Issuer on November [18], 2015 (the “Series Resolution”).

Under the Act and the Master Indenture, the principal of and interest on this Bond are payable solely from and secured by an irrevocable pledge of certain Net Revenues (as defined in the Master Indenture) to be derived by the Issuer from the operation of certain revenue producing Facilities of the System which have been pledged and appropriated to the Debt Service Account in the Issuer’s Revenue Fund, on a parity as to both principal and interest with certain other Senior Bonds heretofore or hereafter issued under and pursuant to the Master Indenture, and are further secured by a Reserve Requirement required to be established and maintained in the Debt Service Reserve Account. All covenants and provisions made for the payment and security of Revenue Fund Bonds payable from the Debt Service Account are set forth in the Master Indenture which is available for inspection by the registered owner of this Bond at the Issuer’s administrative office in St. Paul, Minnesota, and which is incorporated herein by reference.

This Bond is not a general obligation of the Issuer, and the full faith and credit of the Issuer is not pledged for its payment. The Issuer has no taxing authority. This Bond does not constitute a debt or obligation of the State of Minnesota within the meaning or application of any constitutional or statutory limitation or provision.

Revenue Fund Bonds of this Series maturing on or after October 1, 2025 are subject to optional redemption and prepayment upon direction of the Issuer in whole on any date after on or after April 1, 2025, or in part on such date or any Interest Payment Date thereafter, in Authorized Denominations, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without premium.

Revenue Fund Bonds of this Series maturing on October 1 in the years ____ and ____ are subject to mandatory redemption prior to maturity by mandatory sinking fund installments, and are to be redeemed by lot, at 100% of the principal amount thereof plus accrued interest to the redemption date, on the following dates and in the following principal amounts:

[to be provided]

If, upon the earlier of either (i) the completion of the work planned to be financed by the proceeds of these Revenue Fund Bonds, or (ii) three years from the date of issuance of these, proceeds of these Revenue Fund Bonds remain in the related subaccount in the Capital Expenditures Account in excess of those required to pay then unpaid but incurred capital expenditures, such excess shall be transferred to the Escrow Account and applied to the redemption of these Revenue Fund Bonds, to the extent of the funds so transferred, at their principal amount, plus interest accrued to the redemption date, without premium, on the first day of the next succeeding month for which timely notice of redemption can be given; provided, however, that the three-year limit contained in clause (ii) shall not apply if the Issuer obtains an opinion of bond counsel stating that the delay in the expenditure of proceeds will not cause these Revenue Fund Bonds to lose their tax-exempt status.

In the event of partial or complete damage to or destruction or condemnation of any Facility, these Revenue Fund Bonds are subject to redemption in whole or in part at the principal amount thereof plus accrued interest to the date of redemption, without premium, on the first day of any month for which timely notice of redemption can be given, whether or not an Interest Payment Date, from the proceeds of any insurance claim payment or condemnation award or portion thereof not applied to repair, restore or replace the damaged or taken Facility.

Notice of redemption shall be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Redemption Date, to each holder of Revenue Fund Bonds to be redeemed at the address of the holder appearing in the Bond Register. No defect in or failure to give notice by mail to any holder shall affect the validity of the proceedings for redemption of any Revenue Fund Bond held by any holder to which proper notice by mail has been given. If notice by publication is required by law, the Paying Agent shall cause publication to be made in the form and at the time provided by law. All notices of redemption shall state: (i) the Redemption Date; (ii) the Redemption Price; (iii) the principal amount of Revenue Fund Bonds to be redeemed and the identification (and, in the case of partial redemption, the respective principal amounts) of the Revenue Fund Bonds to be redeemed, specifying their CUSIP number, their registration number and Maturity Date; (iv) that on the Redemption Date, the Redemption Price will be due and payable upon each Revenue Fund Bond, and interest will cease to accrue from and after such date (unless, under a redemption conditioned on sufficient funds, such condition is not met); and (v) the place or places where such Revenue Fund Bonds are to be surrendered for payment.

The Revenue Fund Bonds of this Series are issuable only as fully registered Bonds, in Stated Principal Amounts of \$5,000 or any multiple thereof of a single maturity.

As provided in the Master Indenture and subject to certain limitations set forth therein, this Bond is transferable upon the books of the Issuer at the principal corporate trust office of the Trustee, as Registrar and Paying Agent, in Saint Paul, Minnesota, or its successor, by the registered owner hereof, in person or by his attorney, duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar and Paying Agent, duly executed by the registered owner or his duly authorized attorney, and may also be surrendered in exchange for Revenue Fund Bonds of other authorized denominations. Upon such transfer or exchange, the Issuer will cause to be issued in the name of the transferee or owner a new Bond or Bonds of the same aggregate Stated Principal Amount, Series, type, maturity, interest rate and terms as the surrendered Bond, subject to reimbursement for any tax, fee or governmental charge required to be paid by the Issuer or the Registrar and Paying Agent with respect to such transfer. The Issuer and the Registrar and Paying Agent shall treat the person in whose name this Bond is registered upon the books of the Issuer as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment of or on account of the principal, redemption price or interest and for all other purposes, and all such payments so made to the registered owner or upon his order shall be valid and effectual to satisfy and discharge the Issuer's liability upon this Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Registrar and Paying Agent shall be affected by any notice to the contrary.

