FINANCE AND FACILITIES COMMITTEE
OCTOBER 21, 2014
12:30 P.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 June18, 2014** (pp. 1 - 7)
(2) FY2016-2017 Legislative Request (First Reading) (pp. 8 - 23)
(3) **2015 Capital Bonding Recommendation and Update** (pp. 24 - 30)
(4) 2015 Revenue Fund Bond Sale (First Reading) (pp. 31-77)
(5) Proposed Policy 5.25 Use of Electronic Signatures (First Reading) (pp. 78 - 82)
(6) **Rochester Community and Technical College Workforce Center Lease Exceeding $3 Million** (pp. 83 – 89)
(7) **Minnesota State University, Mankato Contract Approval Exceeding $3 Million for Beverage Sponsorship** (pp. 90 – 92)
(8) Campus Service Cooperative Update (pp. 93-100)

<u>Committee Members</u>
Michael Vekich, Chair
John Cowles, Vice Chair
Duane Benson
Phil Krinkie
Maleah Otterson
Erma Vizenor

Bolded items indicate action required.

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

June 18, 2014

Finance and Facilities Committee Members Present: Chair Michael Vekich, Trustees Duane Benson, Dawn Erlandson, Philip Krinkie, Thomas Renier, and Elise Ristau

Other Board Members Present: Alexander Cirillo, Cheryl Dickson, Clarence Hightower, Maria Peluso and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Phil Davis

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 8:07 a.m.

1. Minutes of May 21, 2014
The minutes of the May 21, 2014 Finance and Facilities Committee were approved as published.

2. Finance and Facilities Update
Vice Chancellor King reported that major project delegations have been sent to campus presidents for the 2014 capital projects. There is HEAPR work being done at 36 campuses and the $42.5 million allocation has been distributed to them. All but one campus received HEAPR funds for at least one project. Fond du Lac Tribal and Community College did not receive any because of scarce resources and it is in good condition as newer campus.

The 2016 capital budget guidelines were approved by the Board in March. The instructions and timeline supplementing the guidelines have been distributed to the campuses. This begins the process for bringing recommendations for capital projects to the Board by May, 2015 for a 2016 capital budget request to the legislature.

Brian Yolitz, Associate Vice Chancellor for Facilities, gave a presentation on system energy conservation tools and programs at the State Governors Association conference. It was a three day conference hosted by the Minnesota Department of Commerce to state energy policy makers from six states. The conference captured best practices in state energy management policies.
The Minnesota Management and Budget (MMB) outstanding loan of $400 million has now been repaid by MMB and Minnesota State Colleges and Universities (MnSCU) is ready to close the books. There has been no indication if MMB will seek this arrangement for 2015.

3. Anoka Ramsey Community and Technical College – Cambridge, Surplus Real Property
Brian Yolitz, Associate Vice Chancellor for Facilities said that the Board may declare real property surplus and offer it for sale consistent with Minnesota Statutes 16B. The net proceeds can only be used by the campus for capital projects.

Mr. Yolitz displayed a map of the property located at the southwest corner of State Highway 95 and County Road 70 in Cambridge. The parcel is approximately 6.35 acres with an 11,200 square foot metal building that is approximately 25 years old. It has been mothballed since 2010 and the sale would have no impact on academic programs.

Trustee Benson asked, when projecting enrollment, if there could be a need for it in the future. Mr. Yolitz responded that looking at space utilization numbers, there is more than enough space at the Cambridge campus.

Trustee Krinkie inquired about the appraised value of the property. Mr. Yolitz said that it was valued at $780,000. Trustee Vekich asked where the cash from the sale would be held. Vice Chancellor King answered that it would become part of the campus fund balance as a reserve until it is needed for a capital investment opportunity. There is no limit as to how long it can be held and it cannot be used for operating purposes.

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

RECOMMENDED COMMITTEE ACTION:

The Board of Trustees designates the subject property, an approximate 6.35 acre roughly rectangular shaped parcel located at the southwest corner of State Highway 95 and County Road 70 in Cambridge, as surplus, and delegates authority to the chancellor or the chancellor's designee to execute such documents as may be necessary to complete the sale for no less than the appraised value.

4. FY2015 Operating Budget (Second Reading)
Vice Chancellor Laura King introduced Leadership Council liaison, President Davis, and Deb Bednarz, Director for Financial Planning and Analysis.

Vice Chancellor King said due to the timing of the conclusion of the legislative session, the colleges and universities were not able to prepare their FY2015 operating budgets and incorporate the final state funding decisions in time for the May board meeting. The budgets have now been submitted and the information is incorporated in the systemwide all-funds budget being presented today.

The FY2015 operating budget will again focus on affordability, ensuring that MnSCU remains the most the most affordable higher education option in Minnesota. This will be achieved by freezing undergraduate tuition a second year and limiting fee increases at the campuses. Increases to the state grant program and federal Pell grants along with increases in scholarship funds will help make an already affordable education, more affordable still.

Vice Chancellor King reported that all undergraduate college and university students will save money as a result of the tuition freeze. For those college students who receive federal or state grant assistance, the economic benefit is even greater. On average, a full-time college student will save $145 in FY2014 and $290 in FY2015 in tuition costs. On average, a full-time university student will save $210 in FY2014 and $410 in FY2015 in tuition costs.

After state and Pell grants are taken into account, the annual cost of tuition for a full-time student is $1,247 at a state college and $2,022 at a state university. These costs are lower than they were in FY2014. Even for students receiving no financial grant aid, the average annual cost of tuition at a state college is $4,816 and at a state university is $6,782. With the tuition freeze, these costs will not change in FY2015, meaning students will pay the same tuition rate that the Board approved for the 2012-2013 academic year. Additionally, the chancellor asked presidents to limit student fee increases to no more than 3 percent in aggregate, and graduate tuition increases to no more than three percent. When student fee increases are added to the flat tuition rates for undergraduates, there is only a .3 percent increase at the colleges and .7 percent at the universities – an overall system impact of .4 percent tuition and fee increase 9 (an average of $21 annually).

Trustee Krinkie asked what the presidents have decided to do in regards to increasing fees. Vice Chancellor King replied that the presidents are very committed to affordability and are concerned about the cost of attendance. There are instances where there are activities tied to student clubs, which have fees tied to enrollment. With declining enrollments, revenue from fees has also declined, which in turn, impacts programs. Vice Chancellor King said, overall, there were fee increases of less than 1 percent. There were a couple of fee increases right at 3 percent, but good decisions were made between the trade-off between fees and programs tied to them. President Davis noted that the Student Senates have been asked to refrain from increasing fees and to keep the cost of attendance increase as close to zero as possible.

Trustee Benson asked if MnSCU should be promoting its value instead of affordability. MnSCU is being efficient as possible, yet putting out a strong product. Vice Chancellor King replied that MnSCU promotes being the highest value, most affordable option, however, there could be more focus on the highest value message.

Trustee Dickson commended the work on keeping tuition affordable and said that this information should become part of marketing, especially at the high schools and at the MnSCU Minnesota State Fair booth. President Davis replied that high schools are provided with this information on affordability along with information on salary and placement for programs, demonstrating the value of a MnSCU education.

In 2015, $52.5 million is allocated for tuition relief and will be used to offset funds that would have been generated with a modest tuition increase. This new state funding essentially replaces one form of revenue (tuition) with another (state appropriation).

An additional $17 million was appropriated in FY2015 for MnSCU to support anticipated compensation increases for faculty and staff over the 2014-2015 biennium. The appropriation is considered base funding and will continue into the 2016-2017 biennium.

Also, $7.278 million was appropriated for equipment to be used by students. The funds must be matched dollar-for-dollar with non-state funds. These are also base funds and will be available in the next biennium. All of the new state funding will be allocated directly to the schools and none of it will remain in the system office.

State support for the system has increased significantly during the 2014-2015 biennium. State funding for the 2014-2015 biennium now totals $1.21 billion, almost $119 million or 10.9 percent greater than the 2012-2013 biennium. State funding will increase from $587.9 million in FY2014 to $622.1 million in FY2015, an increase of $34.2 million or 5.8 percent.

The system will see improvement in state support per MnSCU student (FYE) when adjusted for inflation. Between FY2002 and FY2012, student support per student FYE decreased by over 40 percent (in constant $) to $2,787 per student. During the 2014-2015 biennium, student support per student FYE (in constant $) is anticipated to improve to $3,247, a 5.4 percent increase over FY2014. Even after the strong increase this biennium, per FYE funding remains 32 percent below 2002 funding levels in inflation adjusted dollars.

