

# Memorandum



DATE August 8, 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 The Episcopal School of Dallas – Bond Issue Consent

The subject briefing is on the Committee's August 12<sup>th</sup> agenda. Briefing materials are attached.

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 EPISCOPAL  
SCHOOL OF DALLAS,  
INC.**

**Tax-Exempt Financing**

**TEFRA Approval**

**Finance, Audit and Accountability Committee  
August 12, 2008**

## DISCUSSION MATERIALS

### SUBJECT

- The Ames Higher Education Facilities Corporation (the "*Issuer*"), a nonstock nonprofit higher education facility corporation duly created by the City of Ames, 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 Episcopal School of Dallas, Inc. (the "*School*") has requested that the Issuer issue one or more loans pursuant to one or more loan agreements, in an aggregate principal amount not to exceed \$20,000,000, for the benefit of the School, to finance and refinance a portion of the costs of acquiring, constructing, improving and equipping certain educational facilities at 4100 Merrell Road, Dallas, Texas 75229, including (1) refinancing approximately \$10 million of previously issued notes used to finance construction of a fine arts and humanities facility and (2) to finance construction for a new athletic center and dining facility (the "*Project*").

## BACKGROUND

- The School was originally founded in 1974 as a Co-Education College Preparatory Facility including 5th through 12th grade. Since that date, it has expanded to also include beginner education (age 3) through 4th grade. The School serves a diverse community of over 1,100 students from beginner (age 3) to 12th grade. The School has over 250 members on its faculty and staff.
- The School was originally incorporated in 1974. The School is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") and is exempt from federal income taxation under Section 501(a) of the Code.
- The mission of the School is to prepare young men and women for lives of intellectual discovery, integrity, and purpose. The School develops the unique talent and potential in each student and embraces sound learning, discipline, and faith as essential elements of an educated conscience.
- As a traditional, college-preparatory school, the School believes that all young people need a basic, sound education and that an independent, faith-centered school has an important role to play in providing this education. The goal of ESD is to enhance the spiritual, intellectual, physical, and social growth of each student in a co-educational environment. Students are encouraged to reach the best within themselves – not only in the classroom, but also in chapel, on the playing field, on wilderness excursions, and in community service.
- The School's goals include:
  - providing a coordinated continuum of academics from age three through grade twelve that imparts skills and knowledge necessary for preparing students to continue their education at their chosen college or university.

- developing in students the ability to observe accurately; to problem solve creatively and analytically; to read, interpret, and evaluate critically; to think independently; to communicate effectively in speaking and writing; and to use the library and current technological resources.
  - stimulating intellectual curiosity and a love of learning as a life-long, dynamic process.
  - encouraging self-expression through the arts and to develop an appreciation of the fine arts.
  - fostering open-mindedness toward diverse perspectives, philosophies, religions, and cultures.
- The School intends to use funds received to pay a portion of the costs of acquiring, constructing, improving and equipping (1) refinancing approximately \$10 million of previously issued notes used to finance construction of a fine arts and humanities facility and (2) to finance construction for a new athletic center and dining facility.
  - The Issuer intends to enter into one or more tri-party Loan Agreements with the School and Bank of Texas, N.A. (the “*Bank*”) wherein the Issuer will act as a conduit issuer in facilitating one or more tax-exempt loans from the Bank to the School for the Project.
  - The School has advised the Issuer that it can realize substantial cost savings by utilizing tax-exempt loans 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 approval of the governing body of the city where the school is located. Under the Internal Revenue Code, the School requires the approval of the City of Dallas in order for the loans accomplished by the Loan Agreements 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 Loan Agreements 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 August 27, 2008 City Council Agenda.