IT IS CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to exist, to happen and to be performed precedent to and in the issuance of this Bond in order to make it a valid and binding special obligation of the Issuer in accordance with its terms, do exist, have happened and have been performed in due form, time and manner as so required; that prior to the issuance of this Bond, the Issuer has provided for the payment of the principal of and interest on this Bond as described herein; and that the issuance of this Bond does not cause the indebtedness of the State or the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed by the manual or printed facsimile signature and countersignature of its Authorized Representative, and by a manual imprint or printed facsimile of its official seal, and has caused this Bond to be dated as of the date set forth below.

Dated: _____

[Authorized Representative]

CERTIFICATE OF AUTHENTICATION

This is one of the Revenue Fund Bonds delivered pursuant to the Authorizing Resolution described within.

U.S. BANK NATIONAL ASSOCIATION

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite Name and Address of Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature

Please Insert Social Security Number or Other Identifying Number of Assignee.

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular without alteration or any change whatever.

EXHIBIT B

ANNUAL REPORT INFORMATION

The Annual Report Date will be the date that is 210 days after each fiscal year end, commencing with the fiscal year ending June 30, 2014.

1. The audited financial statements for the Revenue Fund most recent complete fiscal year.
2. The following financial and operating data:
 - a. Revenues
 - Gross Revenues
 - Maintenance and Operations Costs
 - Net Revenues
 - b. Facilities
 - Repair and Replacement Expenditures
 - Costs for New Facilities
 - Debt Financed Capital Expenditures (other than for new facilities)
 - c. Revenue Fund Bonds
 - Principal Amount of Bonds Outstanding
 - Senior Bonds
 - Subordinate Bonds
 - Annual Debt Service
 - Senior Bond Principal
 - Senior Bond Interest
 - Subordinate Bond Principal
 - Subordinate Bond Interest
 - Unscheduled Redemptions
 - Senior Bonds
 - Subordinate Bonds
 - d. Debt Service Coverage Ratio [Net Revenues divided by annual debt service]
 - Senior Bonds
 - Last fiscal year
 - Preceding fiscal year
 - Second preceding fiscal year
 - Subordinate Bonds
 - Last fiscal year
 - Preceding fiscal year
 - Second preceding fiscal year

e. Guarantees

- Maximum exposure
- Amount paid in the last fiscal year

EXHIBIT C



Blanket Issuer Letter of Representations
(To be Completed by Issuer)

Minnesota State Colleges and Universities
(Name of Issuer)

September 10, 2001
(Date)

Attention: Underwriting Department — Eligibility
The Depository Trust Company
35 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Minnesota State Colleges and Universities
(Issuer)

By: *L.M. King*
(Authorized Officer's Signature)

Laura M. King, Vice Chancellor - Finance
(Type Name & Title)

500 World Trade Center, 30 E. 7th Street
(Street Address)

Saint Paul MN 55101
(City) (State) (Zip)

(651) 649-5778
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY
By: *[Signature]*

F-9001 (12/95)

EXHIBIT D

Student Consultation Letters



Student Senate

218.477.2150 T
218.477.5050 F
MSUM.StudentSenate@gmail.com

23 September 2014

Mr. Brian C. Yolitz
Associate Vice Chancellor for Facilities
Minnesota State Colleges and Universities
30 East 7th Street, Suite 350
St. Paul, MN 55101

Dear Mr. Yolitz,

I, Cody Meyer, President of the Minnesota State University Moorhead Student Senate, am writing this letter to confirm the consultation and the approval of the Comstock Memorial Union addition and renovation project.

Students have been a part of the planning process since the Spring semester of 2012. Several students belonged to the workgroup that searched for student needs, and wants for the updated CMU. Many discussions have taken place last spring and this fall, and student focus and involvement has been a priority the entire time.

Director Anderson has been open and willing to answer student and Senate inquiries into the project from the very beginning and has, on multiple occasions, paid a visit to Senate to keep us updated on progress and to further press for more ideas. Recently, on 18 September, Director Anderson gave a presentation to Senate on the CMU project, and while there will need to be some more discussion on the use of some of these spaces, the Senate is pleased with the plan and pledged our support with a vote of unanimous consent.

If you have any further questions about the issue, please feel free to contact me in the mediums listed in the header. Thank you for allowing MSUM to submit our project, and for your commitment to our students.

Sincerely,

A handwritten signature in black ink that reads 'Cody N. Meyer'.

Cody N. Meyer
Student Senate President
Minnesota State University Moorhead

Cc:

Anne Blackhurst, President
Jan Mahoney, Vice President of Finance and Administration
Yvette Underdue Murph, Vice President of Student Affairs and Strategic Enrollment
Greg Ewig, Senior System Director Capital Management
Layne Anderson, Director of Comstock Memorial Union

September 10, 2014

Chancellor Rosenstone
Minnesota State Colleges and Universities
500 Wells Fargo Place
30 East Seventh Street
St. Paul, MN 55101

Dear Chancellor Rosenstone:

On behalf of the 2014-15 Vermilion Community College Student Senate, I want to reiterate our support of the new campus student housing project. The Senate feels this project is much needed at VCC and will benefit all students who choose to reside on campus.

Provost Bina has met with us and has agreed to keep the Senate fully informed as this process rolls forward. He has also invited Senate members to serve on the design committee for this project. As all of us have resided on campus at some point in our time at VCC, we understand how important adequate student housing is to academic success in college.

