



CAPITAL COMMENTARY

Revenue and Refunding Note, Series 2021 (Hamline University)

(Vol. 24 No. 6)

Borrower/Issue: Minnesota Higher Education Facilities Authority (Hamline University) Revenue and Refunding Note, Series 2021

Financing Vehicle: Revenue Note, Tax-exempt from both Federal and Minnesota income tax.

Proceeds of the 2021 Note will be used refund the outstanding \$2,75,000 of the Series Seven-Y2 Note and to fund \$6,210,000 of the renovation of Drew Residence Hall and a portion of the conversion of the north campus heating system from high pressure steam to low pressure steam.

Issue Par Amount: \$9,725,000, Series 2021

Placement Method: Private Bank Placement, Negotiated with U.S. Bank National Association.

Tax-Exempt Benefit: The Notes are as tax-exempt from both federal and Minnesota income taxes. Based on market conditions at the time of the sale, the use of a tax-exempt Note issued by the Authority resulted in a lower cost to the University of an estimated \$795 thousand over the life of the Note compared to a taxable financing. This represents a present value savings of approximately \$660 thousand.

Term of Financing: 10 years fully amortizing. Principal is payable annually on October 1, beginning October 1, 2021, and ending on October 1, 2031.

Structure: Monthly interest payable beginning July 1, 2021, with principal payable annually on October 1. The debt is structured as fully amortizing over the term of the Note. The Series 2021 debt is structured to result in approximately level annual debt service.



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- Financial Covenants:** The University will maintain a fixed charge coverage ratio of not less than 1.10:1 for each fiscal year. If the University fails to meet this ratio, there is a process in place to allow the University to cure the deficiency.
- The University will maintain a minimum liquidity covenant (eligible cash & investments) at the end of each fiscal year, of not less than \$15 million.
- The University may not borrow any additional debt without U.S. Bank consent, except for equipment finance debt of less than \$500 thousand in the aggregate.
- Redemption:** The Series 2021 Note is subject to mandatory redemption on the first tender date.
- The University may prepay up to 10% of the outstanding Note principal in any fiscal year with no prepayment penalty.
- Interest Rate:** The Note bears interest at fixed rates of 2.23%.
- The Series 2021 Note has a True Interest Cost (“TIC”) of 2.23%. (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 2021 Note is not rated. The University has other outstanding debt rated Baa3, stable outlook by Moody’s Investors Service.
- Date of Settlement:** June 29, 2021
- Highlights:** The University refinanced outstanding higher cost prior debt and received funds to complete a residence hall renovation and begin a high pressure to low pressure steam conversion on the campus of the University. The financing allows the University to lock in a low fixed rate market interest rate and receive favorable financial terms to enhance the future financial flexibility of the University.