



City of San Antonio

Agenda Memorandum

File Number:21-4342

Agenda Item Number: 46B.

Agenda Date: 6/17/2021

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City wide

SUBJECT:

Resolution through City of San Antonio Education Facilities Corporation authorizing the issuance of up to \$170,000,000 in tax-exempt and taxable Higher Education Revenue Bonds for the University of the Incarnate Word.

SUMMARY:

Consideration of the following in connection with the Financing of Certain Educational Facilities Corporation bonds for the University of the Incarnate Word:

At this time, the City Council of the City of San Antonio will recess and convene as the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation to consider the following:

- This resolution authorizes the issuance of Up to \$170,000,000 in principal amount of City of San Antonio, Texas Education Facilities Corporation Higher Education Revenue Improvement and Refunding Bonds (University of the Incarnate Word Project), Series 2021A and City of San Antonio, Texas Education Facilities Corporation Higher Education Revenue Refunding Bonds (University of the Incarnate Word Project), Taxable Series 2021B; authorizes the execution of a Loan Agreement, an Indenture of Trust, and a Purchase Contract; authorizes the preparation and distribution of an Official Statement; and approves other matters in connection therewith.

At this time, the Board of Directors of the City of San Antonio, Texas Education Facilities Corporation will adjourn and the City Council of the City of San Antonio will reconvene to consider the following:

This Resolution approves the issuance of up to \$170,000,000 in principal amount of Higher Education Revenue

Improvement and Refunding Bonds, Series 2021A and Taxable Series 2021B by the City of San Antonio, Texas Education Facilities Corporation for the University of the Incarnate Word, a Texas Nonprofit Corporation, and approves other matters related thereto.

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 5,800 students on its main campus and at its medical-related professional schools located in San Antonio, and operates other campuses located in China, France and Mexico.

The City of San Antonio, Texas Higher Education Facilities Corporation (the “Corporation”) 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. City Council serves as the 11-member Board of Directors of the Corporation.

The University has requested that the Corporation and the City Council approve their issuance of the bonds for the purposes described. On April 23, 2021, the Board of Trustees of the University approved a resolution: 1) authorizing the University to finance up to \$50,000,000 of the costs of the Founders Hall Project; 2) refund or refinance all outstanding debt obligation; 3) and pay all transaction costs (including costs of issuance); authorized the University to borrow funds from the Corporation in an amount sufficient to accomplish such purposes, delegated authority to the Board’s Executive Committee to approve substantially final drafts of all related financing documents; and authorized certain University officials to approve all final terms and execute all related documents. The University’s Executive Committee will meet on June 10, 2021, to approve all related financing documents in substantially final form.

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 (which in this case is the City Council) after a public hearing following reasonable public notice. The Series 2021A Bonds will be issued as tax-exempt obligations, which will require the approval of the City Council. A public hearing regarding the issuance of the Series 2021A Bonds was held on June 10, 2021, in compliance with federal tax law.

ISSUE:

Chapter 53A of the Texas Education Code authorizes the Corporation to issue Higher Education Revenue Bonds for institutions of higher education to acquire, construct, enlarge, extend, repair, renovate, improve and refinance educational and housing facilities and facilities incidental, subordinate, or related thereto or appropriate in connection therewith. The proposed actions by the Corporation and the City are consistent with the Corporation’s ability to issue tax-exempt and taxable obligations for non-profit educational institutions such as the University. Since 2001, the Corporation has also authorized tax-exempt and taxable bonds and other obligations for St. Mary’s University, Trinity University, and Our Lady of the Lake University. This action is 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 Corporation does not authorize this issuance, the University will need to seek other sources to finance the Founders Hall Project and refinance all of its outstanding long term indebtedness.

FISCAL IMPACT:

Neither the City nor the Corporation is obligated in any manner to pay the debt issued by the Corporation. 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.

RECOMMENDATION:

Staff recommend the Corporation approve a Resolution authorizing the issuance of up to \$170,000,000 in Series 2021A Bonds and Taxable Series 2021B Bonds for the University of the Incarnate Word and approving all related documents.

Staff recommends the City Council approve a Resolution authorizing the Corporation to issue up to \$170,000,000 in Series 2021A Bonds and Taxable Series 2021B Bonds for the University of the Incarnate Word and approving the issuance of the Series 2021A Bonds for purposes of Section 147(f) of the Internal Revenue Code.