Provost Bina has assured us that he will keep the Student Senate informed at all stages of design development and construction of this much-anticipated project. In addition, he has requested that we appoint two students to serve on the design team starting this fall semester.

The VCC Student Senate, without exception, is in favor of the new housing. We have all seen first-hand the poor condition of the duplexes on campus and we understand the need to update Vermilion's student housing. The Senate is excited to be a part of this project and we look forward to the opening of these new townhomes in the not-too-distant future.

Again, please know that I speak for all VCC students when I say that new housing is much needed at VCC and will be well received by the students wishing to live on campus.

Sincerely,



Jennifer Nyhus
2014-15 Student Senate President
Vermilion Community College

November 5, 2014

Chancellor Rosenstone and Board of Trustees,

This letter is intended to serve as proof of the student consultation process that was undertaken at Minnesota State University, Mankato with regards to the planning process of the new residential dining hall.

The Minnesota State Student Association, the official voice of Minnesota State University, Mankato students, was given considerable consultation on the planning of the new residential dining hall. The student involvement in the planning process started at the end of the 2013-2014 academic year with the discussion of different dining hall possibilities. The current Residential Hall Association President was appointed last spring to serve as the student representative during this initial discussion. He continues to serve as the student representative.

During the summer, the student representative was involved with more detailed discussions about the dining hall concept and how this concept relates to the other planned projects on campus. During these discussions, the student representative was able to provide student feedback and ask questions. The student opinion was respected and taken into consideration during the process.

At a recent Minnesota State Student Association meeting, the Residential Life Director, Cynthia Janney, had presented a residential life dining hall progress report. Students were able to ask questions and voice opinions. During the meeting, two of the biggest concerns expressed were the price of the construction of the facility and that the facility lacks a full orientation toward student needs.

The Minnesota State Student Association would have it noted that we appreciated the transparency and cooperation of Residential Life Director, Cynthia Janney, throughout the entire process.

With Maverick pride,

Mariah Haffield
President, 82nd Minnesota State Student Association

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: October 21, 2014

Title: Proposed Policy 5.25 Use of Electronic Signatures

Purpose (check one):

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

Currently, Minnesota State Colleges and Universities (MnSCU) requires hard-copy, handwritten signatures for most documents. Adoption of proposed Policy 5.25 Use of Electronic Signatures is intended to facilitate appropriate use of electronic signatures for authorized purposes, with the goal of significant time savings, better control and security, paperless documentation retention, auditability, and document tracking throughout the signature process.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION
Proposed Board Policy 5.25 Use of Electronic Signatures (Second Reading)

EXECUTIVE SUMMARY

Adoption of proposed Policy 5.25 Use of Electronic Signatures is intended to facilitate appropriate use of electronic signatures for authorized purposes, with the goal of significant time savings, better control and security, paperless documentation retention, auditability, and document tracking throughout the signature process. The draft policy is included in **Attachment A**.

BACKGROUND

A systemwide task force was put in place to develop the proposed policy. The initial draft was reviewed by the Office of General Counsel, and then presented to the project steering committee for review and approval. The policy was then shared with the Leadership Council, Cabinet and sent out for formal consultation. The first reading of Policy 5.25 was presented to the board in October 2014 and it received strong support for implementation.

Staff is currently drafting an accompanying procedure. The implementation of this policy will not go into effect until the procedure is in place..

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves Board Policy 5.25 Use of Electronic Signatures, effective March 1, 2015.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves Board Policy 5.25 Use of Electronic Signatures, effective March 1, 2015.

Date presented to the Board of Trustees: November 18, 2014

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY	
Chapter #5	Chapter Name: Administration
Section #25	Policy Name: Use of Electronic Signatures

1 **5.25 Use of Electronic Signatures**

2

3 **Part 1. Policy Statement.**

4 This policy authorizes colleges, universities, and the system office to use electronic signatures to
5 conduct official business, to the extent such use meets the requirements of Minn. Stat. Ch. 325L
6 and other applicable law, board policy, and system procedure.

7 **Part 2. Definitions.** Terms used in this policy or in system procedure shall be interpreted
8 consistent with Minn. Stat. Ch. 325L and other applicable law.

9 Subpart A. Authentication. Authentication means the process used to ascertain the identity of a
10 person or the integrity of specific information. Authentication ensures that the user applying an
11 electronic signature is in fact who they say they are and is authorized to sign.

12 Subpart B. Digital signature. Digital signature means a type of electronic signature produced by
13 two mathematically linked cryptographic keys, a private key used to sign, and a public key used
14 to validate the signature. A digital signature is created when a person uses his or her private key
15 to create a unique mark (called a “signed hash”) on an electronic document.

16 Subpart C. Digitized signature. Digitized signature means a graphic image of a handwritten
17 signature in any form, including facsimile.

18 Subpart D. Electronic signature. Electronic signature means a digital or digitized signature
19 made by electronic sound, symbol or process that is attached to or logically associated with a
20 record and that is executed or adopted with the intent to sign the record.

21 Subpart E. Electronic record. Electronic record means any record that is created, received,
22 maintained, and/or stored through electronic means, regardless of the method used to create that
23 record. Examples of electronic records include, but are not limited to, electronic mail, word
24 processing documents, spreadsheets, and databases.

