

# Minnesota Higher Education Facilities Authority

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## CAPITAL COMMENTARY

(Vol. 21 No. 4)

**Borrower/Issue:** Macalester College, **Series 2017**

**Financing Vehicle:** Revenue and Refunding Bonds

Proceeds of the 2017 Bonds will be used to finance a project (the "Project") consisting of refunding, on a current basis, the outstanding principal of the Authority's Series Six-P Revenue Bonds and refunding, on an advance refunding basis, the outstanding principal of the Authority's Series Seven<sup>2017</sup> Revenue Bonds plus interest to the June 1, 2020 redemption date for the Series Seven<sup>2017</sup> Revenue Bonds; to Construct a 58,000 square-foot structure on the College campus that will house all theater and dance programming and add nine new state of the art classrooms on the College's campus in Saint Paul, Minnesota; and to pay for costs of issue.

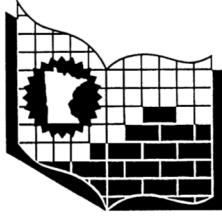
**Issue Amount:** \$40,315,000, Series 2017

**Placement Method:** Public Sale, Negotiated with Piper Jaffray & Co.

**Term of Financing:** 30 years, consisting of serial bonds maturing on March 1, 2018 through March 1, 2030 and March 1, 2034 through 2037; and 3 term bonds maturing on March 1, 2033, 2042 and 2048.

**Structure:** The 2033 term bonds have mandatory sinking fund maturities beginning March 1, 2031, the 2042 term bonds have mandatory sinking fund maturities beginning March 1, 2038 and the 2047 term bonds have mandatory sinking fund maturities beginning March 1, 2043.

Bonds maturing on or after March 1, 2028 are subject to optional redemption on March 1, 2027 and on any day thereafter at par plus accrued interest to the redemption date.



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**Interest Rate:** Coupon rates range from 3.00% to 5.00% on the bonds. The yields on the serial bonds ranges from 0.92% on the 2018 maturity to 3.21% on the 2037 maturity.

The yield on the 2033 term bond is 3.00%. The yield on the 2042 term bond is 3.00% and the 2048 term bond has a yield of 4.00%. The yield on the 2028 – 2030 maturities, as well as the 2042 and 2048 term bonds are priced to the first optional call date of March 1, 2027.

The Series 2017 Bonds have a TIC of 3.101766%. (True Interest Cost [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 2017 Bonds are rated Aa3, stable outlook by Moody's Investors Service.

**Date of Settlement:** November 8, 2017

**Highlights:** The College has undertaken the refunding to realize interest savings. The net present value savings from the refunding is approximately \$1.89 million, representing approximately 8.24% of the present value of refunded debt service.

The financing also provides approximately \$22 million of funds for a project with a total cost of \$32 million to demolish, construct and expand the existing theater and dance facility, adding 9 classrooms. The College is actively seeking gifts to meet the funding target for the new money component of the Project.

The College invested the money in the construction fund in a fully collateralized Repurchase Agreement at a rate of 1.26%.