



City of San Antonio

Legislation Details (With Text)

File #: 19-2686
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In control: City Council A Session

On agenda: 3/21/2019

Title: Resolution Approving, for Purposes of Section 147(f) of the Internal Revenue Code, the Restructuring of Principal Payments in Connection with a Tax-Exempt Loan Provided in 2015 Through the City of San Antonio, Texas Education Facilities Corporation to the University of the Incarnate Word by DNT Asset Trust, a Delaware Business Trust and Wholly Owned Subsidiary of JPMorgan Chase Bank, N.A.

Sponsors:

Indexes:

Code sections:

Attachments: 1. FIF 19-2511, 2. Draft Resolution - Corp Approving Reso - 2019 Amendments to 2016 UIW Loan Agreement w BofA-.._, 3. Draft Resolution - Corp Approving Reso - 2019 Amendments to 2015 UIW Loan Agreement w JPMor.._, 4. Draft Resoltuion - City Approving Reso - 2019 Amendments to 2015 UIW Loan Financing w JPMor.._, 5. Draft Resolution - City Approving Reso - 2019 Amendments to 2016 UIW Loan Financing w BofA-.._, 6. Resolution 2019-03-21-0026R

| Date | Ver. | Action By | Action | Result |
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DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Resolutions Authorizing the Financial Restructuring of Two Loans Provided to Finance Certain Educational and Housing Facilities for the University of the Incarnate Word

SUMMARY:

Consideration of the following in connection with the Financial Restructuring of Two Loans Provided to Finance Certain Educational and Housing Facilities for the University of the Incarnate Word:

Items to be considered by the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation:

Resolution of the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation Approving and Authorizing the Execution of an Amendment to a Loan Agreement by and Among the City of San Antonio, Texas Education Facilities Corporation, the University of the Incarnate Word, and DNT Asset Trust, a Delaware Business Trust and Wholly Owned Subsidiary of JPMorgan Chase Bank, N.A., for the Purpose of Modifying the Principal Repayment Schedule at the Request of the University

Resolution of the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation Approving and Authorizing the Execution of an Amendment to a Loan Agreement by and Among the City of San Antonio, Texas Education Facilities Corporation, the University of the Incarnate Word, and Banc of America Public Capital Corp., an Affiliate of Bank of America, N.A., N.A., for the Purpose of Modifying the Principal Repayment Schedule at the Request of the University

Items to be considered by the City Council of San Antonio:

Resolution Approving, for Purposes of Section 147(f) of the Internal Revenue Code, the Restructuring of Principal Payments in Connection with a Tax-Exempt Loan Provided in 2015 Through the City of San Antonio, Texas Education Facilities Corporation to the University of the Incarnate Word by DNT Asset Trust, a Delaware Business Trust and Wholly Owned Subsidiary of JPMorgan Chase Bank, N.A.

Resolution Approving, for Purposes of Section 147(f) of the Internal Revenue Code, the Restructuring of Principal Payments in Connection with a Tax-Exempt Loan Provided in 2016 Through the City of San Antonio, Texas Education Facilities Corporation to the University of the Incarnate Word by Banc of America Public Capital Corp., an Affiliate of Bank of America, N.A.

BACKGROUND INFORMATION:

The University of the Incarnate Word (the "University") is a private Catholic university founded in 1881 by the Sisters of Charity of the Incarnate Word. The University currently serves over 4,000 students on its main campus in San Antonio along with other campuses located in China and Mexico.

The City of San Antonio, Texas Higher Education Authority was created by the City of San Antonio in 1984 for the purpose of aiding educational institutions of higher education with tax-exempt bond financing options to improve their facilities. On May 31, 2001, the City Council approved amendments to the Corporation's Articles of Incorporation to change its name to the City of San Antonio, Texas Education Facilities Corporation (the "Issuer"). City Council serves as the 11-member Corporation Board of Directors.

The University has requested that the Issuer and the City Council approve a financial restructuring that includes an amendment to two loan agreements, for the purpose of modifying the principal prepayment schedules at the request of the University. The Board of Trustees of the University met on March 8, 2019, to consider and approve resolutions authorizing the amendment to a loan agreement by and among the Issuer, the University, and DNT Asset Trust, a Delaware business trust and wholly owned subsidiary of JPMorgan Chase Bank, N.A., as well as amending another loan agreement by and among the Issuer, the University, and Bank of America Public Capital Corp, an affiliate of Bank of America, N.A. These loans were originally executed for the purpose of financing and refinancing certain educational and housing facilities for the University and an affiliated educational institution.

Section 147(f) of the Internal Revenue Code (the "Code") requires that the issuance of any qualified 501(c)(3)

obligations be approved by the applicable elected representative of the governmental unit in which the project is located after a public hearing following reasonable public notice. The principal restructuring of the loans constitutes a "reissuance" of a tax-exempt obligation, which also requires the approval of such applicable elected representative. A public hearing regarding such principal restructuring was held on March 14, 2019 in compliance with federal tax law.

ISSUE:

The consideration and approval of these actions are consistent with the City's practice to provide tax-exempt financing at lower interest rates to non-profit educational institutions. In the past decade, the Issuer has approved bond issuances for Trinity University, St. Mary's University, Our Lady of the Lake University, and the University. These actions are also consistent with the City's efforts to leverage local educational resources to create a more vibrant economy and to facilitate the development of a highly-skilled workforce.

ALTERNATIVES:

If the Issuer does not authorize these amendments to the loan agreements, the University will need to amend its current fiscal year budget (and provide for such payments in its next fiscal year budget) and eliminate certain other planned expenditures in order to pay the original principal payment schedule.

FISCAL IMPACT:

These Resolutions do not obligate the Issuer or the City to pay the loans or the interest thereon, and does not obligate or create any expectations of, or liabilities for, the Issuer or the City. The University is solely responsible for paying all debt service and other costs associated with the loan agreements. The City will receive an approval fee for each transaction in the amount of \$2,500.00 from the University upon the adoption of the resolutions.

RECOMMENDATION:

Staff recommends approval of these Resolutions that amend a loan agreement by and among the Issuer, the University, and DNT Asset Trust, a Delaware business trust and wholly-owned subsidiary of JPMorgan Chase Bank, N.A., as well as amending another loan agreement by and among the Issuer, the University, and Bank of America Public Capital Corp, an affiliate of Bank of America, N.A., for the purpose of modifying the principal repayment schedules related to such loans, the proceeds of which were used to finance or refinance certain educational and housing facilities for the University and an affiliated educational institution.