



Legislation Text

File #: 14-488, **Version:** 1

ADOPT A RESOLUTION APPROVING THE GLENDALE INDUSTRIAL DEVELOPMENT AUTHORITY'S ISSUANCE OF REVENUE BONDS NOT TO EXCEED \$15,000,000 IN SUPPORT OF THE MIDWESTERN UNIVERSITY FOUNDATION'S STUDENT LOAN PROGRAM

Staff Contact: Brian Friedman, Director, Office of Economic Development

Purpose and Recommended Action

This is a request for City Council to waive reading beyond the title and adopt a resolution authorizing the Glendale Industrial Development Authority (Authority) to issue revenue bonds in one or more series, pursuant to a plan of finance, in an aggregate principal amount not to exceed \$15,000,000 for the purpose of:

- Financing student loans for residents of the State of Arizona attending Midwestern University at either its Glendale, Arizona campus or its Downers Grove, Illinois campus; and, for residents of any state attending Midwestern University at its Glendale, Arizona campus;
- To fund reserves; and,
- To pay costs associated with the issuance of the bonds.

All of which is in accordance with the Industrial Development Financing Act, Title 35, Chapter 5, Arizona Revised Statutes, as amended, and has no impact on the City's own ability to issue bonds or the City's bond rating.

Background

The Authority is an Arizona nonprofit corporation designated by law as a political subdivision of the State of Arizona. Under the provisions of the Industrial Development Financing Act, the City Council of the City of Glendale is the governing body of the Authority, is responsible for electing the Directors of the Authority, and must approve the issuance of the bonds by the Authority.

The Authority is empowered to issue the bonds, and loan the proceeds from the sale of the bonds for the purposes provided for in the Act. Under the provisions of A.R.S. § 35-742, the City of Glendale is not liable or obligated for the payment of bonds or other debt obligations issued by the Authority. Neither the Authority's issuance of bonds nor the Authority's bond rating have any impact or bearing on the City's own ability to issue bonds or the City's bond rating.

The Applicant for financing is Midwestern University Foundation; an Illinois nonprofit corporation recognized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is an affiliate under common control with Midwestern University with campuses located in Glendale, Arizona and Downers Grove, Illinois. The University's total enrollment for the 2014-15 academic year is 6,063 with 3,146 students enrolled at the Glendale Campus. The University provides graduate level education in the health sciences including

osteopathic medicine, pharmacy, physician's assistant studies, physical therapy, occupational therapy, biomedical sciences, dentistry, optometry, clinical psychology, nurse anesthesia, cardiovascular sciences, and veterinary medicine.

Analysis

The Industrial Development Financing Act provides that the Authority may issue its revenue bonds pursuant to a plan to provide funds with which to make loans to eligible students. The Northwestern University Foundation has developed a Student Loan Bond Program Plan that must be approved by the Governor of the State of Arizona or a delegate. The Northwestern University Foundation is seeking the Governor's approval of the Student Loan Bond Program Plan and the Authority's authorization to sell the revenue bonds concurrently. The Authority's authorization to issue the bonds can precede the Governor's approval of the plan; and, seeking the authorization concurrently allows the Authority to be responsive to the timeline that would allow the Northwestern University Foundation to issue Student Loans in time for the 2015-16 academic year. If both are approved, it is anticipated that the bonds will be issued in January 2015.

The student loan program will be administered by Northwestern University Foundation, Northwestern University, and their respective agents including a Loan Originator and Loan Servicer as outlined in the attached November 17, 2014 letter to City Council from Mr. William F. Wilder. Principal and interest on the bonds will be paid from the proceeds received by Northwestern University Foundation from the loans which are originated. Northwestern University Foundation will also be contributing approximately \$3,000,000 to assure that sufficient funds will be available to provide for the payment of the bonds and loan program costs.

It is worth noting that the Northwestern University Foundation will also be seeking the issuance of bonds through the Illinois Finance Authority to fund student loans for students at the Downers Grove, Illinois campus. No proceeds from the Glendale Industrial Development Authority's bonds will be used to fund loans for students attending the Downers Grove campus unless the student is a resident of Arizona.

To help keep the loan program costs at a minimum, Northwestern University Foundation and Northwestern University will not charge students for their respective services to administer the loan program which, as proposed, would be funded with the use of tax exempt funds to originate student loans. As a result, it is anticipated that loans will be made to eligible students at fixed rates with lower interest than what is available in private or federal student loan programs which often have variable rates.

Approval of a resolution authorizing the Authority to sell revenue bonds in support of this program creates no risk to the City of Glendale or its residents because:

- The City shall not, in any event, be liable for the payment of the principal or interest on the bonds of the Authority;
- Shall not be responsible for the performance by the Authority of any of its obligations with respect to its bonds; nor,
- Shall any agreements or obligations of the Authority constitute an indebtedness of the City of Glendale within the meaning of any constitutional or statutory provision.

Previous Related Council Action

Since 2001, Glendale City Council has authorized the Authority to issue revenue bonds on behalf of Northwestern University on eight separate occasions as shown below:

<u>Date</u>	<u>Purpose</u>	<u>Not to Exceed</u>
04/10/2001	Student Housing	\$ 35,000,000
05/11/2004	Bond Refunding 1994 and 1996	\$ 24,000,000
09/26/2006	Glendale Dental School and Downers Grove Campus	\$ 75,000,000
02/27/2007	Bond Refinance	\$ 70,000,000
04/22/2008	Bond Refinance	\$ 35,000,000
04/13/2010	Various Projects/Campuses	\$160,000,000
08/23/2011	Glendale and Downers Grove Campus	\$ 50,000,000
<u>09/24/2013</u>	<u>Various Projects/Campuses</u>	<u>\$120,000,000</u>
GRAND TOTAL		\$569,000,000

Community Benefit/Public Involvement

This program is structured to benefit Arizona residents by providing an opportunity to receive reduced, fixed-rate, student loans to finance graduate level education at either the Glendale, Arizona or Downers Grove, Illinois campus. It also provides an opportunity for students from other states to receive loan proceeds to finance their education at the Glendale, Arizona campus.

Budget and Financial Impacts

There is no budget or financial impact to the City of Glendale under the provisions of A.R.S. § 35-742, which states that the City of Glendale is not liable or obligated for the payment of bonds or other debt obligations issued by the Authority; and, there is no impact on the City's ability to issue bonds or the City's bond rating.