



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 Saint Benedict Series Five-W

Financing Vehicle: Revenue Bonds

Project: The bonds were used to finance improvements to various academic, housing and other facilities, and to refund the outstanding amount of Series Three-W Bonds (\$3,915,000) issued in 1994. The Series Three-W Bonds were issued to finance a residence hall and to refund two series of Authority bonds. The interest rate on the Series Three-W Bonds ranged from 5.90% in 2005 to 6.375% in 2020.

Issue Amount: \$7,965,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Dain Rauscher Inc.

Term of Financing: 19.67 years

Structure: Serial maturities in 2005 through 2014 and term bonds maturing in 2020 and 2024. Approximately level annual debt service, including sinking fund payments beginning in 2015 for the term bonds. The bonds are secured by a debt service reserve fund, representing the maximum annual debt service on the bonds. The bonds are subject to optional redemption beginning March 1, 2013.

Interest Rate: Yields ranging from 2.00% to 5.35%. 5.09899% 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, original issue discount or premium and underwriting fees).

Rating: Moody's Baa2 with a positive outlook.

Date of Settlement: July 8, 2004

Highlights: The issue was structured as a long-term fixed rate issue to lock in the current low rates. Combining new money with a refunding allowed the costs of issuance to be spread over a single larger issue generating more present value savings from the refunding. The College also received a favorable change in the rating outlook from "Stable" to "Positive".

Borrower/Issue: Gustavus Adolphus College Series Five-X

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds, together with approximately \$1,480,000 of College funds, will finance the construction of a 200 bed student apartment complex, installation of fire sprinkler systems in existing residence halls and renovation of the Old Main building on the campus in St. Peter.

Issue Amount: \$16,550,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Dain Rauscher Inc.

Term of Financing: 30 years

Structure: Term bond maturing in 2034. Interest only payments to bondholders until maturity.

Interest Rate: Variable interest rate, reset weekly, with interest payable to bond holders monthly. The College has a one-time option to convert to fixed interest rates and a monthly option to redeem all or part of the bonds.

Rating: Moody's A3 with a stable outlook for the College's rated debt. Bonds rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the College.

Date of Settlement: October 7, 2004

Highlights: The issue was structured as a variable rate issue secured by a letter of credit of Allied Irish Banks, p.l.c., New York Branch. Bondholders may tender their bonds for purchase by the College on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. The College has agreed to prepay the principal in annual installments according to a schedule approved by the bank as a condition to providing the letter of credit. This is the first variable rate issue for the College.

Borrower/Issue: University of Saint Thomas Series Five-Y

Financing Vehicle: Revenue Bonds

Project: The bonds, together with approximately \$2,230,000 of University funds, will finance an apartment-style residence hall with approximately 422 beds in 120 units and related parking at the Saint Paul campus.

Issue Amount: \$30,000,000

Placement Method: Public sale, on a negotiated basis, underwritten by Piper Jaffray & Co. and Dougherty & Company LLC.

Term of Financing: 30 years

Structure: Serial maturities in 2005 through 2014 and term bonds in 2019, 2024 and 2034. Approximately level annual debt service, including sinking fund payments beginning in 2015 for the term bonds. The bonds are secured by a debt service reserve fund representing the maximum annual debt service on the bonds and are subject to optional redemption beginning October 1, 2014.

Interest Rate: Yields range from 1.85% to 5.28% with 5.11% 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 interest, original issue discount or premium and underwriting costs).

Rating: Moody's A2 with a stable outlook.

Date of Settlement: August 19, 2004

Highlights: The University adopted a policy on institutional debt that includes a goal to keep a balance between fixed and variable rate debt. Rather than pursue a single \$50 million bond issue to finance the residence hall project in Saint Paul and an academic building project in Minneapolis, the University divided the \$50 million issue into two series. This allowed the University to maintain its desired mix of fixed and variable rate debt and lower the total annual debt service for the combined Series Five-Y and Series Five-Z Variable Rate Demand Revenue Bonds.

Borrower/Issue: University of Saint Thomas Series Five-Z

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds, together with approximately \$2,830,000 of University funds, will finance the construction of a four-story building on the Minneapolis campus to be used by the College of Business and other University programs.

Issue Amount: \$20,000,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Dain Rauscher Inc.

Term of Financing: 25 years

Structure: Term bond maturing in 2029. Interest only payments to bondholders until maturity.

Interest Rate: Variable interest rate, reset weekly, with interest payable to bond holders monthly. The University has a one-time option to convert to fixed interest rates and a monthly option to redeem all or part of the bonds.

Rating: Moody's A2 with a stable outlook for the University's rated debt. Bonds rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the University.

Date of Settlement: August 19, 2004

Highlights: The issue was structured as a variable rate issue secured by a letter of credit of LaSalle Bank National Association. Bondholders may tender their bonds for purchase by the University on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. The University has agreed to prepay the principal in annual installments according to a schedule approved by the bank as a condition to providing the letter of credit. Rather than pursue a single \$50 million bond issue to finance the academic building project in Minneapolis and a residence hall project in Saint Paul, the University divided the \$50 million issue into two series. This allowed the University to maintain its desired mix of fixed and variable rate debt and lower the total annual debt service for the combined Series Five-Z and the fixed rate Series Five-Y bonds.