



CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

Vol. 20 No. 1

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

Borrower/Issue: St. Olaf College, Series Eight-N

Financing Vehicle: Revenue Bonds

Project: The Bonds will be used to refund a portion of the Authority's outstanding Series Seven-F Bonds. The Seven-F Bonds were issued to refund three prior series of Authority Bonds, fund a debt service reserve and pay for costs of issue on the three prior series of Authority Bonds. The College also used their own funds to defease and retire the outstanding principal of Series Six-O.

Issue Amount: \$22,845,000

Placement Method: Public sale, on a negotiated basis, by Piper Jaffray & Co. as underwriter.

Term of Financing: 19 years

Structure: Serial maturities in 2020 through 2028, term bonds in 2030 and 2032, with serial maturities in 2033 – 2035 (final maturity). The bonds are subject to optional redemption beginning October 1, 2026.

Interest Rate: Coupon rates range from 3.00% to 4.00% with a combination of discount and premium bonds to appeal to different investors. Yields range from 0.95% to 2.59%. The Series Eight-N Bonds have a TIC of 2.945%. (True Interest Cost [TIC] 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: September 15, 2016

Highlights: The College structured the principal repayment of the Bonds to take into account the principal due on existing long term debt and reduce total annual debt service through October 1, 2030 by extending the final maturity five years compared to the Series Seven-F Bonds. In addition, the College did not need a debt service reserve fund for the Series Eight-N Bonds, so the prior debt service reserve was used to reduce the size of the Series Eight-N Bonds which further reduced the total annual debt service of the College.

COMMENTS FROM BARRY FICK, EXECUTIVE DIRECTOR

I am pleased to present the first capital commentary in my role as Executive Director of the Minnesota Higher Education Facilities Authority. I am rapidly acclimating to the new position. I recently had the opportunity to meet many of the Presidents of Minnesota's Private Higher Education institutions at a conference of the Minnesota Private College Council. I was pleased to be able to introduce myself to the Presidents that I hadn't met previously and to reconnect with the Presidents that I have worked with previously.

I have a number of thoughts and ideas that are designed to maintain and even enhance the services that the Authority provides. We want to continue providing services that add value to your institution and ease your debt administration burden. To help in that effort, I plan to embark on a "Campus Tour" this fall and winter as an opportunity to meet and discuss how the Authority can be of assistance to you and your institution as you face both staff and funding constraints. I look forward to visiting with each of you, and will be contacting you in the next few weeks to schedule a mutually convenient day and time to get together to discuss your specific situations.

Finally, I'd like to remind you that we encourage your calls, emails and inquiries about questions you have related to your outstanding bonds, new projects you may be considering, financing options in the current market, administration of your bonds, rating agency questions, and anything related to financing.