While state support per FYE student has increased in recent years, revenue per FYE student has remained relatively constant in inflation-adjusted dollars. Between 2002 and 2015, revenue per FYE student increased from $7,187 to $7,388 in inflation-adjusted dollars, an increase of 2.8 percent.

The stability of this measure reflects the historical relationship between the system's two primary revenue sources: Tuition was raised in response to state funding cuts during the recession, and state funding was increased in the current biennium to support the tuition freeze. Overall, the revenue per FYE student (adjusted for inflation) has remained essentially unchanged since 2002.

Enrollment at Minnesota State Colleges and Universities has fallen in recent years. FY2014 enrollment is now projected to decline 3.5 percent over 2013 levels. Throughout MnSCU, college enrollment declines (4.4 percent) have been more significant than enrollment drops at the universities (2.0 percent). Current enrollment projections for FY2015 show a continued decline of 1.6 percent, with colleges expecting larger declines (1.8 percent) than universities (1.2 percent).

An improving economy and underlying demographics are believed to be the primary factors influencing enrollment. Minnesota's relatively low unemployment rate and declines in the high school aged population are contributing to the drop in enrollment. Even with the recent enrollment declines, FYE enrollment is projected to be 7.4 percent higher in FY2015 than in FY2003.

Enrollment will be closely watched in FY2015 and any needed revisions to campus budgets will be addressed. Trustee Vekich asked what measures are in place to ensure viability at the campuses. Vice Chancellor King replied that presidents are closely watching enrollments, campuses are working on recruitment, and a watch list is in place. Charting the Future work will help expand MnSCU's market. Strong fund balances are also in place. Trustee Vekich asked that the Board receive updates on the watch list schools. Vice Chancellor King said she would have a conversation with the chancellor on how to be responsive in getting this information to the Board without giving 31 separate reports.

Vice Chancellor King gave an enterprise level overview of the system's operating budget, which is composed of the individual operating budgets of the universities, colleges and system office. The all-funds budget encompasses all aspects of the educational enterprise: instruction, student life, technology, research, community service, administration, physical plant and residential life programs.

Tuition and state appropriation are the system's two primary sources of revenue. Other revenue sources include fees, auxiliary/enterprise income and grants. The largest expense category is compensation, which accounts for approximately two-thirds of the all-funds expenditure budget.

The proposed fiscal year 2015 all-funds budget includes $1.9 billion in projected revenues and expenditures. A very slight increase of $4.8 million to the budgetary fund balance is projected. Expenses in fiscal year 2015 are projected to increase by $12.6 million (0.7 percent) over prior year expenditures due to increased compensation costs.

Colleges and universities plan to use $17.5 million of fund balance in fiscal year 2015, equivalent to less than 1.0 percent of total revenue and consistent with the use of $20.4 million in fund balance in fiscal year 2014.

The general fund budget accounts for approximately 80 percent of the all-funds budgets. The proposed fiscal year 2015 general fund budget includes $1.5 billion in projected revenues and expenditures. General fund revenues are projected to grow by $7.4 million or 0.5 percent. The tuition freeze, combined with anticipated enrollment declines, accounts for the loss of tuition revenue.

General fund expenses are projected to grow by $13.9 million or 0.9 percent in fiscal year 2015. Compensation is expected to increase by $16.8 million or 1.5 percent. This change reflects anticipated compensation increases resulting from collective bargaining contracts and reductions due to the change in enrollment. Other operating expenses are expected to decrease slightly by 0.8 percent in fiscal year 2015.

The changes in the forecasted general fund revenues compared to expenses results in a slight budgetary balance of $2.2 million after the use of $15.0 million in programmed fund balance. Vice Chancellor King pointed out that this is the third year that undergraduate tuition rates are frozen, keeping them at 2012-2013 rates. The average annual fee increase systemwide is .4 percent.

Reallocations are being used to respond to declining enrollment and to address strategic priorities. $44 million has been committed as part of the 2014-2015 biennial budget request. In 2014, $29 million in reallocations were reported and over $33 million are planned for FY2015.

Board policy requires colleges and universities to maintain general fund reserves of 5 – 7 percent of operating budgets. The systemwide reserve level is at 6.8 percent and all institutions are meeting the 5 percent minimum requirement.

Vice Chancellor King asked the Board to approve the FY2015 all-funds operating budget, the tuition structure, the revenue fund and related fees, and the waiver to the maximum fee charges requested by St. Cloud State University for health service fees and student life fees. The budget will be effective July 1, 2014. The limited tuition increases for graduate programs will be effective the summer or fall term 2014 at the discretion of the president. Vice Chancellor concluded her presentation and opened up the floor for questions.

Trustee Krinkie asked for an explanation on the waiver to the maximum fee charges at St. Cloud State University (SCSU). Vice Chancellor King replied that SCSCU, in an effort to realign its student fees, is asking to increase the health services fee and student life fee, which would exceed the 3 percent maximum, but in turn hold back other fees, resulting in a net 3 percent increase. A student support letter is included in the packet.

Trustee Krinkie referred to page 63 of the Board packet and asked about the SCSU Revenue Fund Guarantee Project – an increase of 14.43 percent increase. Vice Chancellor King said the legislative auditor called out SCSU for not having explicit Board authority for a finance plan that was approve by the Board and implemented. This is not a new fee – it is approximately 10 years old and it involves the refinancing of Atwood Memorial Hall. This item is not part of the 3 percent waiver included in the motion. It is listed here to satisfy the legislative auditor.

Regarding student health fees at SCSU, Trustee Sundin recalled a foreign exchange student that was required to pay $1,000 upfront for health care and inquired if this had been remedied. Vice Chancellor King replied that health care system has gone through turmoil with the adoption of the Affordable Care Act. MnSCU has discontinued domestic coverage for students, but continues to offer and require international student insurance. Vice Chancellor King said she recalled the issue, but did not recall the outcome and will report back with an answer.

Trustee Erlandson asked about the 6.5 percent fee increase at the Wadena campus. Ms. Bednarz responded that the institution as a whole is below the 3 percent in aggregate. Because Wadena is so small, a couple of cents can alter the percentage.
Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Ristau seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

a. Adopt the annual total operating budget for fiscal year 2015 in Table 3. Pursuant to Board Policy 5.9, the Board of Trustees will be periodically provided systemwide budget updates for all funding sources on an exception reporting basis.

b. Approve the proposed tuition structure recommendations for fiscal year 2015 as detailed in Attachments 1A through 1E.

c. All tuition increases are effective Summer Term or Fall Term 2014 at the discretion of the president. The chancellor or his designee is authorized to approve tuition structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2016 tuition recommendations are presented to the Board of Trustees.

d. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.

e. Approve the revenue fund and related fiscal year 2015 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2D, including any housing fees that the campuses may charge for occupancy outside the academic year. Approve the fiscal year 2015 fees structure for room and board for colleges who either own or manage student housing as detailed in Attachment 2E. The chancellor or his designee is authorized to approve fee structures for any new revenue fund programs as well as any technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2016 recommendations are presented to the Board of Trustees.

f. Approve an exception to the maximum amounts set by board policy 5.11 for the Student Life/Activity ($117.36 per term) and Health Services ($70.20 per term) fees for St. Cloud State University.

Note: Motion subsequently amended at the full Board meeting to read as follows:

Approve Student Life/Activity ($117.36 per term) and Health Services ($70.20 per term) fees for St. Cloud State University.

Trustee Sundin asked how often students are asked to give input regarding the fee structure. Vice Chancellor King asked Ms. Bednarz, who manages the student consultation process, to respond. Ms. Bednarz said that an extensive consultation is done at the campuses and the campuses do a great job communicating with the students. It is a requirement of Board policy to consult with students over budgets and fees. The summary of the results are included in the Board packet and all of the student letters are posted online. The letters are very positive, especially in terms of the student life fees. Chancellor Rosenstone noted that there is also consultation with the students at the state level (MSUSA, and MSCSA). Input from the student associations was taken into consideration in crafting the capital guidelines. The expectation for student consultation is discussed at Leadership Council and is included in the new president’s orientation packet. President Davis added that students are consulted regularly of fees, even when they are not increasing.

The meeting was adjourned at 9:16 a.m.

Respectfully submitted,

Laury Anderson, Recorder

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

Name: Finance and Facilities Committee **Date:** October 21, 2014

Title: FY2016-2017 Legislative Request – 1st Reading

Purpose (check one):

- [ ] Proposed New Policy or Amendment to Existing Policy
- [x] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

Every other year, as part of the state's operating budget process, the Minnesota State Colleges and Universities develops a biennial operating budget request. *Board Policy 5.9, Biennial and Annual Operating Budget Planning and Approval* requires the Board approve the systemwide request.

