



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 21

Agenda Date: January 13, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Approval of financing for purposes of the Internal Revenue Code.

SUMMARY:

This Ordinance approves the issuance by the Arizona Industrial Development Authority of the portion of its Senior Revenue Bonds, Series 2021A-1 and Series 2021A-2 (QCF/I Facilities) (the “Bonds”) allocable to the San Antonio Hospital Acquisition Project for purposes of Section 147 (f) of the Internal Revenue Code.

BACKGROUND INFORMATION:

Section 147(f) of the Internal Revenue Code (the “Code”) requires that the issuance of any private activity bond 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.

The City was contacted regarding the issuance by the Arizona Industrial Development Authority (the “Issuer”) of Bonds in the approximate amount of \$640,000,000 the proceeds of which would be loaned to QCF/I, Inc., a 501(c)(3) nonprofit healthcare organization (the “Borrower”), in order to finance the costs of acquiring, constructing, and equipping two behavioral health hospitals,

including facilities that are functionally related and subordinate to the main hospital facilities. The Issuer is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona, and is incorporated with the approval of the Arizona Finance Authority pursuant to the provisions of the Constitution and laws of the State of Arizona. One of the hospitals to be acquired for the benefit of the Borrower is located in Clark County, Nevada and the other, the San Antonio Behavioral Healthcare Hospital, is located within the City at 8550 Heubner Road, San Antonio, Texas 78240 (collectively, the “Hospital Acquisition Project,” and the portion of the Project allocable to the acquisition of the San Antonio Behavioral Healthcare Hospital, the “San Antonio Hospital Acquisition Project”). An amount not exceeding \$340,000,000 of the Bonds is allocable to the San Antonio Hospital Acquisition Project. A public hearing with respect to the San Antonio Hospital Acquisition Project and issuance of the Bonds was held on December 21, 2021 in compliance with Section 147(f) of the Code.

No comments were received at the public hearing.

ISSUE:

To meet the requirements of the Code, the Borrower has requested that City Council adopt an Ordinance confirming public approval of the financing plan and issuance by the Issuer of the portion of the Bonds allocable to the San Antonio Hospital Acquisition Project, in one or more series of Bonds up to a maximum aggregate amount of \$640,000,000 for the Project, an amount not exceeding \$340,000,000 of which will be allocable to the San Antonio Hospital Acquisition Project. The consideration and approval of this action is consistent with the City’s practice of providing consent for projects located in San Antonio that involve qualified institutions obtaining tax-exempt financing for capital improvement projects through conduit issuers.

ALTERNATIVES:

If the City does not adopt an Ordinance confirming public approval of the bond issuance by the Issuer, this financing cannot be effectuated.

FISCAL IMPACT:

The Ordinance does not obligate the City to pay the debt or Bonds, and does not obligate or create any expectations of, or liabilities for, the City. The Borrower is solely responsible for paying all debt service and other costs associated with the Bonds. The Borrower will pay the City an administrative fee of \$20,000 upon the adoption of the requested Ordinance.

RECOMMENDATION:

Staff recommends approval of the Ordinance approving the issuance by the Arizona Industrial Development Authority of the portion of its Senior Revenue Bonds, Series 2021A-1 and Series 2021A-2 (QCF/I Facilities) which are allocable to the San Antonio Hospital Acquisition Project for purposes of Section 147(f) of the Internal Revenue Code.