

# Memorandum



DATE June 6, 2008

TO Members of the Finance, Audit & Accountability Committee  
Chair Mitchell Rasansky, Vice Chair Jerry Allen, Mayor Pro Tem Dr. Elba Garcia,  
Vonciel Jones Hill, Angela Hunt, Ron Natinsky and David Neumann

SUBJECT St. Alcuin Montessori School – Bond Issue Consent

The Committee's June 9<sup>th</sup> agenda includes the attached Subject briefing.

Please contact me if you need additional information.

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

David Cook  
Chief Financial Officer

Cc: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Tom Perkins, Jr., City Attorney  
Deborah Watkins, City Secretary  
Craig Kinton, City Auditor  
Ryan S. Evans, First Assistant City Manager  
David O. Brown, Interim Assistant City Manager  
Ramon Miquez, P.E., Assistant City Manager  
Jill A Jordan, P.E., Assistant City Manager  
A.C. Gonzalez, Assistant City Manager

# **THE ST. ALCUIN MONTESSORI SCHOOL**

## **Tax-Exempt Financing**

### **TEFRA Approval**

**Finance, Audit and Accountability Committee  
June 9, 2008**

## **DISCUSSION MATERIALS**

### **SUBJECT**

- The Big Lake Education Finance Corporation (the "Issuer"), a nonstock nonprofit higher education facility corporation duly created by the City of Big Lake, Texas , is empowered pursuant to Chapter 53A, Texas Education Code, to enter into contractual obligations in order to assist educational institutions in financing or refinancing the acquisition, purchase, or lease, or the construction, renovation or other improvement of, education facilities or housing facilities and facilities incidental, subordinate or related thereto or appropriate in connection therewith.
- The St. Alcuin Montessori School (the "School") has requested that the Issuer finance, in an aggregate principal amount not to exceed \$10,000,000, for the benefit of the School, a portion of the costs of constructing, improving and equipping certain educational facilities at 6144 Churchill Way, Dallas, Texas 75230, including (1) a new school building for middle school students and upper elementary students, including related soccer and parking facilities and (2) a new school building to house a library, a gymnasium and a community center (the "Project).

## BACKGROUND

- The mission of the School is to provide an ideal learning environment based upon Montessori principles that will guide and nurture the full development of the individual.
- The School is an independent, non-denominational, co-educational day school located on a twelve acre campus in Dallas, Texas. Founded in 1964, and now one of the largest Montessori schools in North America, the School serves a diverse community of over 500 students, toddlers through eighth graders. The School is a model for toddler, primary, and elementary Montessori programs. The School is guided by the core values of the Montessori approach, and the International Baccalaureate Middle Years Programme (MYP).
- The School was originally incorporated on January 9, 1963 as "The Academy of Religion & Philosophy." In September 1984, that corporation was dissolved, and reincorporated as "The St. Alcuin Montessori School." The School has been granted and operates under tax-exempt status as a 501(c)(3) organization.
- The School intends to use funds received to pay a portion of the costs of constructing, improving and equipping (1) a new school building for middle school students and upper elementary students, including related soccer and parking facilities and (2) a new school building to house a library, a gymnasium and a community center. The School intends to finance the balance of the costs of the Project through an on-going capital campaign.
- The Issuer intends to enter into a tri-party Master Financing Agreement with the School and Wells Fargo Bank, National Association (the "Bank") wherein the Issuer will act as a conduit issuer in facilitating a tax-exempt loan from the Bank to the School for the Project.

- The School has advised the Issuer that it can realize substantial cost savings by utilizing a tax-exempt loan to finance the Project.
- The Issuer is a statutorily created authority organized for the purpose of financing educational and health facilities. The Issuer has no taxing power, no police powers, and no powers of eminent domain. The issuer 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.
- The Issuer 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 loan accomplished by the Master Financing Agreement 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 loan accomplished by the Master Financing Agreement to will not be a debt or liability of the City. 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 25, 2008 City Council Agenda.