

Memorandum



CITY OF DALLAS

DATE May 25, 2007

TO Members of the Finance, Audit & Accountability Committee
Chair, Mitchell Rasansky, Vice-Chair Gary Griffith, Bill Blaydes,
Mayor Pro Tem Donald Hill, Linda Koop, Ron Natinsky, Ed Oakley,
and Steve Salazar

SUBJECT Lutheran High School of Dallas Bond Issuance – TEFRA Approval

The Committee's May 29 agenda includes a briefing on subject listed above. Materials are attached for your review.

Please contact me if you need additional information.

A handwritten signature in blue ink, appearing to read 'D. Cook'.

David Cook
Chief Financial Officer

attachment

C: Honorable Mayor & Members of the City Council
Mary Suhm, City Manager
Debra Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor

Ryan Evans, First Assistant City Manager
Ramon Miguez, Assistant City Manager
Charles Daniels, Assistant City Manager
Jill Jordan, Assistant City Manager
A. C. Gonzalez, Assistant City Manager

**Lutheran High School
of Dallas
Bond Issuance**

TEFRA Approval

**Finance, Audit and Accountability Committee
May 29, 2007**

DISCUSSION MATERIALS

SUBJECT

- Issuance of bonds by the Health and Educational Facilities Authority of the State of Missouri ("MOHEFA") in an amount not to exceed \$525,000 to refinance educational facilities for the benefit of the Lutheran High School of Dallas (the "School").
- The Bonds will be issued to refinance a loan, the proceeds of which were used for the construction and equipping of the School's gymnasium and fine arts center. The School is located at 8494 Stults Road, Dallas, Texas.

BACKGROUND

- The School is an independent, Lutheran co-educational middle and high school (grades 7-12).
- The School is accredited by the Lutheran School Accreditation Commission.
- The School intends to use funds received to refinance a loan, the proceeds of which were used for the construction and equipping of the School's gymnasium and fine arts center.
- MOHEFA has represented that it is authorized by Chapter 360 of the Revised Statutes of the State of Missouri to issue bonds the interest on which is tax-exempt in order to finance certain educational and health facilities both within and outside of the State of Missouri if the borrower maintains a national or regional headquarters in Missouri.
- MOHEFA intends to issue its Educational Facilities Revenue Bonds (Lutheran Church Extension Fund – Missouri Synod Loan Program) and loan the proceeds thereof to the Lutheran

Church Extension Fund, a Missouri nonprofit corporation and affiliate of The Lutheran Church-Missouri Synod, a national religious denomination, headquartered in St. Louis, Missouri ("LCEF"), which will in turn loan such proceeds to various Lutheran affiliated entities in several states to finance or refinance educational and health facilities.

- LCEF has advised MOHEFA that it can realize substantial cost savings and efficiencies by combining these financing needs into a single bond issuance through MOHEFA.
- LCEF intends to loan not in excess of \$525,000 of proceeds of the Bonds to the Lutheran Secondary Association of Dallas, Inc., on behalf of the Lutheran High School of Dallas, to refinance a loan the proceeds of which were used for the construction and equipping of the School's gymnasium and fine arts center located at 8494 Stults Road, Dallas, Texas.
- MOHEFA is a statutorily created authority organized for the purpose of financing educational and health facilities. MOHEFA has no taxing power, no police powers, and no powers of eminent domain. MOHEFA is a "conduit" financing authority that issues debt typically with a loan agreement which is secured by revenues and/or property pledged from a private educational or health institution.
- MOHEFA may issue debt for facilities outside of its jurisdiction 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 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 bonds will not be a debt or liability of the City and the City's name will not appear on the bonds issued by MOHEFA. 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 June 13, 2007 City Council Agenda.