



City of San Antonio

Agenda Memorandum

File Number:16-4843

Agenda Item Number: 11B.

Agenda Date: 9/15/2016

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Resolution Authorizing the Financing of Certain Educational and Housing Facilities for St. Mary's University

SUMMARY:

Consideration of the following in connection with the Financing of Certain Educational and Housing Facilities for St. Mary's University of San Antonio, Texas (the "University"):

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

- This Resolution of the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation approving and authorizing the execution of a Loan Agreement by and among the City of San Antonio, Texas Education Facilities Corporation, St. Mary's University of San Antonio, Texas, and Banc of America Public Capital Corp. (an affiliate of Bank of America, N.A.) for the purpose of providing a loan of up to \$25,000,000 to finance certain educational facilities and housing facilities for the University; and approving and authorizing the execution of all other instruments and procedures related thereto.

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

This Resolution by the City Council of the City of San Antonio, Texas regarding approval, for purposes of Section 147(f) of the Internal Revenue Code, of a tax-exempt Loan Agreement by and among the City of San Antonio, Texas Education Facilities Corporation, St. Mary's University of San Antonio, Texas, and Banc of America Public Capital Corp. (an affiliate of Bank of America, N.A.).

BACKGROUND INFORMATION:

St. Mary's University of San Antonio, Texas (the "University") is a private Catholic university founded in 1852 as "St. Mary's Institute" by the Brothers of the Society of Mary (Marianists). The University currently serves approximately 2,300 undergraduate students and over 800 graduate students on its campus located on the west side of San Antonio.

The City of San Antonio, Texas Higher Education Authority, Inc. 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 include also aiding accredited primary and secondary schools and authorized charter schools and to change its name to the City of San Antonio, Texas Education Facilities Corporation (the "Issuer"). The City Council serves as the 11-member Board of Directors of the Issuer.

The University has requested that the Board of Directors of the Issuer approve an "Issuer Loan" of up to \$25,000,000, the related "Loan Agreement" by and among the Issuer, the University, and Banc of America Public Capital Corp. (an affiliate of Bank of America, N.A.), and the financing of certain educational facilities and housing facilities [primarily to construct and equip a new 233-bed dormitory and renovate an existing dormitory (the "Projects")] at its campus in the City of San Antonio. The Board of Trustees of the University will meet on September 9, 2016, to consider and approve a Resolution authorizing the execution of the Loan Agreement for the purpose of providing a loan of up to \$25,000,000 to finance the Projects.

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. Such public hearing will be held on September 14, 2016 by an authorized representative of the Issuer.

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, University of the Incarnate Word, 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 this Loan Agreement, the University will need to seek other sources of financing at higher taxable bond rates of interest.

FISCAL IMPACT:

The Resolution does not obligate the Issuer or the City to pay the Issuer Loan 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 Agreement. The City will receive an application fee of \$2,500.00 from the University upon the adoption of the requested Resolution, 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 account upon the closing of the Issuer Loan.

RECOMMENDATION:

Staff recommends approval of this Resolution that approves and authorizes the execution of a Loan Agreement by and among the Issuer, the University, and Banc of America Public Capital Corp., an affiliate of Bank of America, N.A., for the purpose of providing a tax-exempt loan of up to \$25,000,000 to finance certain educational and housing facilities for the University.