Minnesota Higher Education Facilities Authority

380 Jackson Street, Suite 450, St. Paul, MN 55101
Phone: 651.296.4690 Fax: 651.297.5751

CAPITAL COMMENTARY

(Vol. 21 No. 10)

Borrower/Issue: **Minneapolis College of Art and Design, Series 2018**

Financing Vehicle: Revenue Note

Proceeds of the 2018 Note will be used to fund a renovation and repair of the roof of the Morrison Building on the College's campus in Minneapolis. Proceeds of the 2018 Note will also be used to fund improvements and renovation of studio and classroom space in the Main building of the College on the Minneapolis Campus. Note proceeds will also be used to pay for costs of issuance.

Issue Amount: $3,643,000, Series 2018

Placement Method: Direct bank placement with Alerus Financial.

Tax-Exemption: The Note was sold as tax-exempt. Based on market conditions at the time of the sale, it is estimated that the use of a tax-exempt Note issued by the Authority resulted in a lower interest cost of approximately $293,000 over the life of the Note, compared to a taxable financing. This represents a present value savings of approximately $235,000.

Term of Financing: 10 years, consisting of serial bonds maturing semi-annually on April 1 and October 1, 2018, beginning October 1, 2018 with final maturity on April 1, 2028.

Structure: Semiannual interest payable April 1 and October 1 with principal payable semi-annually on April 1 and October 1. The initial principal payment is to be made on October 1, 2018. Principal payments are structured so that they are integrated with the outstanding debt of the College and will result in substantially level annual debt service for all combined MCAD debt through fiscal year 2023. As outstanding debt matures, principal payments on the Series 2018 Note increases to keep annual debt service near prior year levels. This provides sufficient payment of outstanding debt so that all outstanding debt of the College will be repaid by April 1, 2028.

Prepayment: Bonds maturing on or after October 1, 2018 are subject to optional redemption on any payment date at a price of par plus accrued interest to the redemption date.

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Interest Rate: The interest rate on the Series 2018 Note is 4.13%. Interest is calculated on an Actual/360 basis. The yield on the Note is 4.19%.

The Note has a True Interest Cost ("TIC") of 4.19%. (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 2018 Note is not rated.

Date of Settlement: May 11, 2018.

Highlights: The College has undertaken the project to renovate and extend the useful life of the Morrison building and to enhance the studio and learning space in the Main building on the Minneapolis campus. The use of tax-exempt financing through the Minnesota Higher Education Facilities Authority results in a lower interest cost of approximately $293,000 over the life of the Note, compared to a taxable financing. This represents a present value savings of approximately $235,000.