



City of San Antonio

Agenda Memorandum

File Number: 16-1003

Agenda Item Number: 20.

Agenda Date: 1/14/2016

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Resolution Authorizing the Financing and Refinancing of Certain Educational and Housing Facilities for Our Lady of the Lake University

SUMMARY:

- 1) A Resolution by the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation approving and authorizing the execution of a loan agreement between City of San Antonio, Texas Education Facilities Corporation, Our Lady of the Lake University, and Capital One Municipal Funding, Inc., for the purpose of financing and refinancing certain educational and housing facilities previously financed for the University; and approving and authorizing the execution of all other instruments and procedures related thereto; and
- 2) A Resolution of the City Council approving the loan agreement, as required by the Internal Revenue Code because the educational and housing facilities of the University are located in the City of San Antonio.

BACKGROUND INFORMATION:

Our Lady of the Lake University (the "University") is a private Catholic university founded in 1895 by the Sisters of the Congregation of Divine Providence. In 1923, the University became the first San Antonio institution of higher education to receive regional accreditation. The University, which currently serves over 3,100 students (most of which at its main campus in San Antonio), is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award bachelor's, master's and doctoral degrees.

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 Corporation's 11-member Corporation Board of Directors.

The University has requested that City Council, in its role as the City of San Antonio, Texas Education Facilities Corporation, approve the Issuer loan, the loan agreement, and the financing and refinancing of certain educational facilities and housing facilities ("the "Project"), and that the City Council also approve the financing by the Issuer in order to comply with Section 147(f) of the Internal Revenue Code (the "Code"), because the project is located in the City limits. The Code requires that the issuance of any qualified 501(c)(3) obligations, such as this, 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 required hearing is scheduled to occur on January 4, 2016. The Board of Trustees of the University has approved a resolution authorizing the execution of the loan agreement between the Issuer, the University, and Capital One Municipal Funding, Inc., in order to finance and refinance the facilities.

ISSUE:

The consideration and approval of this action is consistent with the City's practice of providing 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, and the University of the Incarnate Word. This action is also consistent with the City's efforts to leverage local educational resources to create a more vibrant economy and facilitate the development of a highly-skilled workforce.

ALTERNATIVES:

If the Issuer City does not authorize this loan agreement, the University will need to seek other sources of financing and refinancing at higher taxable rates of interest.

FISCAL IMPACT:

The Resolution does not obligate the Issuer or the City to pay the loan or the interest thereon, nor 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. The City will receive an application fee of \$2,500.00 from the University upon the adoption of the requested Resolutions and the City of San Antonio, Texas Education Facilities Corporation will receive an administrative fee of \$20,000.00, which will be deposited into the Education Facilities Corporation.

RECOMMENDATION:

Staff recommends approval of these Resolutions that approves and authorizes the execution of a loan agreement between the Issuer, the University, and Capital One Municipal Funding, Inc., for the purpose of financing and refinancing certain educational and housing facilities of Our Lady of the Lake University.