City of San Antonio

Agenda Memorandum

File Number: 14-1344

Agenda Item Number: 5.

Agenda Date: 6/19/2014

In Control: City Council A Session

DEPARTMENT: Economic Development

DEPARTMENT HEAD: Rene Dominguez

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

The amendment (Amendment) of a loan agreement (Loan Agreement) between the City of San Antonio, Texas Education Facilities Corporation (EFC) and Trinity University (Trinity) related to higher education bonds issued on behalf of Trinity in 2002.

SUMMARY:

City Council, which serves as the governing body of the EFC, will adjourn and convene as the EFC to consider a Resolution authorizing the Amendment of the Loan Agreement between the EFC and Trinity, which will permit Trinity to provide its own financing support facility. The Loan Agreement relates to the EFC's issuance of $32 million in higher education bonds (Bonds) on Trinity's behalf in 2002 for campus improvements. Trinity has the right to request the Amendment under the terms of the Loan Agreement. EFC will then adjourn and reconvene as the City Council. No action is required to be taken by the City Council on the Amendment.

BACKGROUND INFORMATION:

In 1983, the City established the EFC, as a non-profit corporation to issue tax-exempt bonds. The EFC issues bonds for the purpose of financing the cost of institutions of higher education in providing educational facilities, housing facilities, and related facilities. The revenue bonds issued by the EFC are purchased by bondholders who provide a cash payment to a borrower (the higher education institution making the capital investment), in exchange for the borrower's promise to repay the bondholders over time. The payments required from the borrower are secured by revenues derived from the facility built with the proceeds of the cash payment from the bondholders.

In 2002, the EFC, acting on behalf of the City, issued revenue bonds in the amount of $32 million, in order to assist Trinity in the financing of campus improvements. Because the Bonds are short term variable-rate obligations, which permit the bondholders to demand purchase of the Bonds upon notice, some form of liquidity or credit support is required to be maintained by Trinity if there are no willing buyers when a demand is made to purchase the Bonds. In this case, the liquidity support for the Bonds is provided by a standby bond purchase agreement between Trinity and Bank of America (Standby Purchase Agreement). This financing support facility costs Trinity approximately $84,000 per year in financing costs.

ISSUE:

In order to reduce financing costs, Trinity desires and has the right to provide its own financing, which requires the Amendment to the Loan Agreement. The Amendment will obligate Trinity to pay the purchase price of tendered Bonds in the event the remarketing agent is unable to remarket the Bonds after a demand to purchase is made.

ALTERNATIVES:

Trinity has the right to request and provide its own financing under the Loan Agreement. If the EFC fails to adopt the Resolution authorizing the Amendment to the Loan Agreement, the EFC will not be honoring its contractual obligations under the Loan Agreement.

FISCAL IMPACT:

The actions being taken by the EFC pursuant to the Resolution are administrative in nature and have no fiscal impact on the City or the EFC. A $2,500 administrative fee to the EFC by Trinity is payable to the EFC upon the replacement of the Standby Purchase Agreement on August 1, 2014.

The Resolution will not obligate the City or the EFC to pay the Bonds or any other fees in connection with the Amendment. Trinity is solely responsible for paying all costs associated with the Amendment.

RECOMMENDATION:

Staff recommends the EFC adopt the Resolution authorizing the Amendment of the Loan Agreement.