25 **Part 3. Methodology to Reflect Level of Risk.**

26 Prior to approving use of electronic signatures for any transaction category, a college, university,
27 or the system office shall ensure that applicable legal requirements are met and that any
28 operational risk is offset by the anticipated benefit, consistent with system procedure.

29 System procedure may provide for various methodologies, such as use of digital or digitized
30 signatures, depending on the risks associated with the particular transaction, including fraud,
31 repudiation, and financial loss. The quality and security of the electronic signature method must
32 be commensurate with the risk and needed assurance of the authenticity of the signer, including
33 whether to require a digital or digitized signature.

34 **Part 4. Authority and Responsibilities.**

35 Subpart A. Procedures. The chancellor shall adopt system procedures to implement this policy,
36 meet all applicable legal requirements, and ensure practical and secure application of electronic
37 signatures.

38 Subpart B. Delegated authority. Nothing in this policy is intended to authorize any individual to
39 sign on behalf of the Board if he or she has not been granted such authority in accordance with
40 board policy and system procedure.

41 Subpart C. Use of other formats. This policy shall not be construed to require use of electronic
42 signatures by a college, university, or the system office, or to limit the right of a college,
43 university, or system office to conduct official business on paper or in non-electronic form, or to
44 affect the right of a college, university, or system office to have documents provided or made
45 available on paper.

46 Subpart D. Maintenance of electronic records. Colleges, universities, or the system office may
47 maintain official records in an electronic format provided that the relevant record retention
48 schedule is updated to reflect electronic record management and the college, university or system
49 office has determined that the electronic records are trustworthy, complete, accessible, and
50 durable.

51 **Part 5. Sanctions.**

52 Employees or students who falsify or misuse electronic signatures for college, university or
53 system office transactions are subject to disciplinary action, up to and including termination or
54 expulsion, and civil and criminal remedies.

55

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: Proposed Amendments to Policy 7.3 Financial Administration - First Reading

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Policy 7.3 this fall and proposed some revisions. The revisions were reviewed by the Office of General Counsel and cabinet, then sent out for formal consultation and received support from the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

First Reading

BOARD ACTION

**Proposed Amendments to Board Policy 7.3 Financial Administration
(First Reading)**

BACKGROUND

Board Policy 7.3, Financial Administration, was adopted by the Board of Trustees and became effective June 10, 2000. The policy was last reviewed on August 6, 2009 and no changes were made. Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Board Policy 7.3 this summer.

PROPOSED AMENDMENTS

The proposed amendments to Policy 7.3 are reflected in the track-change copy of the policy on the following page.

REVIEW PROCESS

The proposed board policy revision was circulated in accordance with procedures to all presidents, employee representative groups, student associations and campus leadership groups. The policy review was discussed with the Leadership Council. All comments received during the review process have been examined and responses sent.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the changes to Board Policy 7.3 Financial Administration

RECOMMENDED BOARD MOTION:

The Board of Trustees approves the changes to Board Policy 7.3 Financial Administration

Date Presented to the Board of Trustees: November 18, 2014

1 **DRAFT**

2
3 **7.3 -Financial Administration**

4 **Board Policies**

5 **Chapter 7 – General Finance Provisions**

6
7 [Click here for a PDF copy of this policy](#)

8
9 **Part 1. Policy Statement**

10 It is the policy of the Board of Trustees to provide sound financial administration to safeguard the
11 resources of the State of Minnesota, the system, the colleges and universities and the constituencies
12 they serve and preserve long term financial viability of the colleges, universities and system as a
13 whole. Effective financial administration will facilitate planning, forecasting, monitoring and
14 improving managerial performance and evaluating the financial effects of management decisions.

15
16 **Part 2. Responsibilities**

17 The Board of Trustees is responsible for overall systemwide financial management assurance. The
18 chancellor, in consultation with the Board of Trustees, is responsible for overall systemwide
19 financial management. The president is responsible for assuring financial administration for a
20 college or university in conformance with Board policies and system procedures.

21
22 System procedures will provide for the assurance that:

- 23 ▪ financial records are complete and safeguarded;
- 24 ▪ financial information is accurate, reliable and useful for management reporting; and
- 25 ▪ financial management methods support short term and longer term system and college
26 and university strategic objectives.

27
28 The system's ~~Annual Budget~~ ~~Accounting~~ ~~Guidelines~~ will be based on the standards and
29 guidelines of the Governmental Accounting Standards Board (GASB), the National Association of
30 College and University Business Officers (NACUBO), Minnesota Statutes and Board policy.

31
32 Records will be subject to internal, legislative and external audits as required by Minnesota Statutes,
33 Board policies, and as needed by universities and colleges in pursuit of their mission and goals.

34
35 The Board of Trustees delegates authority to the chancellor to develop guidelines for institutional
36 scholarship and grant programs administered by the colleges and universities.

37
38 **Part 3. Accountability/Reporting**

39 The Board of Trustees will be periodically updated on the administration and financial management
40 of the system on an exception-based reporting basis and advised of any recommended policy
41 changes.

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Related Documents:

- Governmental Accounting Standards Board (GASB)
- National Association of College and University Business Officers (NACUBO)

Policy History:

Date of Implementation: 06/21/00

Date of Adoption: 06/21/00

Date & Subject of Revisions:

08/06/09 - policy was reviewed by Laura King's office. No amendments were made.

