



CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

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Brief reviews of financings recently completed by the Minnesota Higher Education Facilities Authority

Borrower/Issue: Gustavus Adolphus College Series Seven-W

Financing Vehicle: Revenue Bonds

Project: Current refunding of variable rate demand bonds Series Five-X for redemption on September 1, 2013. The original debt financed a student housing facility, fire sprinkler system in residence halls and renovation of Old Main on the St. Peter campus.

Issue Amount: \$11,410,000

Placement Method: Public sale, on a negotiated basis, with Wells Fargo Securities as underwriter.

Term of Financing: 21 years

Structure: Serial maturities in 2014 through 2023 and terms bonds maturing in 2028 and 2034. The bonds are subject to optional redemption starting October 1, 2023. There is no debt service reserve fund.

Interest Rate: Coupon rates of 2.00% to 5.00%. Yields range from 0.60% to 4.57% reflecting a combination of original issue discount and premium bonds. 4.15% TIC. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including interest, original issue discount or premium and underwriting fees).

Rating: Moody's A3 with a stable outlook.

Date of Closing: July 30, 2013

Highlights: By refunding its variable rate debt issue, the College eliminated ongoing letter of credit and remarketing fees as well as the risk that the current letter of credit could not be renewed or replaced at an affordable premium. The long-term fixed rate issue locks in historically low interest rates. The College chose to pay the principal and interest due on August 1, 2014 on the Series Five-X bonds from funds on hand rather than increase the principal amount of the Bonds. It also chose to mirror the amortization of the refunded debt. These conservative choices offset the lack of a debt service reserve fund.