



HIGHER EDUCATION
FACILITIES AUTHORITY

Minnesota Higher Education Facilities Authority

380 Jackson Street, Suite 450, St. Paul, MN 55101
Phone: 651.296.4690 Fax: 651.297.5751

CAPITAL COMMENTARY

(Vol. 23 No. 1)

Borrower/Issue:	Augsburg University, Series 2019
Financing Vehicle:	Revenue Refunding Note, Series 2019 Proceeds of the 2019 Note, along with an existing debt service reserve fund (Series Seven-G) and University funds will be used to refund, on a current refunding basis, the outstanding principal of the Authority's Series Six-J2 and Seven-G Revenue Bonds. Proceeds of the 2019 Note will be used to redeem and pay outstanding principal of the Six-J2 bonds on October 1, 2019 and to redeem and pay interest and principal of the Series Seven-G bonds on September 19, 2019 and to pay a portion of the costs of issuance.
Issue Amount:	\$2,920,000, Series 2019
Placement Method:	Private Bank placement with BMO Harris Bank N.A.
Tax-Exemption:	The Note is tax-exempt. Effective for bonds or notes issued after January 1, 2018, any advance refunding may not be undertaken on a tax-exempt basis. The refunding qualifies as a Current Refunding, which may be issued as a tax-exempt Note.
Term of Financing:	9 years, consisting of monthly interest payments commencing on October 1, 2019 and annual principal payments beginning May 1, 2024 through May 1, 2028.
Structure:	The Note includes a mandatory Tender Date of May 1, 2024, which may be extended by the University and BMO Harris Bank N.A. Annual debt service is structured to defer principal to improve debt service cash flow through FY 2023 and provide approximately level annual debt service on the Series 2019 Note for the University from FY 2024 - 2028.
Optional	
Prepayment:	The Series 2019 Note is subject to Mandatory Tender on May 1, 2024. The University may choose to prepay principal on any date upon 10 business day notice to the Bank at a price of par plus a "Make-Whole" amount as defined in the Continuing Covenant Agreement.



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- Interest Rate:** Interest rates on the Series 2019 Note is fixed. The Interest rate on the Series 2019 Note is initially 2.61%. The Yield on the Note is 2.624%.
- Rating:** The Series 2019 Note does not have a credit rating since it is a private placement held as a loan by the issuing Bank
The University maintains a Baa3 credit rating from Moody's Investors Service on the outstanding Authority bonds issued on behalf of the University.
- Date of Settlement:** August 29, 2019
- Highlights:** The University has undertaken the issue of the Series 2019 Note to reduce interest rate risk, lower debt service costs in FY 2020 – 2023, defer principal to FY 2024 – 2028 and reduce maximum annual debt service.
The cash flow savings from the refunding are approximately \$1.072 million. The present value benefit of the cash flow savings is approximately \$114,700.
- Tax-Exemption**
- Benefit:** The Authority provides borrowers with the ability to issue debt at tax-exempt interest rates, rather than taxable rates. The savings by using tax-exempt interest rates can be substantial. Based on the estimated taxable interest rate levels for similar issues and the market at the time of the Augsburg University Series 2019 Note sale and purchase, it is estimated that the use of Tax-Exempt interest rates reduced the interest cost of the Series 2019 Note by approximately \$149,200 in nominal dollars. On a present value basis, the estimated cost reduction by using tax-exempt rates instead of taxable rates reduced the interest cost of the Series 2019 Note by approximately \$132,600.