06/18/03 – changes “MnSCU” to “system”, updates State Office of Technology’s website address

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: Proposed Amendments to Policy 7.5 Financial Institutions and Investments - First Reading

Purpose (check one):

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Policy 7.5 this fall and proposed some revisions. The revisions were reviewed by the Office of General Counsel and cabinet, then sent out for formal consultation and received support from the presidents, employee representative groups, student associations and campus leadership groups. All comments received from the consultation were taken into consideration.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

First Reading

BOARD ACTION

**Proposed Amendments to Board Policy 7.5 Financial Institutions and Investments
(First Reading)**

BACKGROUND

Board Policy 7.5, Financial Institutions and Investments, was adopted by the Board of Trustees and became effective June 10, 2000. The policy was last reviewed on June 10, 2009 and no changes were made. Board Policy 1A.1, Part 6, Minnesota State Colleges and Universities Organization and Administration, requires periodic review of all board policies. Staff reviewed Board Policy 7.5 this fall.

PROPOSED AMENDMENTS

The proposed amendments to Policy 7.5 are reflected in the track-change copy of the policy on the following page.

REVIEW PROCESS

The proposed board policy revision was circulated in accordance with procedures to all presidents, employee representative groups, student associations and campus leadership groups. The policy review was discussed with the Leadership Council. All comments received during the review process have been examined and responses sent.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the changes to Board Policy 7.5 Financial Institutions and Investments.

RECOMMENDED BOARD MOTION:

The Board of Trustees approves the changes to Board Policy 7.5 Financial Institutions and Investments.

Date Presented to the Board of Trustees: November 18, 2014

1 **DRAFT**

2
3 **7.5 Financial Institutions and Investments**

4 Board Policies

5 Chapter 7 - General Finance Provisions

6 [Click here for a PDF copy of this policy](#)

7 Part 1. ~~Policy Authority Statement.~~

8 It is the policy of the Board of Trustees that each college, university, and college, and the system
9 office president shall maintain an effective program of cash management, including and follow the
10 legal requirements regarding depositories and collateral requirements, in compliance with applicable
11 state and federal law, board policy, and system procedures.

12 Part 2. ~~General Responsibilities~~

13 ~~All financial institutions and investments shall be conducted in accordance with the provisions of~~
14 ~~Minnesota Statutes, Board policy, and system procedures. The Board of Trustees expects that~~
15 ~~community relationships will be balanced against efficient financial institution administration.~~

16 ~~Subpart A. Financial Institution Practices.~~

17 Subpart A. Safekeeping of funds. All system office, college or university funds must be:_____

- 18 1. Deposited for safe keeping in financial institutions selected in accordance with
19 provisions of Minnesota Statutes, efficient financial administration, and effective
20 community relationships; and
21 2. Invested in accordance with applicable federal and state law, including as specified by
22 Minn.esota Stat. § 118A.03, and board policy and system procedures ~~utes~~ [\(see related](#)
23 [documents below\)](#).

24 Subpart B. Official custodian. The Board designates each college, university and the system
25 office as an official custodian to the extent it meets the requirements of Federal Deposit
26 Insurance Corporation regulations.

27 Subpart C. Authorized staff. Documentation specifying staff authorizing specified staffed
28 to sign checks or initiate funds movements, or changes thereto, for all financial institution
29 accounts, pooled investments accounts, or money market funds must~~shall~~ be approved by
30 the chancellor for the system office and by the president for a college or university.

31 Subpart D. Collateral. Agreements with depository financial institutions selected
32 must~~shall~~ furnish require the provision of adequate collateral to assure safety of these funds
33 in accordance with provisions of Minnesota Stat. § 118A.03 and other applicable law ~~utes~~.

34 Subpart E. Earned interest. As permitted by statutes and system procedures, interest
35 received on local institutional funds may be credited to appropriate accounts.

36 ~~Subpart B. Investments~~
37 ~~Local institutional funds shall be invested in funds authorized by Minnesota Statutes and in a~~
38 ~~manner consistent with system procedures and guidelines.~~

39 ~~Subpart 3. C. Safekeeping Daily Deposits.~~
40 All monies received by the system office, college or university shall be deposited daily, unless such
41 receipts are less than ~~\$250~~ 1,000 in which event deposits may be deferred until they total such sum.

42 ~~Part 43. Accountability/Reporting.~~
43 ~~The Board of Trustees will~~ shall ~~be periodically~~ updated on financial institution relationships and
44 investment management on an exception reporting basis and advised of any recommended policy
45 changes.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: Metropolitan State Construction Update

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The information for the Metropolitan State Construction update will be mailed separately prior to the Finance Committee meeting on November 18, 2014.

Scheduled Presenter(s):

Brian Yolitz, Associated Vice Chancellor for Facilities

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Name: Finance and Facilities

Date: November 18, 2014

Title: Janitorial Supplies Contract Approval for Contract Exceeding \$3 Million

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 5.14, Procurement and Contracts, requires Board of Trustees approval of all contracts valued greater than \$3 million.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - CFO

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION

Janitorial Supplies Contract Approval for Contract Exceeding \$3 Million

BACKGROUND

The purpose of this report is to seek Board of Trustees approval of a contract extension through June 30, 2016 with Hillyard Inc., not to exceed a new contract total of \$10.5 million, for the purchase of facilities janitorial and maintenance equipment and supplies. The contract would continue to be available to any Minnesota State College and University institution that chooses to participate. Forty-two campuses have chosen to use this contract thus far.