At the November meeting, the board will be asked to approve the proposed fiscal year 2016-2017 budget of $142 million for the biennium to fund inflationary cost increases and enable a tuition freeze. This is the 1st reading of the biennial budget request.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – CFO
Deborah Bednarz, Director for Financial Planning and Analysis
Richard Hanson, President - Bemidji State University and Northwest Technical College
Doug Allen, President - Ridgewater College

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

ACTION ITEM

FY2016-FY2017 LEGISLATIVE REQUEST (First 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. This is the first reading of the FY2016-FY2017 legislative request.

BACKGROUND

The FY2016-FY2017 legislative request is a proactive strategy that addresses what was heard from key constituencies throughout the state. In preparing the legislative proposal, counsel was received from presidents, faculty, staff, students, and bargaining unit representatives. The resulting budget request targets investment to an initiative that will advance Minnesota's prosperity by producing graduates who are extremely well prepared to enter the workforce and build careers, by protecting and enhancing affordability and by ensuring that educational opportunities and success remain available to all Minnesotans.

The FY2016-FY2017 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, provide for inflationary costs in order to ensure continued high quality educational offerings and student services, and commits to freeze tuition if state support is available as requested. The FY2016-FY2017 legislative request presentation is attached to this report as Attachment A. Also attached is the handout prepared for campus use (Attachment B).

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following 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 providing affordable, high quality education throughout the state. The FY2016-FY2017 legislative request strengthens the state's commitment to access and affordability.

The Board of Trustees approves the FY2016-FY2017 legislative request in the amount of $1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request.

RECOMMENDED BOARD OF TRUSTEES 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 providing affordable, high quality education throughout the state. The FY2016-FY2017 legislative request strengthens the state’s commitment to access and affordability.

The Board of Trustees approves the FY2016-FY2017 legislative request in the amount of $1,386,286,000. The Board strongly urges the state of Minnesota to support the Minnesota State Colleges and Universities biennial budget request.

Presented to the Board of Trustees: October 21, 2014

FY2016-FY2017 Legislative Request

Board of Trustees
Finance and Facilities Committee
October 2014

Minnesota State Colleges and Universities

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.

Minnesota
STATE COLLEGES
& UNIVERSITIES

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

Minnesota State Colleges & Universities

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 . . .

Minnesota State Colleges & Universities

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.

Minnesota STATE COLLEGES & UNIVERSITIES

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?

Minnesota STATE COLLEGES & UNIVERSITIES

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.

Minnesota State Colleges & Universities

7

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.

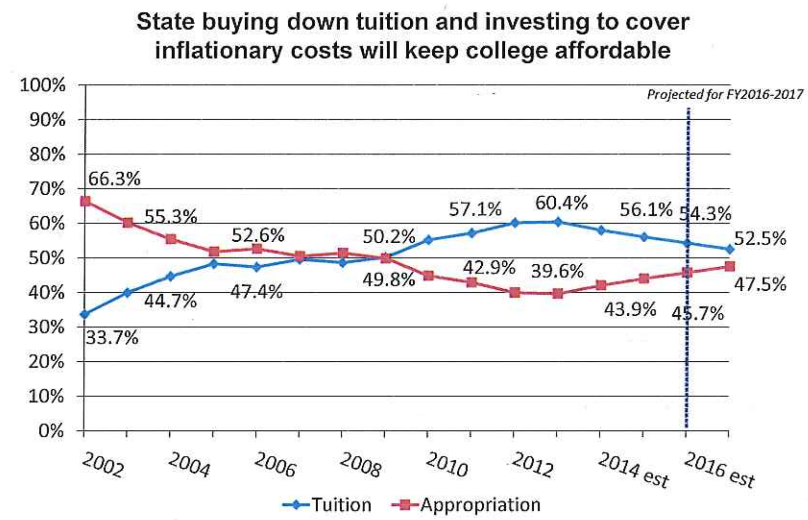
Carl White, a student at Winona State University in Social Work, is married and the father of two young children: a 7-year old daughter with Down syndrome and a 4-year old son, and will become the first of his 14 brothers and sisters to graduate from college.

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.

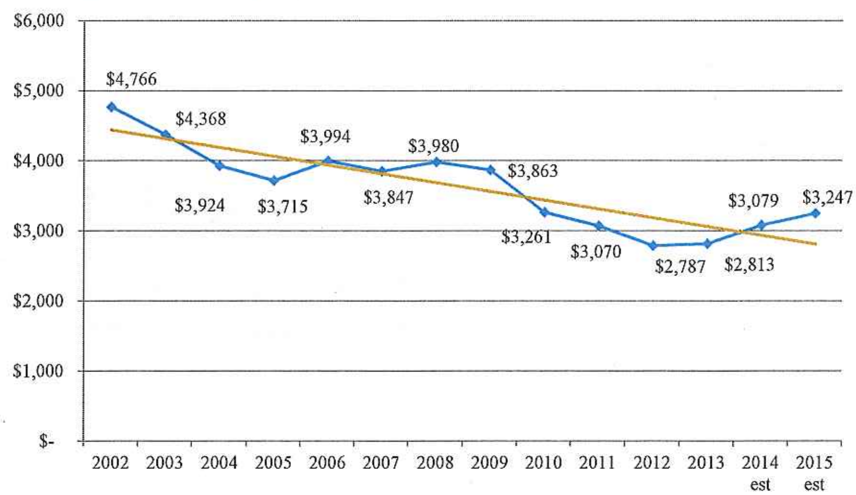
Minnesota State Colleges & Universities

Move state support toward 50:50



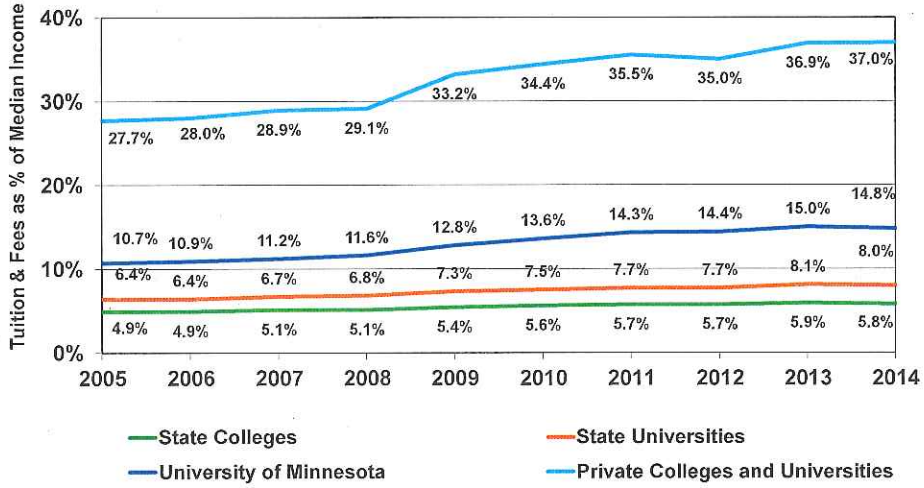
9

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



10

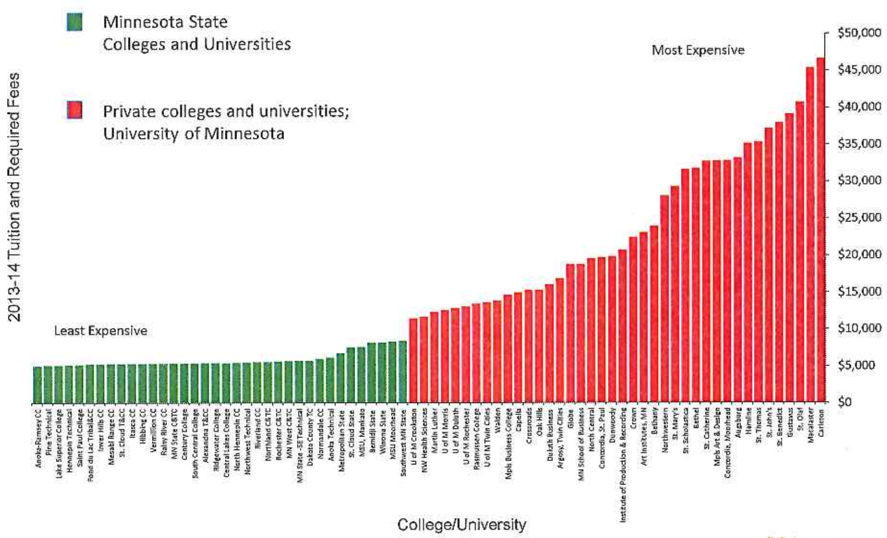
Tuition & fees flat as a percent of median income



