



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 17

**Agenda Date:** May 9, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Resolution Authorizing the Financing of Certain Educational Facilities for Trinity University.

**SUMMARY:**

This Resolution of the City of San Antonio, Texas Education Facilities Corporation authorizes the issuance of City of San Antonio, Texas Education Facilities Corporation Higher Education Revenue Bonds (Trinity University Project); authorizes the execution of a Fourth Amended and Restated Loan Agreement, a Fourth Amended and Restated Indenture of Trust, and a Purchase Contract; authorizes the preparation and distribution of an official statement; calling certain outstanding bonds for optional redemption; and approves other matters in connection therewith.

**BACKGROUND INFORMATION:**

Trinity University (the “University”) is an independent, coeducational institution of higher learning founded in 1869 by Texas Presbyterians, as a result of three small antebellum Texas Presbyterian schools having become casualties of the Civil War. The University first opened its doors in Tehuacana, Texas; then moved to Waxahachie, Texas in 1902. In 1942, at the invitation of the San Antonio Chamber of Commerce, the University was relocated to San Antonio and moved to its present campus in 1952. Now related to the Presbyterian Church through a covenant

of understanding, the University is nonsectarian in its policies and dedicated to the unrestricted and rigorous pursuit of truth, to the centrality of values in human life, and to a respect for differing points of view.

The City of San Antonio, Texas Higher Education Authority, Inc. (the “Original 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 Original 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.

In February 2024, the Board of Trustees of the University approved a resolution delegating to the University’s Operations Committee the authority to (a) incur debt for the purposes of (i) financing a new Welcome Center, Event Space building, the renovation of residence halls, and other capital projects on the University’s campus (collectively, the “New Money Project”) and (ii) refunding the Issuer’s Series 2002 Bonds to a fixed rate structure (the “Refunding Project” and together with the New Money Project, the “Project”) and (b) take such actions as may be necessary or desirable in connection with such delegation; provided that the principal amount related to the New Money Project shall not exceed \$75,000,000, and the principal amount related to the Refunding Project shall not exceed \$13,000,000. The Operations Committee approved the financing on May 2, 2024, pursuant to such delegation.

The University has requested that the Board of Directors of the Issuer issue up to \$88,000,000 in principal amount of fixed rate revenue bonds, the proceeds of which would be loaned to the University to be used to (i) refinance the projects originally financed or refinanced with proceeds of the Series 2002 Bonds by refunding all outstanding Series 2002 Bonds, (ii) finance additional educational facilities and housing facilities, including the Welcome Center, the Event Space building, the renovation of residence halls, and other capital projects on the University’s campus, and (iii) pay costs of issuing the bonds.

Section 147(f) of the Internal Revenue Code, as amended (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 occurred on April 29, 2024, with an authorized representative of the University presiding over such hearing.

## **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 two decades, the Issuer has approved bond financings for the University, as well as St. Mary’s University, University of the Incarnate Word, and Hallmark 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 the issuance of the Bonds, including the Loan Agreement, Indenture and Purchase Contract, the University will need to seek other sources of financing at higher taxable rates of interest.

**FISCAL IMPACT:**

The Resolution does not obligate the Issuer or the City to pay the Bonds 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 Bonds. 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 Bonds.

**RECOMMENDATION:**

Staff recommends approval of this Resolution that approves and authorizes the issuance of the Bonds and the execution of the Loan Agreement, Indenture and Purchase Contract.