On June 17, 2009 the Board of Trustees approved entering into a contract with Hillyard Inc. for a total of five years (November 1, 2009 to October 31, 2014). The board action authorized a contract upper limit of \$3 million. This program was an early win in the collaborative purchasing effort to identify opportunities to leverage system purchasing power to achieve best value, create efficiencies, and reduce duplication of effort in the MnSCU purchasing process.

The program has grown to approximately \$1.5 million in purchases annually. Consequently, the purchases under the current contract are now expected to exceed \$5 million, well in excess of the board authorized total. Upon the discovery of board policy violation, a three month extension was granted (November 1, 2014 – January 31, 2015) in order to provide campuses access to the services while board approval was sought.

The janitorial supplies program was also an area of programming advanced in recent years through the Office Max contract. It was expected that colleges and universities would migrate to the Office Max program and that largely has not occurred. Despite the OfficeMax janitorial supply contract, campus use of the Hillyard contract continued to grow.

The Campus Services Cooperative is now evaluating all outstanding significant system sourcing contracts. The FY 2014-2015 workplan includes development of a strategic plan for the re-design and re-bid of these relationships. Staff is intending to re-bid the janitorial supplies services in FY2014-2015 and so would like to extend the Hillyard contract for 17 months. Extending the Hillyard contract to June 30, 2016 would align it with the OfficeMax contract and allow campuses the choice of both contracts until the CSC rebids janitorial supplies.

*Janitorial Supplies Contract
Approval for Contract Exceeding \$3 Million*

RECOMMENDED COMMITTEE MOTION

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves extending the contract with Hillyard Inc. for facilities maintenance equipment and supplies through June 30, 2016 for a total contract not to exceed \$10.5 million. The board directs the chancellor or his designee to execute all necessary documents.

RECOMMENDED BOARD MOTION

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves extending the contract with Hillyard Inc. for facilities maintenance equipment and supplies through June 30, 2016 for a total contract not to exceed \$10.5 million. The board directs the chancellor or his designee to execute all necessary documents.

Date Presented to the Board of Trustees: November 18, 2014

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: Approval for Northland Community and Technical College Lease at Thief River Falls Airport

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The 2014 bonding bill included a \$5,864,000 appropriation for the improvement of the aviation maintenance facilities operated by Northland Community and Technical College, located at the Thief River Falls airport. The legislation conditioned that Northland Community and Technical College and the Thief River Falls Airport Authority enter into negotiations for a long term ground lease and operating agreement to satisfy the obligations under the conditions of the legislation.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION
Approval for Northland Community and Technical College Lease at Thief River Falls Airport

POLICY

Pursuant to Board Policy 6.5, *Capital Program Planning*, the Board approves multi-year capital budget requests, including prioritized capital project lists. From time to time, the Board is apprised of the status of the capital program. Effective November 2014, Board Policy 5.14, *Procurement and Contracts*, Subdivision 3, requires that contracts, including amendments, with values greater than \$1,000,000 be approved in advance by the Board of Trustees.

BACKGROUND

The 2014 bonding bill included a \$5,864,000 appropriation for the improvement of the aviation maintenance facilities operated by Northland Community and Technical College and located on the Thief River Falls airport. A map showing the location and site plan are contained in **Attachment A**. The improvement and related program are expected to generate additional FYE enrollment. The college strategic plan places showcase emphasis on aviation and related curriculum.

The legislation conditioned release of the appropriation upon the system entering into a long-term ground lease with the property owner, the Thief River Falls Airport Authority. The specific legislative language regarding the ground lease is provided as reference on **Attachment B**.

Minnesota Management and Budget requires recipients of state general obligation bonds to possess ownership or a long term interest in the property that is the subject of a capital bond appropriation. In this case, the Thief River Falls Airport Authority maintains ownership, and is limited by FAA regulations from selling the underlying ground to MnSCU. As a result of the regulatory limitation on the authority to sell its property, the parties entered into negotiations for a long term ground lease and operating agreement to satisfy the obligations under the conditions of the legislation.

Given the legislative conditions placed on the bonding appropriation, long lease term, and the Board's impending policy change to Policy 5.14, *Procurement and Contracts*, the lease is offered for Board consideration and approval. A summary of major lease terms is provided in **Attachment C**.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion.

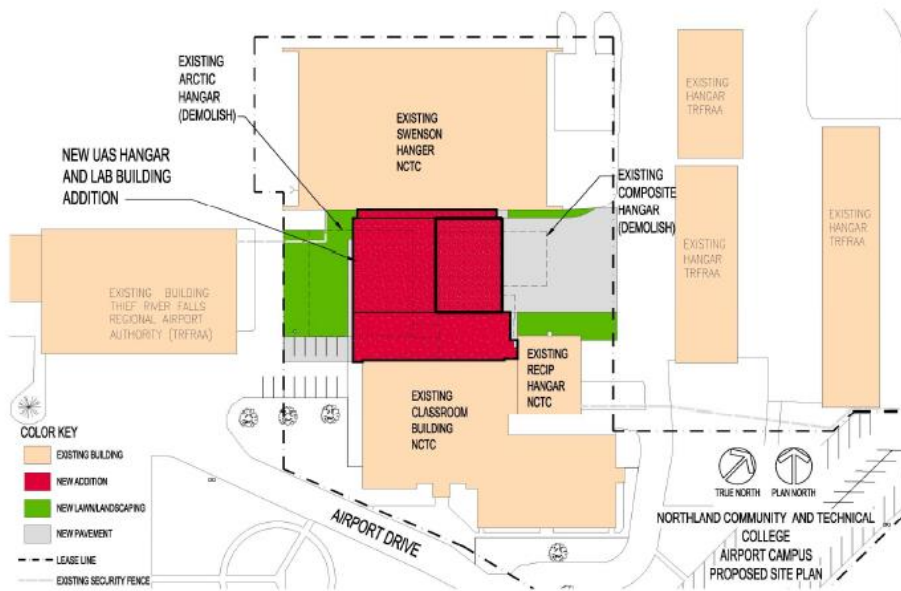
The Board of Trustees authorizes the chancellor or his designee to execute all necessary lease and related documents with the Thief River Falls Airport Authority, its successor, or assigns for purposes of satisfying the legislative conditions necessary to release funds for the Northland Community and Technical College capital project.