11 Source: System Office Research – Academic and Student Affairs

Minnesota State Colleges & Universities

Minnesota's most affordable higher education option



Source: Chronicle of Higher Education, October 23, 2013

Minnesota State Colleges & Universities

12

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:

INCOME LEVELS FOR GRANT RECIPIENTS	MnSCU COLLEGE STUDENTS: AVERAGE 2014-15 STUDENT TUITION COST	MnSCU UNIVERSITY STUDENTS: 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

Minnesota State Colleges & Universities

Alternative costs and affordable options for getting a Bachelor's degree

SCENARIO	YEAR 1	YEAR 2	YEAR 3	YEAR 4	4-YEAR TUITION AND FEES
A	PSEO high school	PSEO high school	MnSCU university	MnSCU university	$15,360
B	PSEO high school	MnSCU college	MnSCU university	MnSCU university	$20,749
C	MnSCU college	MnSCU college	MnSCU university	MnSCU university	$26,138
D	MnSCU university	MnSCU university	MnSCU university	MnSCU university	$30,720
E	MnSCU college	MnSCU college	University of Minnesota	University of Minnesota	$35,988
F	University of Minnesota	University of Minnesota	University of Minnesota	University of Minnesota	$50,420
G	MnSCU college	MnSCU college	Private college or university	Private college or university	$82,396
H	Private college or university	Private college or university	Private college or university	Private college or university	$143,236

Cost comparisons from 2014-15, before grants and scholarships.

Minnesota State Colleges & Universities

Debt of MnSCU graduates
academic year 2012-2013

	MnSCU % WITH NO DEBT	MnSCU % WITH DEBT	MEDIAN DEBT FOR THOSE WITH DEBT	MEDIAN DEBT FOR ALL GRADUATES
Certificates/ Diplomas	46%	54%	$10,900	$2,750
Associate Degree	34%	66%	$15,819	$9,028
Baccalaureate Degree	27%	73%	$25,374	$18,327

Minnesota STATE COLLEGES & UNIVERSITIES

15

Summary of legislative request

Two elements to request:

$72M to cover a portion of annual salary and fringe benefit cost increase (total of 3% total annual compensation increase) replaces revenue from 3% tuition increase

+

$70M to cover a portion of annual salary increase and fringe benefit increase + inflation on operating costs

=

$142M to cover inflationary cost increases and reduce student share from 56% to 53% by 2017 – on track to 50% by 2019

Minnesota STATE COLLEGES & UNIVERSITIES

16

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

Minnesota State Colleges & Universities

19

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

Recommended FY2016-2017 legislative request		
Tuition revenue from tuition increase		0
State appropriation increase		142
Total inflationary costs	$	142
Alternative option		
Tuition revenue from 3% tuition increase		72
State appropriation increase		70
Total inflationary costs	$	142

Minnesota State Colleges & Universities

20

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.

Minnesota STATE COLLEGES & UNIVERSITIES

17

Biennial budget request FY2016-FY2017

$ in thousands

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

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%

Minnesota STATE COLLEGES & UNIVERSITIES

18

Goals for biennial legislative request

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

Minnesota
STATE COLLEGES
& UNIVERSITIES

21

Next steps

- Continued consultation with student, faculty and staff leadership; college and university presidents; and legislative leaders
- Board of Trustees second reading and action on the request – November 18-19
- Submission to the Executive Branch – November 20, 2014

Minnesota
STATE COLLEGES
& UNIVERSITIES

22

Minnesota State Colleges and Universities

FY2016-FY2017 Legislative Request

College (Higher Education) for All

Minnesota State Colleges and 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 (430,000 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 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? We don't think so, but, the paradigm by which we can deliver it is shifting.

Legislative Request
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.

Additional Resources needed in the biennium to cover inflationary costs

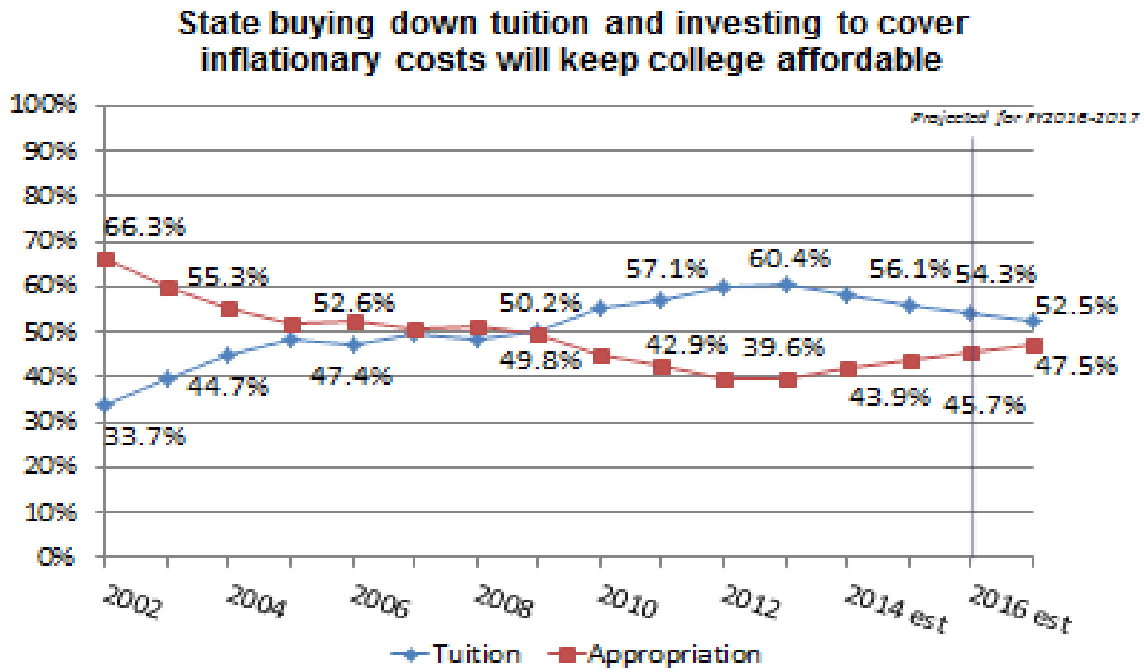
3% competitive personnel cost	**=**	**$108 million**
3% inflationary increases in operating costs	**=**	**$ 34 million**
Total required:		**$142 million**

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, employers, and communities.

We must make sure current and future 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 must work together to protect the quality of our programs and thereby, the students they produce, and the impact they deliver to the state.

Move State Support to 50:50



COLLEGE OR UNIVERSITY NAME

(customizable portion of sheet template)

Note: The following is FICTIONAL, representative facts for illustrative purposes

Opportunities and Challenges (SAMPLES)

- Need to protect and grow programs in liberal arts, business and industry
- Increasingly diverse backgrounds of students
- Growing demand for skilled employees in manufacturing, business, health care, and science related industries.
- Enrollments are down nationwide. We have adjusted our budgets, but still serve XX students and continue to need dollars for reinvestment and for fixed costs.

Legislative Request *(System office Finance staff can help with breakdowns)*

- $XX for faculty and staff salary and benefits increases
- $XX for other inflationary operating costs

Impact of Legislative Request Shortfall *(System office Finance staff can assist, if necessary)*

- $XX cut to the campus
- XXX faculty and staff layoffs
- XXX program closures
- XXX delayed programs

Minnesota
STATE COLLEGES
& UNIVERSITIES

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

Name: Finance and Facilities Committee **Date:** October 21, 2014

Title: 2015 Capital Bonding Recommendation and Update

Purpose (check one):

- [ ] Proposed New Policy or Amendment to Existing Policy
- [x] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

Seeking Board approval for a 2015 bonding package that would include the Board's previously approved work and, in priority order, provide funding for HEAPR, a select portion of the 2014 demolition initiative, validated priorities not funded in 2014 and "construction tails" associated with ongoing designs funded in 2014, all reflective of inflation. This request would total $183.2 million. Additionally, seeing Board endorsement of 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.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

ACTION ITEM
2015 Capital Bonding Recommendation and Update

BACKGROUND

In May 2014, Governor Dayton signed a $1.1 billion statewide capital investment bonding bill which included $159.8 million for Minnesota State Colleges and Universities. This included $42.5 million for higher education asset preservation and replacement (HEAPR) and $117.3 million for 13 capital projects on 19 campuses. This funding represented 56 percent of the Board's total original 2014 program request, 39 percent of the requested HEAPR and 66 percent of the requested capital projects. **See Attachment A**.

