

# Austin Community College District Public Facility Corporation

## Optional Information Session

March 24, 2008

**SUBJECT:** Optional General Information Session on Public Facility Corporations.

### **RECOMMENDATION**

That interested Board of Directors have the opportunity to receive an additional presentation regarding the general workings of a Texas Public Facility Corporation (PFC) and on the specifics of how the PFC will work for the Austin Community College District.

### **RELATED BOARD POLICY OR PLANNING PRIORITY**

This item supports ACC Board Policy E-2, Provision of College Facilities.

### **RATIONALE**

The ACC Board of Trustees created a Public Facility Corporation (PFC) at its November 5, 2007, meeting to provide additional facilities financing options for the District in meeting ACC's Closing The Gaps goals. The PFC held its organizational meeting on February 4, 2008. Staff have been asked to prepare an additional information session on how the PFC works and specific actions the PFC is expected to take in the coming months.

### **BUDGETARY CONSIDERATION**

None

### **RESOURCE PERSONNEL**

Ben Ferrell, Vice President, Business Services  
Tom Pollan, ACC Legal Counsel  
Jorgé Rodriguez, Financial Advisor

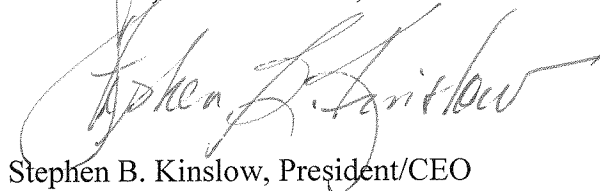
### **ATTACHMENTS**

A) PFC Summary Information

Respectfully Submitted By:



Ben Ferrell, Vice President, Business Services



Stephen B. Kinslow, President/CEO

## **Austin Community College District Public Facility Corporation**

### **Background**

To meet ACC's Closing The Gaps enrollment targets, the construction of new facilities and the expansion of existing campuses are critical elements of ensuring the capacity to serve an additional twenty thousand students by 2025. Staff considered multiple funding options available to community colleges and presented the options and their relative merits to the Board in May of 2007. At that meeting, staff and ACC's financial advisor recommended the formation of a Public Facility Corporation to provide an important additional option to finance land acquisition and new construction.

The ACC Board of Trustees approved the creation of the Austin Community College District Public Facility Corporation in November 2007, and appropriate documents were filed with the State of Texas in December 2007, officially recognizing the corporation.

### **Purpose**

The primary advantage of the PFC is the ability to include the use of ACC's M&O tax revenues to service debt financing issues. Currently, taxes cannot be pledged to revenue bond debt service (and only a portion of tuition can be pledged to revenue bonds), while a district-wide voter referendum is required to issue tax supported debt. The PFC is a creation of the state to provide governmental entities with additional financing options not subject to these limitations. The PFC is commonly used by other governmental entities for financing, but Houston Community College and ACC are the only Texas community colleges that have used the law to date.

Public Facility Corporations are authorized under Chapter 303 of the Texas Local Government Code for the purposes reproduced below.

*Sec. 303.002. PURPOSE; CONSTRUCTION. (a) The purpose of this chapter is to authorize the creation and use of public facility corporations with the broadest possible powers to finance or to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities in an orderly, planned manner and at the lowest possible borrowing costs.*

### **How a PFC Works**

A PFC is recognized as a Texas Public Corporation, and ACC's PFC is set up according to the requirements of Chapter 303. The PFC:

- Conducts an organizational meeting;
- Approves Articles of Incorporation;
- Adopts Bylaws;
- Elects Officers;
- Requires a quorum;

- Conducts public meetings;
- Has broad financial powers to accomplish its purpose;
- Is subject to Open Meetings/Open Records;
- Is considered a governmental organization.

### **Characteristics of the ACC PFC**

The ACC PFC has been designed to simplify and facilitate its work in the following ways:

1. The ACC Board and the PFC Board membership will be identical at all times.
2. Staff recommend that the ACC Board Officers serve the same role for the PFC.
3. PFC Board meetings will be held on the same date, at the same location, and immediately before or after ACC Board meetings.
4. Action taken by the PFC can be approved by ACC at the same meeting if desired.

### **What's Next?**

The PFC was designated as the financing vehicle in the "ACC Facilities Master Planning 2007 to 2025" recommendation, adopted by the Board in June 2007 for new campuses. The projects proposed for the PFC will include:

1. A new campus in Round Rock;
2. A new campus in San Marcos;
3. Land acquisitions;
4. Future new construction.

The PFC will perform the following activities:

- Arrange interim financing;
- Issue debt;
- Hold land and facilities in trust for ACC;
- Lease the facilities to ACC until the related debt is repaid.

ACC staff, financial advisor, and legal counsel are preparing both short- and long-term financing strategies incorporating the PFC; they will present comprehensive financing plans to both entities as master planning, budgeting, and the projects develop in the coming months.