MINNESOTA
HIGHER EDUCATION
FACILITIES AUTHORITY

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. 23 No. 2)

Borrower/Issue: College of St. Scholastica, Inc., **Series 2019**

Financing Vehicle: Revenue Refunding Bonds, Series 2019

Proceeds of the 2019 Bonds will be used to refund, on a current refunding basis, the outstanding principal of the Authority's Series Six-S, Seven-H and Seven-J Revenue Bonds. Proceeds of the 2019 Bonds will be used to fund an escrow account that will redeem and pay interest and principal of the Six-S bonds on September 24, 2019 and redeem the outstanding Series Seven-H and Seven-J bonds through the December 1, 2019 redemption date and to pay for costs of issuance.

Issue Amount: $29,075,000, Series 2019

Placement Method: Negotiated public sale by Piper Jaffray & Co. LLC

Tax-Exemption: The Bonds were sold as tax-exempt bonds. Effective for bonds issued after January 1, 2018, advance refunding bonds may not be issued as tax exempt bonds. The College waited until the refunding qualifies as a Current Refunding, which may be sold on a tax-exempt basis.

Term of Financing: 22 years, consisting of semi-annual interest payments on December 1 and June 1, with interest and annual principal payments on December 1, 2019 through December 1, 2040.

Structure: The Bonds are issued as Serial Bonds maturing on December 1, 2019 through December 1, 2034 and a Term Bond, with a single maturity on December 1, 2040. The Term Bond includes mandatory annual principal reductions on December 1, beginning December 1, 2035 and ending with the final principal maturity on December 1, 2040.

Annual debt service is matched with outstanding debt service to result in approximately level annual debt service for the College.

Optional Prepayment: The Series 2019 Bonds maturing on or after December 1, 2029 are subject to optional redemption on December 1, 2028 at a price of par plus accrued interest.

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Interest Rate: Interest rates on the Series 2019 Bond are fixed. The Coupons were set at 2%, 3% or 4%, depending on the maturity year. The True Interest Cost (TIC) on the Series 2019 Bonds is 2.939%.

The Series 2019 Bonds were issued at a premium resulting in Yields on the Bonds ranging from 1.32% (2019) to 2.72% (2040) (priced to the first optional call date).

Rating: The Series 2019 Bonds are rated Baa2 by Moody's Investors Service.

Date of Settlement: September 5, 2019

Highlights: The College has undertaken the issue of the Series 2019 Bonds to reduce interest cost and reduce maximum annual debt service.

Tax-Exemption Benefit: The Authority provides borrowers with the ability to issue debt at tax-exempt interest rates, rather than taxable rates. The savings by using tax-exempt interest rates can be substantial. Based on the estimated taxable interest rate levels for similar issues and in the market at the time of the College of St. Scholastica Series 2019 Bond sale, it is estimated that the use of Tax-Exempt interest rates reduced the cost of the Series 2019 bonds by approximately $4,163,000 in nominal dollars. On a present value basis, the estimated cost reduction by using tax-exempt rates instead of taxable rates reduced the cost of the Series 2019 bonds by approximately $3,109,000.