Capital bonding is the primary focus of even-year legislative sessions. There have been occasions where capital bonding has been taken up as part of an "off-bonding" or odd-year legislative session. Past practice has been for the Board to consider and recommend off-year funding for those capital priorities not fully funded in the prior year's bonding bill.

2015 CAPITAL BONDING PLANNING

A total of $126.6 million of the Board's 2014 priorities were not funded in the most recent capital bonding bill. These unfunded priorities include $67.5 million in HEAPR requirements, $20.6 million from the demolition initiative, and $38.5 million for nine priority line-item projects for work at 11 campuses.

Board priorities not funded in 2014 have been revalidated with college and university leaders. There continues to be strong demand for asset preservation through HEAPR. The Board made a strong statement on managing costs, affordability, and institutional financial sustainability in seeking funding to demolish obsolete space in 2014. Although the legislature ultimately did not support demolition as a stand-alone package, the demolition initiative triggered several efforts on campuses in Granite Falls, Staples, and Detroit Lakes to evaluate and seek alternative use for obsolete space, including partnering with local school districts or organizing efforts for other local governmental and non-profit partners to deliver and leverage space available on campuses. In Hibbing, Bemidji and Canby, campuses integrated demolition into an overall rightsizing effort and have incorporated demolition as part of the planning strategy for a 2016 capital request. The 2015 capital request incorporates a modest demolition line for campuses to incorporate where there are little or no potential for reuse opportunities.

The bulk of the 2015 requests represent a direct carry over from the 2014 approved program, adjusting for inflation of 5 percent. At Century College, although design only, the focus will be on meeting program needs in existing space and has removed the proposal for additional space from the project.

Within the 2014 bonding bill, 5 funded priorities initiated design for construction to be pursued in future bonding bills. Design work for Bemidji State University, Rochester Community and Technical College, Hibbing Community College, Winona State University and St Cloud State University is under contract and continues to progress. Future construction (so called "construction tails") at these institutions is consistent with Board adoption and approval of the 2014 capital bonding program. See Attachment A (page 11) of the June 2013 Board Packet at: http://www.mnscu.edu/board/materials/2013/june19/fin-04-capbudget.pdf. Executive and legislative branch support to finish this work may bring this construction into consideration for a 2015 capital bonding bill. In the meantime, all are being prepared for consideration within a 2016 capital bonding recommendation.

A recommended 2015 bonding package would include the Board's previously approved work and, in priority order, provide funding for HEAPR, a select portion of the 2014 demolition initiative, validated priorities not funded in 2014 and "construction tails" associated with ongoing designs funded in 2014, all reflective of inflation. This request would total $183.2 million, with funding in the four categories outlined below and details provided in Attachment B.

HEAPR	$67.5 million
Select demolition	$5.0 million
Priorities not funded in 2014	$39.6 million
"Construction tails" from 2014	$70.5 million
Program Total	$182.6 million
GO Funded	$145.9 million
System Financed	$36.7 million

PRIOR YEAR CAPITAL PROGRAM UPDATES

There are two noteworthy updates to capital projects during the last few months. First, St. Cloud State University and system staff determined a need to seek conversion of the portion of tax exempt bond financing issued for St. Cloud State University's Integrated Science and Engineering Learning Facility (ISELF) from tax exempt to taxable bonds. This conversion allows St. Cloud State the flexibility to develop applied learning partnerships that the university is seeking from the private sector. Tax exempt bond financing limits these types of applied learning partnerships, as they implicate private use limitations imposed by the Internal Revenue Service rules for buildings financed with tax exempt bond debt. In August of this year, Minnesota Management and Budget (MMB) executed a repurposing and refunding of tax-exempt bonds sold for the design and construction of St. Cloud State University's ISELF and an issuance of taxable bonds. This action enabled the university to enter into public private arrangements for space within ISELF to offer students greater learning opportunities and remain in compliance with Internal Revenue Service rules on private use.

Second, the 2015 legislative request is expected to include clean up language to convert unused bond funds from a renovation project at Southwest Minnesota State University to HEAPR funds for use on campus. In the 2012 bonding bill, $500,000 was appropriated for the university to design a renovation of their science laboratories and an addition to the plant science learning center in the science and math building. After design funding was appropriated, it was determined the project should not proceed to construction funding based on several factors, including leadership transitions, the university's plan to update their facilities and academic plans, challenging financial outlook, and a priority need for additional repair and replacement dollars. As a result, the design work was terminated, leaving a balance of $474,306.37 from the 2012 appropriation. The system sought to convert these funds to HEAPR funding for the campus's use on other high priority repair and replacement projects. Ordinarily, the conversion of left over project funds to HEAPR funding is fairly straightforward and involves a request to the Minnesota Management and Budget office. However, in this case, Minnesota Management and Budget is seeking some legislative direction before it was willing to allow the conversion to HEAPR funding.

RECOMMENDED COMMITTEE ACTION:

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.

RECOMMENDED 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.

Date Presented to the Board of Trustees: October 21, 2014

Attachment A

Minnesota State Colleges and Universities
Capital Bonding Funding – 2014 Results

FY2014 Board Priority	Campus Name	Location	Project Title	Request ($000)	2014 Funding ($000)
1	HEAPR	Systemwide	Higher Education Asset Preservation and Replacement	$110,000	$42,500
1	Demolition	Systemwide	Demolition of obsolete spaces on system campuses	$20,601	$0
2	Metropolitan State University	St. Paul	Science Education Center new construction	$35,865	$35,865
3	Bemidji State University	Bemidji	Memorial, Decker renovation, Sanford Hall demolition, and Hagg Sauer design	$13,790	$13,790
4	Lake Superior College	Duluth	Allied Health ('86 Wing) Revitalization renovation	$5,266	$5,266
5	Minneapolis Community & Technical College	Minneapolis	Workforce, Phase 2 renovation	$3,600	$3,600
6	Saint Paul College	St. Paul	Culinary Arts and Computer Numerical Control/Machine Tool renovation	$1,500	$1,500
7	Minnesota State College – Southeast Technical	Red Wing, Winona	Welding, Science Labs, and Classrooms renovation	$1,700	$1,700
8	Central Lakes College	Staples	Campus Rightsizing renovation	$4,581	$4,234
9	Minnesota State University, Mankato	Mankato	Clinical Sciences Facility new construction and renovation	$25,818	$25,818
10	Minnesota State Community & Technical College	Moorhead	Transportation Center addition and renovation	$6,544	$6,544
11	Rochester Community and Technical College	Rochester	Art Hall renovation and post-demolition design of Plaza, Memorial Halls	$1,000	$1,000
12	Minnesota West Community and Technical College	Jackson, Canby	Classroom, Powerline Facility, and Geothermal System renovation	$3,487	$0
13	Dakota County Technical College	Rosemount	Transportation and Emerging Technologies renovation	$7,586	$0
14	Century College	White Bear Lake	Digital Fab Lab, Kitchen space, and Solar Panel System renovation	$2,020	$2,020
15	Northland Community Technical College	Thief River Falls	Aviation Maintenance Facility addition and demolition	$5,864	$5,864
16	(NHED) Northeast Higher Education District	Itasca, Rainy River, Vermilion, Hibbing	Science Labs, Classroom, Biomass Heating renovation, and demolition	$3,344	$3,344
17	Winona State University	Winona	Education Village, Phase I, renovation	$5,902	$5,902
18	Anoka Technical College	Anoka	Manufacturing Technology Hub and Auto Tech Lab renovation	$1,500	$0
19	Saint Paul College	St. Paul	Health & Science Alliance Center addition	$14,482	$0
20	Century College	White Bear Lake	Classroom and Workforce Alignment addition	$1,000	$0
21	South Central College	North Mankato	STEM and Healthcare renovation	$7,467	$0
22	St. Cloud State University	St. Cloud	Student Health and Academic renovation	$865	$865
23	Minnesota State Community and Technical College	Fergus Falls, Wadena	Campus Rightsizing and Center for Student Success renovation	$1,385	$0
24	Northland Community and Technical Colleges	East Grand Forks	Laboratory renovation	$749	$0
25	Winona State University	Winona	Phelps Hall Psychology Lab renovation	$592	$0
			Total	$286,508	$159,812
			GO	$234,539	$120,708
			MnSCU Financed	$51,969	$39,104