RECOMMENDED MOTION:

The Board of Trustees authorizes the chancellor or his designee to execute all necessary lease and related documents with the Thief River Falls Airport Authority, its successor, or assigns for purposes of satisfying the legislative conditions necessary to release funds for the Northland Community and Technical College capital project.

Date Presented to Board of Trustee: November 14, 2014

ATTACHMENT A
Page 2 of 2
Program Plan



NORTHLAND UAS MAINTENANCE TRAINING CENTER

NORTHLAND COMMUNITY AND TECHNICAL COLLEGE

Foss
Architecture & Interiors

ATTACHMENT B

2014 Minnesota Laws Ch. 294, Art. 1, Sec. 3, Subd. 14:

Subd. 14. Northland Community and Technical College \$5,864,000

To complete design, demolish obsolete facilities, construct new, and renovate, furnish, and equip the aviation maintenance complex at the Thief River Falls airport. This appropriation is not available until the commissioner of management and budget has determined that the Board of Trustees and the college have entered into a long-term ground lease with the Thief River Falls Airport Authority for a term of not less than 37.5 years.

**ATTACHMENT C
AIRPORT LEASE
SUMMARY OF MAJOR PROVISIONS**

Leased Area	257,230 sq. ft. (approx. 5.9 acres)
Commencement	January 1, 2015
Term	40 years (January 1, 2015 – December 31, 2054)
Average rent month/year:	\$4,325.75 / \$51,909
Rent over term	\$2,076,360
Airplane parking rate	\$100/mo. For commercial aircraft; \$50/mo for personal or unmanned aerial craft (for when college receives donated aircraft)
Contraction/ Termination	Due to lack of funding or a determination that Leased Property and Improvements are no longer useful and necessary under Minn. Stat. §16A.695; or Airport cannot be used for Tenant's purposes for a period of six consecutive months or more
Parking	Included within leased premises

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: November 18, 2014

Title: Approval for Lake Superior College Lease at Duluth Airport

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires that contracts, including amendments, with values greater than \$3,000,000 be approved in advance by the Board of Trustees. Lake Superior College is seeking approval for a lease with the Duluth Airport Authority estimated to cost \$1.8 million - \$3.65 million, depending upon the term.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION

Approval for Lake Superior College Airport Lease at Duluth Airport

POLICY

Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires that contracts, including amendments, with values greater than \$3,000,000 be approved in advance by the Board of Trustees.

BACKGROUND

Lake Superior College is seeking approval for a lease with the Duluth Airport Authority estimated to cost \$1.8M - \$3.65M depending upon the term. The lease would concern 39,577 square feet at the Duluth Airport for its aviation maintenance and pilot programs.

Lake Superior College started an Aviation Maintenance Technician program in fall 2014. The early success of local employers, AAR, and the growth of Cirrus created a demand for graduates of this program. The college began recruiting students in July 2014 after receiving program approval from the FAA. Classes were full at the start of fall semester. Courses and labs are now being held on campus but the space will not be adequate next year. Second year program requirements include starting airplane engines, which cannot be accommodated in the current campus facility.

The college currently operates a pilot program in leased space at the airport, and leases a hangar to store its airplanes used in the program. The lease requires the hangar owner to move the planes in and out of the hangar for which the college pays a fee for this service.

This proposed lease would move the Aviation Maintenance Technician program to the airport and consolidate it with the pilot programs. Lake Superior needs space located at an airport. It has reviewed all available buildings at the airport and determined that Hangar 103 at the Duluth Airport is the best option because of its size, layout, and location. The Duluth airport provides exposure for the program and an easy commute for Lake Superior students. The maps showing the locations of the airport and hangar in relationship to the campus are contained in **Attachment A**.

COST

A summary of major lease terms are contained on **Attachment B**.

Approval for Lake Superior College Airport Lease at Duluth Airport

The total rent rate includes a base rent and an amortized amount for build out costs of about \$9.15 per square foot for the first five years of a ten year lease to \$9.35 per square foot for the final five years.

The cost to renovate the hangar is \$2.2 million plus financing expenses which the Duluth Airport Authority will provide to build out the space, and which the campus will pay back through the rent cost. The amortized cost for the build out adds approximately \$5.43 per square foot to the lease cost during the lease term, although the cost is amortized over 15 years. The college has agreed to reimburse the airport authority for any unamortized build out costs if it terminates the lease prior to year ten.

