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## CAPITAL COMMENTARY

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

(Vol. 24 No. 2)

- Borrower/Issue:** University of St. Thomas, Series 2020B  
Minnesota Higher Education Facilities Authority (University of St Thomas) Revenue Note, Series 2020B  
The Authority issued its Revenue Refunding Note, Series 2020A on behalf of the University of St. Thomas concurrently with the issue of Revenue Note, Series 2020B. See Capital Commentary (Vol 24, No. 1) for more details on Revenue Refunding Note, Series 2020A.
- Financing Vehicle:** Revenue Refunding Note, Series 2020B  
Proceeds of the 2020B Note will be used pay for costs related to the improvement, renovation of and upgrades to the Ireland Residence Hall and the Child Development Center/Center for Well-Being, all located on the University's Saint Paul campus (the "Project") and to pay issuance costs for both series of Notes.
- Issue Par Amount:** \$9,135,000, Series 2020B
- 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 \$155,000 over the life of the Note compared to a taxable financing. This represents a present value savings of approximately \$144,500.
- Term of Financing:** 10 years, consisting of 10 principal payments. Principal is payable annually on October 1, beginning October 1, 2021 and ending on October 1, 2030.
- Structure:** Monthly interest payable beginning October 1, 2020 with principal payable annually on October 1. The debt is structured to provide approximately level annual debt service.
- 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 2020B 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 2020B 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 2020B Note was set by formula at 1.79 % 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 1.7966747%. (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 2020B 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 funding of renovations to the Ireland Residence Hall and the Wellness Center to lock in a low fixed rate market interest rate and receive favorable financial terms to enhance the future financial flexibility of the University to manage future debt.