

St. Mark's School Bond Issuance

TEFRA Approval

**Finance, Audit and Accountability Committee
February 26, 2007**

DISCUSSION MATERIALS

SUBJECT

- Issuance of bonds in an amount of not to exceed \$18,000,000 to refund the Series 2000 Bonds and issuance of bonds in an amount of not to exceed \$35,000,000 by the Red River Education Finance Corporation (the "Issuer") to finance educational facilities for the benefit of the St. Mark's School of Texas (the "School").
- The Bonds will be issued to refinance bonds issued by the Issuer in January 2000 and to finance improvements to the School. The School is located at 10600 Preston Road.

BACKGROUND

- The School is an independent, non-sectarian college preparatory day school for boys.
- The School is accredited by the Independent Schools Association of the Southwest.
- The School intends to use funds received to refinance certain of the Series 2000 Bonds in an aggregate principal amount not to exceed \$18,000,000 originally issued to finance new buildings and permanent improvements at its campus, to achieve present value savings.
- Chapter 53A of the Texas Education Code (the "Code") allows primary and secondary private schools to borrow money through the issuance of bonds or loans. The Code specifies that schools may use "Education Finance Corporations" as a conduit to issue tax-exempt debt.

- Education Finance Corporations are created by cities for the purpose of financing educational facilities. 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 private educational institution.
- Education Finance Corporations may issue debt for facilities outside of their jurisdiction with permission from the governing body of the city where the school is located. The City of Dallas does not have an Education Finance Corporation. Under the Internal Revenue Code, the School requires consent of the City of Dallas in order for the refunding bonds to qualify as tax-exempt obligations under the Internal Revenue Code.
- 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 refunding bonds will not be a debt or liability of the City and the City’s name will not appear on the refunding bonds issued by the Issuer. This request is being made in order to comply with the Internal Revenue Code.

RECOMMENDATION

- Forward the School's request to the City Council, with a recommendation to approve an item on the March 28, 2007 City Council Agenda.