Attachment B

Minnesota State Colleges and Universities
2015 Capital Bonding Recommendation

2014 Carry Forward Projects			**$ 112,083**
HEAPR	Systemwide	Higher Education Asset Preservation and Replacement	$ 67,500
Demolition	Systemwide	Demolition of obsolete spaces on system campuses	$ 5,000
Minnesota West Community and Technical College	Jackson, Canby	Powerline Facility, and Geothermal System renovation	$ 3,661
Dakota County Technical College	Rosemount	Transportation and Emerging Technologies renovation	$ 7,965
Anoka Technical College	Anoka	Manufacturing Technology Hub and Auto Tech Lab renovation	$ 1,575
Saint Paul College	St. Paul	Health & Science Alliance Center addition	$ 15,206
Century College	White Bear Lake	Classroom and Workforce Alignment addition	$ 1,050
South Central College	North Mankato	STEM and Healthcare renovation	$ 7,840
Minnesota State Community and Technical College	Fergus Falls, Wadena	Center for Student Success, Campus Rightsizing and renovation	$ 1,500
Northland Community and Technical Colleges	East Grand Forks	Laboratory renovation	$ 786
Construction Tails from 2014:			**$ 70,500**
Bemidji State University	Bemidji	Hagg Sauer replacement	$ 16,000
Rochester Community and Technical College	Rochester	Art, Hall, and Memorial Halls renovation and replacement	$ 9,000
(NHED) Northeast Higher Education District	Hibbing	Renovation and rightsizing	$ 8,500
Winona State University	Winona	Education Village, Phase II, renovation	$ 18,500
St. Cloud State University	St. Cloud	Student Health and Academic renovation	$ 18,500
		Total	$ 182,583
		GO	$ 145,889
		MnSCU Financed	$ 36,694

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

Name: Finance and Facilities Committee **Date:** October 21, 2014

Title: 2015 Revenue Fund Bond Sale (First Reading)

Purpose (check one):

- [ ] Proposed New Policy or Amendment to Existing Policy
- [x] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

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.) MnSCU-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.

The Board of Trustees is being asked to approve a 2015 revenue bond sale of approximately $45 million to finance projects at three campuses and a sale of approximately $31.7M in order to refund outstanding 2005 revenue bonds.

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 (First 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
	$36,060,000	

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
	$40,645,000	

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**.

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**.

Date Presented to the Board: October 21,2014

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

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 a portion of 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 f 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 <u>The Series 2015A Bonds – Initial Issue</u>. 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 Purchaser 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 <u>The Series 2015B Bonds – Redemption.</u>

(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 <u>Series 2015 Revenue Receipts Subaccounts.</u> The Trustee 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 <u>Series 2015 Debt Service Subaccounts</u>. 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 <u>Capital Expenditure Account</u>. 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 <u>Series 2005 Refunding Subaccount.</u> There is hereby created a Series 2005 Refunding Subaccount within the Escrow Account, to be held by the Trustee. Certain proceeds of the Series 2015 Bonds, in the amount to be set forth in the Closing Certificate relating to the Series 2015 Bonds, shall be deposited in the Series 2005 Refunding Fund as described in Section 2.1 hereof and from there transferred by the Trustee to the Debt Service Subaccount previously created for the Series 2005A Bonds and used, together with other amounts on deposit in such Series 2005A Debt Service Subaccount and the amounts on deposit the Debt Service Reserve account or subaccount related to the Series 2005A Bonds, to redeem the Series 2005 Bonds on October 1, 2015.

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;

(1) 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.

(The remainder of this page is intentionally left blank)

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

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
______ %	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 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

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
______ %	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 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

Blankct 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
55 Water Street; 50th Floor
Mew 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: LM King
(Authorized Officer's Signature)

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

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

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

(651) 649-5778
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: [signature]

EXHIBIT D

Student Consultation Letters

MINNESOTA STATE UNIVERSITY
MOORHEAD

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,

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

MINNESOTA STATE UNIVERSITY
MOORHEAD

Student Senate

218.477.2150 T
218.477.5050 F
MSUM.StudentSenate@gmail.com

10 October 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,

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

Director Anderson visited Student Senate on Thursday, October 9 to present a status report on the project scope and the budgetary challenges affecting the project. He shared the very difficult choices being made to bring the project back into alignment with the budget. Student Senate pledged continuing support of the project and the request for additional bonding dollars to mitigate the impact on the project with a vote of 13-1 with 1 abstention. We are appreciative the increased bonding request does not require any additional increase to student fees.

If you have any further questions, please feel free to contact me through the mediums listed in the header. Thank you for your continuing support and commitment to students.

Sincerely,

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

MSU Mankato Student Consultation Letter

To be provided

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):

X	Proposed New Policy or Amendment to Existing Policy	☐	Approvals Required by Policy	☐	Other Approvals
☐	Monitoring / Compliance	☐	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 (First 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

Currently, Minnesota State Colleges and Universities (MnSCU) requires hard-copy, handwritten signatures for most documents. Minn. Stat. § 325L.18 charges all state agencies to determine whether, and the extent to which, it will send and accept electronic records and electronic signatures to and from other persons and otherwise create, generate, communicate, store, process, use, and rely upon electronic records and electronic signatures. In order to use electronic signatures, MnSCU must have the safeguards in place that are required by statute.

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.

Minn. Stat. § 325L.02(h) defines an electronic signature is an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record. The definition is not specific to any one technology, hardware, or software.

The Uniform Electronic Transactions Act, Minn. Stat. Ch. 325L, establishes four basic factors for an electronic signature to be valid: (1) authentication, (2) capturing the user's intent, (3) binding of the signature to the document and (4) maintaining the integrity of the document. All of the above provide for nonrepudiation, making it difficult for the signer to claim that the electronic representation is not valid. Minn. Stat. § 325L.07 provides that if a law requires a record to be in writing or requires a signature, then, an electronic record or electronic signature satisfies the law.

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. Support was expressed for adoption of proposed Policy 5.25 Use of Electronic Signatures. Staff is currently drafting an accompanying procedure which will be completed prior to implementation of this policy.

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.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves Board Policy 5.25 Use of Electronic Signatures.

Date presented to the Board of Trustees: October 21, 2014

First Reading

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

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

5.25 Use of Electronic Signatures

Part 1. Policy Statement.

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

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

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

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

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

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

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

Part 3. Methodology to Reflect Level of Risk.

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

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

Part 4. Authority and Responsibilities.

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

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

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

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

Part 5. Sanctions.

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

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

Name: Finance and Facilities Committee **Date:** October 21, 2014

Title: Rochester Community and Technical College Workforce Center Lease Exceeding $3 Million

Purpose (check one):

☐	Proposed New Policy or Amendment to Existing Policy	x	Approvals Required by Policy	☐	Other Approvals
☐	Monitoring / Compliance	☐	Information		

Brief Description:

Board policy requires that contracts with values greater than $3,000,000 must be approved in advance by the Board of Trustees. The 2012 bonding bill included an $8.746 million appropriation for the construction of a workforce center co-located on the Rochester Community and Technical College campus. 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 and is expected to exceed $3 million over the full term of the lease including options to renew.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD ACTION

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

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

The 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 location of the facility and the lease space plan is shown on **Attachment A**. The Workforce Center Addition has been completed.

The specific legislative language authorizing the co-location and lease is provided for reference on **Attachment B**.

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. The first five year term is expected to generate approximately $1.7 million to cover operating expenses and DEED's share of debt service. A summary of major lease terms is provided in **Attachment C.** DEED has indicated that it intends to sub-lease this space to its partner, Workforce Development, Inc. (WDI), an independent, non-profit agency serving workforce needs in southeast Minnesota, which is DEED's common practice. RCTC will have final approval on any sub-lease terms and conditions.

RECOMMENDED COMMITTEE ACTION:

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

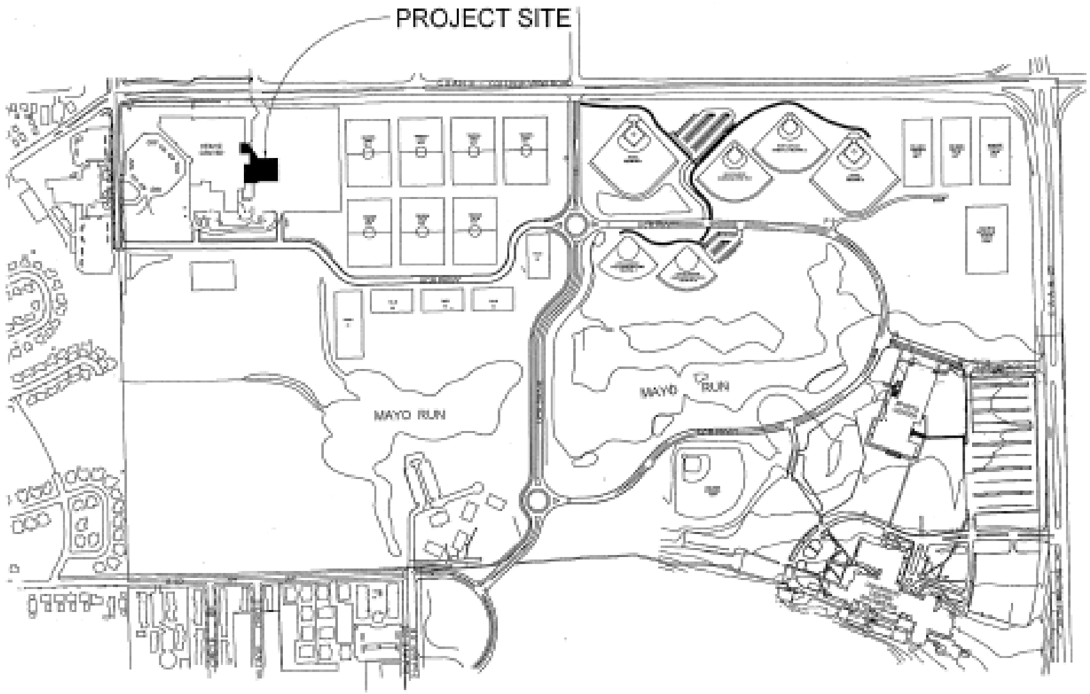
The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Department of Employment and

Economic Development (DEED), it successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.

