MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

Minnesota Higher Education Facilities Authority

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# CAPITAL COMMENTARY

## Revenue Refunding Note, Series 2020A (University of St. Thomas)

(Vol. 24 No. 1)

**Borrower/Issue:** University of St. Thomas, Series 2020A

Minnesota Higher Education Facilities Authority (University of St Thomas) Revenue Refunding Note, Series 2020A

The Authority issued its Revenue Note, Series 2020B on behalf of the University of St. Thomas concurrently with the issue of Revenue Refunding Note, Series 2020A. See Capital Commentary (Vol 24, No. 2) for more details on Revenue Note, Series 2020B.

**Financing Vehicle:** Revenue Refunding Note, Series 2020A

Proceeds of the 2020A Note will be used to refund on a current refunding basis the outstanding Series 2017C Note, issued by the Authority on behalf of the University.

**Issue Par Amount:** $9,610,000, Series 2020A

**Placement Method:** Private Placement, Negotiated with US Bank N.A. as the sole Purchaser.

**Tax-Exempt Benefit:** The Note was issued as tax-exempt. Based on market conditions at the time of the sale, the use of tax-exempt bonds issued by the Authority saved the University an estimated $276,300 over the life of the Note compared to a taxable financing. This represents a present value savings of approximately $252,500.

**Term of Financing:** 12 years, consisting of 13 principal payments which mirror the principal amortization of the refunded Series 2017C Note. Principal is payable annually on October 1, beginning October 1, 2020 and ending on October 1, 2032.

**Structure:** Monthly interest payable beginning October 1, 2020 with principal payable annually on October 1. The debt is structured to match the debt structure of the refunded Series 2017C Note.

**Financial Covenants:** The following financial covenant will be included for the Note and made applicable to the ongoing financial covenants for other University private placement debt: A Minimum Liquidity Covenant where Available Cash and Investments (as per the University's current calculation) to Total Debt cannot be less than 1.00x.

If the University fails to meet this covenant but has a Debt to Net Assets Ratio of .45 to 1.00 and a Fixed Charge Coverage Ratio of at least 1.1 to 1.0, they will be considered in compliance.

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**Mandatory Tender:** The Series 2020A Note is subject to mandatory tender on July 1, 2027. At that time, the University has the option, with the consent of the bank, to adjust the interest rate and continue the Note. Alternatively, the University may choose to redeem the outstanding Note balance with University funds or to replace the Series 2020A Note with another debt instrument.

**Prepayment:** The University may direct the Authority to prepay up to 10% of the outstanding Note balance without penalty in any year.

The Note may be prepaid in full at the option of the University at the occurrence of a Determination of Taxability or in the event the finance project facilities suffer damage, destruction, or condemnation.

Any prepayment is at a price of par plus accrued interest to the redemption date.

**Interest Rate:** The interest rate on the Series 2020A Note was set by formula at 1.84% through the Mandatory Tender date. If the University and the Bank agree to extend the Note, the interest rate will be reset by a formula effective on the Mandatory Tender date.

The Note has a True Interest Cost ("TIC") of 1.8470548%. (TIC is a dollar-weighted average rate for the bond issue, considering the time value of money and including interest, original issue discount or premium and underwriting fees).

**Rating:** The Series 2020A Note is not rated. The University has a credit rating of A2, stable outlook by Moody's Investors Service.

**Date of Settlement:** July 17, 2020

**Highlights:** The University has undertaken the refunding of the Series 2017C Note to change from a variable interest rate to a fixed interest rate.