

Memorandum



CITY OF DALLAS

DATE May 15, 2015

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),
Jennifer S. Gates (Vice Chair), Tennell Atkins, Sheffie Kadane, Philip T. Kingston

SUBJECT St. Mark's School of Texas – Tax-Exempt Loan Issuance TEFRA Approval

On May 18, 2015 the Budget, Finance and Audit Committee will be briefed on the St. Mark's School of Texas – Tax-Exempt Loan Issuance TEFRA Approval. Briefing materials are attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

St. Mark's School of Texas Tax-Exempt Loan Issuance

Tax Equity and Fiscal Responsibility Act (TEFRA) Approval

**Budget, Finance and Audit Committee
May 18, 2015**

DISCUSSION MATERIALS

SUBJECT

- Authorize issuance of a tax-exempt loan by the Hackberry Cultural Education Facilities Finance Corporation in an amount not to exceed \$4,000,000 to benefit the St. Mark's School of Texas.
- The 2015 Loan will refinance a portion of the outstanding loan incurred in 2007.
- The 2007 Loan refinanced a portion of the bonds issued by the originally issued to finance certain educational facilities at the School. The original proceeds were used for the purpose of construction of an administrative building, gymnasium and parking.

BACKGROUND

- St. Mark's School is an independent, non-sectarian college preparatory day school for boys located at 10600 Preston Road in a Planned Development District # 264, Lot 1, track 3, block 5495.
- The School is accredited by the Independent Schools Association of the Southwest.
- Article 1528m, Texas Revised Civil Statutes (the "Act") allows institutions to borrow money through the issuance of bonds or loans. The Act specifies that schools may use "Cultural Education Finance Corporations" as a conduit to issue tax-exempt debt.
- Cultural Education Finance Corporations are created by cities for the purpose of financing facilities for cultural education or community benefit. Such Corporations have no taxing power, no police powers, and no powers of eminent domain. They are "conduit" financing agencies that issue debt typically with a loan agreement which is secured by revenues and/or property pledged from a non-profit institution.
- Cultural Education Finance Corporations may issue debt for facilities outside of their jurisdictions with permission from the governing body of the city where the school is located. Under the Internal Revenue Code, the School requires consent of the City of Dallas in order for

the loan to be incurred to qualify as tax-exempt obligation under the Internal Revenue Code. Also it is the desire of the School to have the loan issued by or on behalf of a community that has not issued more than \$10,000,000 in tax-exempt obligations in the calendar year, in order to attract proposals from banks who otherwise could not make a tax-exempt loan to the School.

- The City of Dallas is not being asked to make a loan, guarantee the credit of the School, or to provide funds or credit support for the financing in any manner. The loan will not be a debt or liability of the City and the City's name will not appear on the promissory note issued by the Issuer. This request is being made solely in order to comply with the Internal Revenue Code.

RECOMMENDATION

- Forward the St. Mark's School's request to the City Council, with a recommendation to approve an item on the May 27, 2015 City Council Agenda.