CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

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

Borrower/Issue: College of St. Scholastica ***Series Five-R***

Financing Vehicle: Revenue Bonds

Project: The bonds, together with College funds, will finance a 59,000 square foot addition to the Reif Recreation Center that will house a six-lane running track, indoor courts, a training room and aerobic and weight training space and locker rooms. The bonds will also be used to construct a twenty-four unit apartment building to replace outdated student housing. The rest of the proceeds were used to refund the entire outstanding amount of the Series Three-N Bonds issued in 1993 to finance improvements to Somers Hall and the steam system. The $1,705,000 of Series Three-N bonds was redeemed on June 1, 2003 and bore interest rates that ranged from 5.60% in 2003 to 6.20% in 2012.

Issue Amount: $11,705,000

Placement Method: Public sale, on a competitive basis. One bid was received from a syndicate of eight firms lead by U.S. Bancorp Piper Jaffray Inc.

Term of Financing: 30 years

Structure: Serial maturities in 2003 through 2012 and term bonds maturing in 2015, 2023 and 2032. Approximately level debt service payments, including sinking fund payments for the term bonds.

Interest Rate: Yields ranging from 1.25% to 5.05% on the final term bond. 5.027% T.I.C. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including both interest and underwriting costs).

Rating: Moody's Baa2 with a stable outlook.

Date of Settlement: May 14, 2003

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Highlights: The issue was structured as a long-term fixed rate issue to provide the College with immediate construction funds during the conclusion of the quiet phase of its capital campaign. The College chose to lock in the current low rates for the useful life of the projects. Net present value savings from the refunding was approximately $109,000. The single bid reflects a recent trend. When demand outstrips supply, a potential bidder may choose to join a large syndicate for a joint bid and thereby increase its chances for at least a small allocation of bonds.

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