



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 35

Agenda Date: October 20, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Resolution Authorizing the Execution of an Amended Loan Agreement Related to the Previous Financing of Certain Educational and Housing Facilities for St. Mary's University

SUMMARY:

This Resolution authorizes the execution of an amendment to the 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, relating to the modification of the interest rate calculation methodology therein; and approves and authorizes the execution of all other instruments and procedures related thereto.

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 1,300 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 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 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 “Corporation” or “Issuer”). The City Council serves as the 11-member Board of Directors of the Issuer.

The University previously requested that the Board of Directors of the Corporation approve an “Issuer Loan” of up to \$25,000,000, the related “Loan Agreement” by and among the Corporation, the University, and Banc of America Public Capital Corp (an affiliate of Bank of America, N.A.), dated as of September 1, 2016 financing the acquisition, construction, and equipment of various student housing facilities (the “Projects”) at its campus in San Antonio. The City, the Corporation, and the University previously approved the Loan Agreement, and the transaction closed in 2016. The Board of Trustees of the University met on October 10, 2022 and approved a Resolution authorizing the execution of an amended Loan Agreement (the “Amended Loan Agreement”) to modify the interest rate methodology due to the phasing out of London InterBank Offered Rate (LIBOR).

ISSUE:

LIBOR is one of the main, historical interest rate benchmarks used in the financial markets and was used to calculate interest rates for financial contracts around the world. Since the global financial crisis in 2008 and 2009, activity in the markets that LIBOR measures has reduced, and LIBOR was determined to no longer be sustainable. LIBOR will be phased out in 2023 and replacement indices have been developed to address the elimination of LIBOR. The amendment to the Amended Loan Agreement modifies the LIBOR-based index under the Loan Agreement to a Bloomberg Short Term Bank Yield Index in advance of LIBOR’s phaseout.

ALTERNATIVES:

If the Issuer does not authorize this Amended Loan Agreement, the University will experience difficulty calculating the interest rate calculations under the Loan Agreement, as LIBOR will phase out in 2023.

FISCAL IMPACT:

The Resolution authorizing the Amended Loan Agreement does not obligate the Corporation 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 Corporation or the City. The University is solely responsible for paying all debt service and other costs associated with the Loan Agreement, as amended by the Amended Loan Agreement. The City will receive an application fee of \$2,500 from the University for the adoption of the requested Resolution.

RECOMMENDATION:

Staff recommends approval of this Resolution that authorizes the execution of an Amended Loan Agreement by and among the Corporation, the University, and Banc of America Public Capital Corp, an affiliate of Bank of America, N.A., related to the modification of the interest rate methodology.