Minnesota Higher Education Facilities Authority

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CAPITAL COMMENTARY

(Vol. 22 No. 3)

Borrower/Issue:	Minnesota Higher Education Facilities Authority (University of St Thomas) Revenue Bonds, **Series 2019**
Financing Vehicle:	Revenue Bonds Proceeds of the 2019 Bonds will be used to: 1) Construct, equip, and furnish two new student residence halls and related improvements on the University's Saint Paul Campus and demolish the current John Paul II Residence Hall and Faculty Residence to provide space for the two new student residence halls (the "Project"); 2) Fund capitalized interest on the Bonds during a portion of the construction period; and 3) Pay issuance costs.
Issue Par Amount:	$80,525,000, Series 2019
Placement Method:	Public Sale, Negotiated with Dougherty & Company LLC as the sole Underwriter.
Tax-Exempt Benefit:	The Bonds were issued as tax-exempt bonds. Based on market conditions at the time of the sale, the use of tax-exempt bonds issued by the Authority saved the University an estimated $9.887 million over the life of the Bonds compared to a taxable financing. This represents a present value savings of approximately $5.626 million.
Term of Financing:	25 years, consisting of serial and term maturity bonds. Principal is payable annually on October 1, beginning October 1, 2021 and ending on October 1, 2044. The serial bonds mature annually from 2021 to 2037 and in 2041. There are two term maturities, in 2040 and 2044. The 2040 term maturity principal will be subject to mandatory redemption in 2038 and 2039. The 2044 term maturity principal will be subject to mandatory redemption in 2042 and 2043.

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Structure:	Semi-annual interest payable April 1 and October 1 with principal payable annually on October 1. Interest has been capitalized for the full amount of the October 1, 2019 and April 1, 2020 payments and partially for the October 1, 2020 payment (interest accrual from April 1, 2020 to June 15, 2020 or $1,034,670 of $1,790,775). The debt is structured to integrate 1) the residence halls will generate revenue in 2020 and 2) the University possible issue of up to $30 million of debt for residence system improvements in 2020.
Prepayment:	Bonds maturing on or after October 1, 2030 are subject to optional redemption on October 1, 2029 and on any day thereafter at par plus accrued interest to the redemption date.
Interest Rate:	Coupon rates range from 4.00% to 5.00%. The yields on the bonds range from 1.70% on the 2021 maturity to 3.00% on the 2044 term maturity. The Bonds have a True Interest Cost (“TIC”) of 3.1971242%. (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 Bonds are rated A2, stable outlook by Moody’s Investors Service.
Date of Settlement:	May 30, 2019
Highlights:	The University has undertaken the Project in connection with a new requirement for undergraduate students to reside on campus for their first two academic years.