Lease operating costs (utilities, insurance, etc.) are currently estimated to be \$200,000 annually. The college expects to save nearly \$100,000 annually from leases that it cancels as a result of this consolidation.

The total impact on the college's operating budget will be approximately \$450,000 - \$500,000 per year. The college estimates the Aviation Maintenance Technician program will generate 50 to 100 new FYE resulting in a near breakeven pro forma. The college has enough flexibility in its budget to make the lease financially feasible and feels the program investment is warranted.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion.

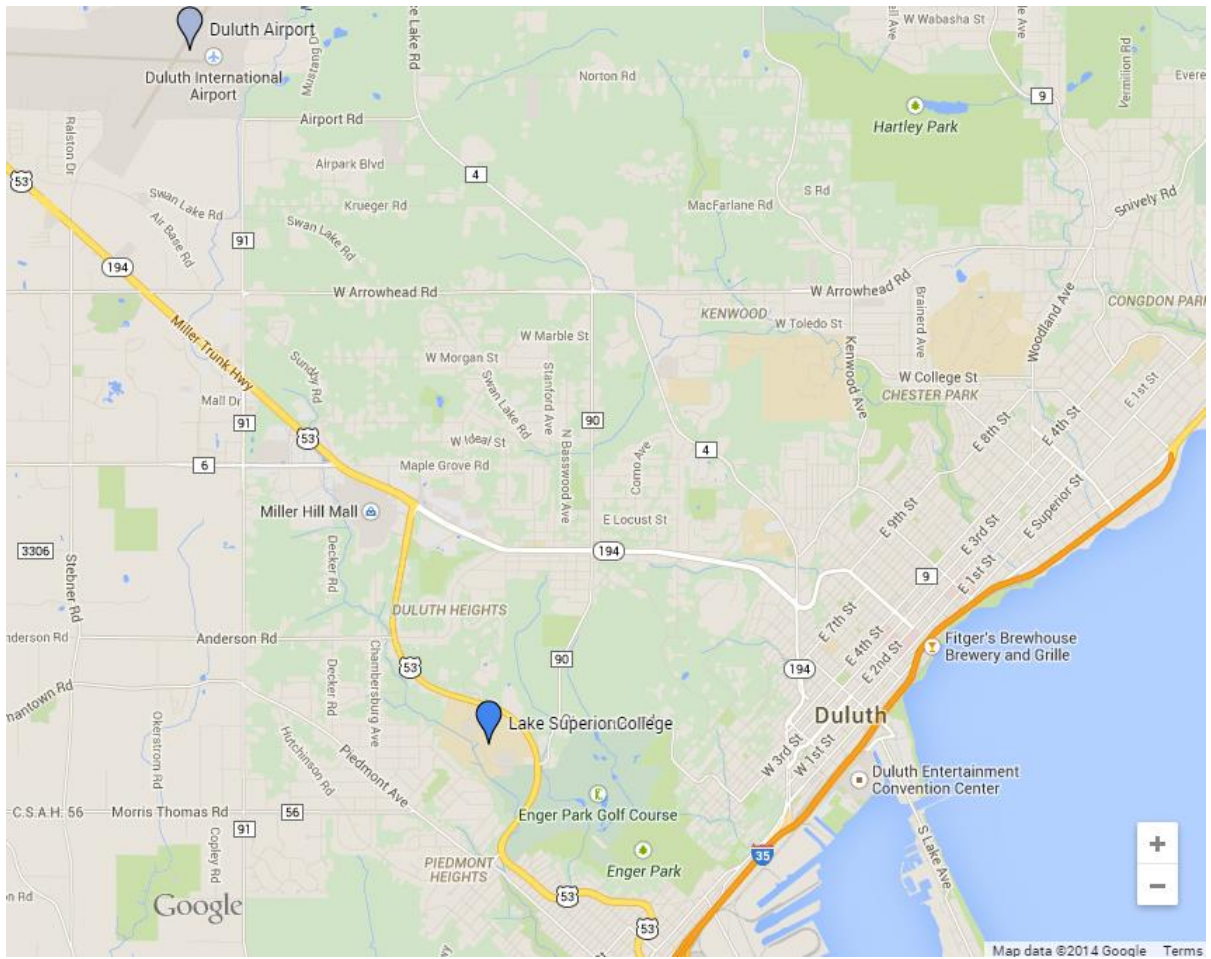
The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Duluth Airport Authority, its successor and assigns to lease property at the Duluth airport for Lake Superior College.

RECOMMENDED MOTION:

The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Duluth Airport Authority, its successor and assigns to lease property at the Duluth airport for Lake Superior College.

Date Presented to Board of Trustees: November 18, 2014

Image 1 of 2
CAMPUS MAPS AND LEASED PREMISES



**ATTACHMENT B
AIRPORT LEASE
SUMMARY OF MAJOR PROVISIONS**

Leased Premises	Hangar 103, Duluth Airport, 39,577 square feet
Commencement	July 1, 2015
Initial Term	10 years July 1, 2015 – June 30, 2025
Rent: Initial Term	Years 1 -5 - \$362,101/year Years 6-10 - \$370,422/year
Tenant Building out	\$2.2 million amortized over 15 years (airport authority takes on risk of lease is not renewed)
Total rent:	\$3,662,615 (over 10 years)
Operating costs	\$4-\$5 per square foot
Contraction/ Termination	For lack of appropriation or pursuant to Minn. Stat. §16B.24
Parking	Included within leasehold