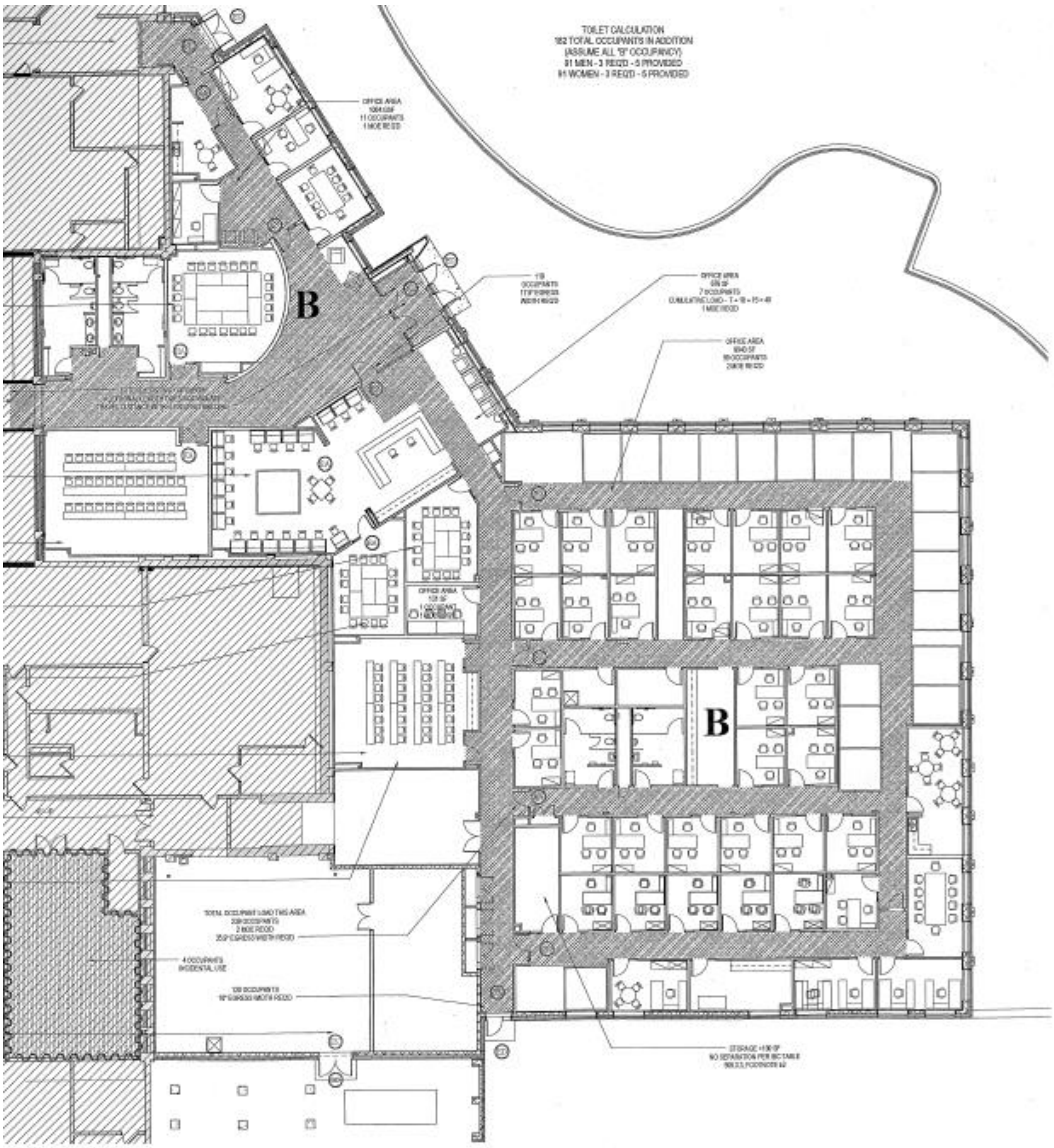
RECOMMENDED BOARD OF TRUSTEES MOTION:

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), it successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.

ATTACHMENT A
Page 1 of 2
CAMPUS MAPS AND LEASED PREMISES



ATTACHMENT A
Page 2 of 2
General Floor Plan of Leased Premises



ATTACHMENT B

EXCERPT OF 2012 BONDING BILL AUTHORIZATION FOR ROCHESTER WORKFORCE CENTER

2012 Minnesota Laws, Ch. 293, Section 3, subd. 16

"To complete the design of and to construct, furnish, and equip an addition to the Heintz Center at Rochester Community and Technical College and to renovate the heating, ventilating, and air conditioning systems. The addition will house the Rochester Area Work Force Center. The board of trustees must consult with the commissioner of employment and economic development on the design of the renovations and addition. The board must enter into a lease agreement with the commissioner of employment and economic development for use of the work force center. The lease agreement must provide that lease payments made by the commissioner will pay for the college's reasonable costs in support of the work force center and the debt service required of the board associated with the work force center portion of the project. Notwithstanding the ten-year lease limit under Minnesota Statutes, section 16B.24, subdivision 6, the commissioner of administration may enter into a lease agreement of up to 20 years for the space to house the Rochester Area Work Force Center at the Rochester Community and Technical College."

ATTACHMENT C
WORKFORCE CENTER LEASE
SUMMARY OF MAJOR PROVISIONS

Leased Premises	14,694 sq. ft.
Commencement	August 1, 2014
Initial Term	August 1, 2014 – July 31, 2019
Rent: Initial Term	**Per Sq. Ft.** **Annual Rent** Year 1 $13.27 $194,989 Year 2 $13.73 $201,748 Year 3 $14.21 $208,801 Year 4 $14.71 $216,148 Year 5 $15.22 $223,642
Debt Service (20 years)	Ave: $8.59 psf $126,288
Renewal Option (3 x 5 years each)	**Option Term** **Total Rent Per Option Term (rent is payable monthly)** Option 1 (2019-2024) $1,240,908 Option 2 (2024 – 2029) $1,473,367 Option 3 (2029 – 2034) $1,749,909
Contraction/ Termination	Standard right to terminate for lack of funding; statutory right to terminate (Minn. Stat. 16B.24) Termination for any reason upon 180 days notice DEED's obligation to pay debt service survives termination
Parking	43 non-designated parking stalls ($176 per employee/year/stall)

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

Name: Finance and Facilities Committee **Date:** October 21, 2014

Title: Minnesota State University, Mankato Approval of Contract Exceeding $3 Million for Beverage Sponsorship

Purpose (check one):

- [ ] Proposed New Policy or Amendment to Existing Policy
- [x] Approvals Required by Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

The purpose of this report 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 RFP for campus pouring services. The published notice asked vendors who responded to RFP to provide financial information for two contract term periods—five years and ten years. The university will evaluate the term that offers the greatest benefit to the university based on consideration of the information provided in response to the RFP.

The university initiated the RFP process on April 22, 2014 and received responses on May 30, 2014. Board approval in October is necessary so a fully executed contract with the selected vendor can be completed by December 1, 2014.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – CFO
Richard J. Straka, Vice President, Finance & Administration
Minnesota State University, Mankato

BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD ACTION

Minnesota State University, Mankato Contract Approval
Exceeding $3 Million for Beverage Sponsorship

BACKGROUND

Board Policy 5.14, Procurements and Contracts, requires approval by the Board of contracts exceeding $3,000,000. The purpose of this report is to request Board approval of a beverage sponsorship contract with an expected 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. The published notice asked vendors who responded to the Request for Proposal (RFP) to provide financial information for two contract term periods—five years and ten years. 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 university initiated the RFP process on April 22, 2014 and received responses on May 30, 2014. Board approval in October is requested so a fully executed contract with the selected vendor can be completed by December 1, 2014. The schedule for the RFP and decision-making process is presented below.

