



# CAPITAL COMMENTARY

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from MN Higher Education Facilities Authority

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

- Borrower/Issue:** St. Olaf College Series Eight-G
- Financing Vehicle:** Revenue Bonds
- Project:** Refund a) on an advance refunding basis the eligible portion of Series Six-O and b) on a current refunding basis the outstanding Series Five-M2 and pay the termination fee for the related interest swap agreement. Bonds will also be used to finance the renovation of and related furnishings and equipment for residence halls, including Kittlesby, Kildahl, Larson and Mohn Hall, construction of a connection between Dittmann Center and Hall of Music and renovation of Holland Hall.
- Issue Amount:** \$53,745,000
- Placement Method:** Public sale, on a negotiated basis, by Piper Jaffray & Co. as underwriter.
- Term of Financing:** 20 years
- Structure:** Serial maturities in 2016 through 2032. The bonds are subject to optional redemption beginning December 1, 2025.
- Interest Rate:** Coupon rates range from 3.00% to 5.00% with a combination of discount and premium bonds to appeal to different investors. Yields range from .80% to 3.78%. 3.25% 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 A1 with a stable outlook
- Date of Settlement:** July 1, 2015
- Highlights:** This series was structured as a long-term fixed rate issue to lock in debt service savings from refunding the two bond issues. Although the termination of the swap resulted in a payment by the College to the counterparty, the refunding of Series Five-M2 eliminated the risks associated with variable rate tender bonds including letter of credit renewal and pricing risk, potential remarketing difficulties and interest rate volatility. The negative arbitrage associated with the advance refunding escrow also reduced savings. Net present value savings as a percentage of the two refunded issues was 5.53%.