<u>RFP Selection and Implementation Timeline</u>

Tuesday, April 22, 2014	Publish RFP notice at MMD solicitation website
Friday, May 2, 2014	Deadline for RFP proposal questions
Friday, May 9, 2014	MSU, Mankato response to questions
Friday, May 30, 2014	Deadline for RFP proposal submissions
Wednesday, October 22, 2014	MnSCU Board approval
Friday, October 31, 2014	Final decision by MSU, Mankato
Monday, December 1, 2014	Contract is fully executed

Respondents to the RFP were also asked to provide information for (a) exclusive pouring rights in all campus facilities; and/or (b) shared pouring rights among athletics, residence halls, student union, and all other facilities. Pursuant to Minnesota Statute § 248.07, Subd.7, Minnesota State Services for the Blind (SSB) operates the vending machines in all university buildings. Therefore, the successful responder must work cooperatively with SSB.

The contract would be five years in length with one option to renew for an additional 5 years. The total value of the contract, if it runs the full ten years, is estimated at more than $3,000,000 and less than $5,000,000 and could consist of items including marketing support, athletic scholarships, contributions and athletic products, The requested Board motion provides capacity for changes to the valuation over the life of the contract.

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.

RECOMMENDED BOARD 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.

Date submitted to the Board of Trustees: October 21, 2014

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

Name: Finance and Facilities **Date:** October 21, 2014

Title: Campus Service Cooperative Update

Purpose (check one):

☐	Proposed New Policy or Amendment to Existing Policy	☐	Approvals Required by Policy	☐	Other Approvals
☐	Monitoring / Compliance	X	Information		

Brief Description:

This update will provide the Finance and Facilities Committee a status report on the Campus Service Cooperative (CSC). The update will include stakeholder feedback on the CSC; FY2014 performance information, refinements to the unit's strategic focus; and plans for selecting, financing, implementing and evaluating CSC projects.

Scheduled Presenter(s):

Phil Davis, Associate Vice Chancellor and Managing Director, Campus Service Cooperative
Robert Musgrove, President, Pine Technical and Community College

Campus Service Cooperative Update

Finance and Facilities Committee

October 21, 2014

Minnesota State Colleges and Universities

Background

2

What preceded the creation of the CSC?

- 2003-2007: Business Practice Alignment Committee
  - Formed to standardize business practices as part of the Integrated Student Record System (ISRS) overhaul.
  - Goals of smoothing the student experience AND reducing the need for software development to support multiple ways of doing same business practice.
  - Beginning of systemic thinking regarding back office processes.
- 2007-2010: Integrated Student Services and Students First initiatives
  - Focus on systematizing student interface processes across all campuses.

Minnesota State Colleges & Universities

3

What is the Campus Service Cooperative?

- The CSC began in 2011 to demonstrate how campuses can work together to develop efficient, high quality, and transformational delivery of support services.
- In 2012, with the help of IBM, the CSC developed:
  - a shared services platform focusing initially on finance/business office, human resources, financial aid services; and
  - sourcing and procurement initiatives for office supplies, managed print services, janitorial supplies, and purchasing cards.

Minnesota State Colleges & Universities

4

What is the Campus Service Cooperative? (continued)

- A leadership committee composed primarily of college and university presidents guides the work of the CSC.
- Teams composed of campus personnel lead the sourcing and shared services initiatives.
- The CSC has been staffed by a director, project manager, executive assistant, two college interns and loaned executives.
- The CSC was originally located at Minneapolis Community and Technical College. In August 2014, it moved to North Hennepin Community College.

Minnesota STATE COLLEGES & UNIVERSITIES

5

Update

6

Positive Return on Investment

- Board of Trustees approved a contract with IBM June 2013, which engaged with the CSC from January 2013 through June 2014.
- The total cost of the contract was $4.9 million.
- Based on our five-year valuation (FY14-FY18), the benefit of the system's sourcing and process improvement efforts is estimated at $14.2 million. Of this benefit, $6.3 million is directly attributable to IBM's efforts.
- This represents a net benefit to our colleges and universities of $1.4 million from the IBM engagement over five years.

NOTE: The benefit is lower than originally projected due to lower-than-expected adoptions rates, longer project launch cycles and greater efficiency in campus spending practices in many areas.

Minnesota State Colleges & Universities

7

Going Forward

8

Stakeholder Consultation

- MSCSA student leaders
- AFSCME Policy Committee
- Statewide CFOs, CIOs, CHROs and business officers
- Accounts Receivable Annual Conference
- Collaborative Sourcing Team
- Presidents
- CSC Leadership Committee
- System leaders
- More to come…

Minnesota State Colleges & Universities

9

Stakeholder Observations

- Strong support for continuing the work of the CSC.
- CSC has developed successful contracts and relationships with vendors, state agency partners and private supporters (e.g., loaned executives).
- Some stakeholder frustration with lack of progress on shared services; strong support for more focus on shared services projects.
- Desire for more clarity about OfficeMax pricing.
- Preference among CFOs and presidents for a CSC financing model based on an up-front annual investment and measuring the annual return.
- Need to strengthen communication; improve links with system leaders.
- Campuses want help designing, managing and implementing shared services and other innovative collaborations.

Minnesota State Colleges & Universities

10

Strategic Focus of the CSC

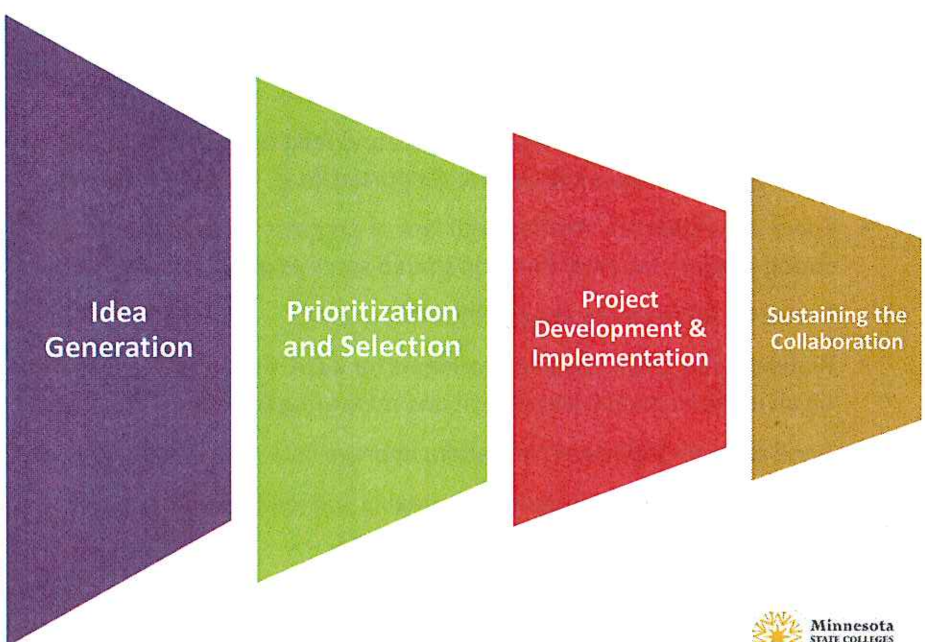
Saving Money

The original focus of Campus Service Cooperative has been on supporting the Strategic Framework goal of delivering the highest value, most affordable higher education option to the students, employers, communities and taxpayers of Minnesota.

Advancing Goals

The Campus Service Cooperative should expand its purpose to support innovative campus collaborations that advance all three goals of the Strategic Framework.

- Extraordinary education
- Partner of choice
- Highest value/most affordable option



Minnesota State Colleges & Universities

Strategies

1. **Provide colleges and universities with the talent, tools and environment to support enterprise solutions and multi-campus collaborations.**

2. **Implement a new financing model and project leadership framework.**

3. **Strengthen campus engagement with the CSC and its services.**

Minnesota State Colleges & Universities

13

Next Steps

Strategic Sourcing

- Identify and execute high potential projects;
- Increase adoption rates; and
- Build a sustainable staffing model.

Shared Services

- Build processes for selecting, prioritizing and implementing high potential projects;
- Build a sustainable staffing model;
- Solicit proposals from campuses; and
- Engage campuses in the selection and implementation of projects.

Minnesota State Colleges & Universities

14