

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
CONDUIT 501 (c)(3) REVENUE BOND FINANCING**

**STAFF REPORT**

<b>EXECUTIVE SUMMARY</b>	
<b>Applicant:</b>	The Presentation School ("School" or "Borrower")
<b>Par Amount Requested:</b>	\$5,500,000
<b>Applicant Description:</b>	A California 501 (c)(3) nonprofit public benefit corporation operating as a K-8 independent school in Sonoma, California.
<b>Type of Financing:</b>	Conduit Tax-Exempt Fixed Rate Obligations ("Obligations")
<b>Project Description:</b>	The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to: (1) refinance the \$7,250,000 original aggregate principal amount of the Colorado Educational and Cultural Facilities Authority Adjustable Rate Demand Revenue Bonds, Series 2006 (The Presentation School, Inc. Project) ("Prior Debt"), of which approximately \$5,510,000 aggregate principal amount is currently outstanding., and (2) pay various costs of issuing the Obligations and other related costs (collectively, the "Project").
<b>Potential Project Site:</b>	<b>County of Sonoma</b> 20872 Broadway, Sonoma, California 95476
<b>Plan of Finance:</b>	IBank will lend the proceeds of the Obligations to the Borrower to finance and refinance the costs of the Project.
<b>Type of Issue:</b>	Private Placement
<b>Tax Status:</b>	Tax Exempt
<b>Expected Maturity Date:</b>	On or prior to 12/1/2052
<b>Credit Enhancement:</b>	None
<b>Credit Rating:</b>	None
<b>IBank Fees:</b>	Application Fee \$2,500; Issuance Fee \$25,000; Annual Fee \$500 per year

<b>SOURCES AND USES</b>			
<b>Estimated Sources Funds:</b>		<b>Estimated Uses Funds:</b>	
Tax-Exempt Obligations Proceeds	\$5,500,000	Refinancing 2006 Bonds	\$5,510,000
Borrower's Equity	\$140,000	Costs of Issuance	\$130,000
<b>TOTAL SOURCES</b>	<b>\$5,640,000</b>	<b>TOTAL USES</b>	<b>\$5,640,000</b>

<b>FINANCING TEAM</b>	
<b>Bond Counsel:</b>	Hawkins Delafield & Wood LLP
<b>Borrower's Counsel:</b>	Reidy Law Group
<b>Private Placement:</b>	First Republic Bank ("FRB")
<b>Public Benefits:</b>	<p>The Obligations amortization payments will be structured with level annual payments rather than high principal payments that are currently in the variable rate structure. The School expects replacing variable rate with fixed rate will result in debt service payment savings over the next 30 years life of the Obligations.</p> <p>The Obligations will end the letter of credit related to the Prior Debt, relieving the School from uncertainty related to LOC renewals.</p>
<b>Date of Board Meeting:</b>	11/16/2022
<b>Resolution Number:</b>	22-16
<b>Prepared by:</b>	John Belmont and Dalibor Zivkovic
<b>Date Prepared:</b>	November 3, 2022
<b>Staff Recommendation:</b>	Staff recommends approval of Resolution 22-16 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$5,500,000 for the benefit of The Presentation School.

## BACKGROUND AND HISTORY

In 1997 a group of Sonoma educators founded The Presentation School, a K-8 independent school in Sonoma Valley. Their vision integrated high standards in academic achievement with a balanced view of a young person's learning and personal growth.

This School supports children's academic growth, and their appreciation of art, language and athletics, their exploration of faith, character, and commitment to the community.

The School started its activities in the Sonoma Community Center and in 2006, then moved to the current facility on South Broadway.

The School currently enrolls 173 students and is accredited by the Western Association of Schools and Colleges (WASC), California Association of Independent Schools (CAIS). The School is member of the National Association of Independent Schools (NAIS) and the Independent Schools of the San Francisco Bay Area (ISSFBA) and is SEVIS Certified to accept international F-1 Visa students.

The School is listed in Good Standing with the California Secretary of State as of November 4, 2022.

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting that IBank issue conduit tax-exempt fixed rate Obligations to finance the Project.

### **Refinancing the Schools Prior Debt**

The School's Prior Debt was issued in December 2006. The proceeds of the Prior Debt were used to (i) finance the costs of the construction and equipping of a multi-purpose facility on the School's campus located at 20872 Broadway, Sonoma, California 95476 (the "Campus"), (ii) refinance certain existing indebtedness of the School, the proceeds of which were used to finance the construction, renovation, installation and equipping of certain school facilities of the School located on the Campus, including but not limited to two classroom buildings, and administration building, a library, and certain on-site and offsite improvements in connection with the foregoing, and (iii) pay costs of issuance, including initial costs of any credit enhancement. The Prior Debt included a letter of credit.

(See Appendix B--Project Photos)

## FINANCING STRUCTURE

### **IBank Term Sheet The Presentation School Board Meeting Date: 11/16/2022**

<b>Par Amount:</b>	Not to exceed \$5,500,000; in one or more Tax-Exempt Loan Obligations.
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	First Republic Bank, or a related entity
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	Unrated
<b>Interest Rate:</b>	Fixed Interest Rate – 3.25%.
<b>Expected Maturity:</b>	On or prior to December 1, 2052
<b>Collateral:</b>	Security interest in Borrower's Operating Revenues and Assets (perfected through a UCC-1 financing statement). Deed of Trust on property of the Borrower generally located at 20872 Broadway, Sonoma, California 95476
<b>Expected Closing Date*:</b>	December 1, 2022
<b>Conduit Transaction:</b>	The Obligations are special, limited obligations of IBank payable solely from payments made by the Borrower under the Transaction Documents, and IBank shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Obligations.

\*Please note that Expected Closing Date is subject to change.

## **Financing Structure**

The Obligations will be directly purchased by FRB and loaned to the Borrower pursuant to a Master Loan Agreement. Transfer of the Obligations will be limited to affiliates and qualified institutional buyers (“QIBs”) within the meaning of S.E.C. Rule 144A promulgated under the Securities Act of 1933 and they may only be transferred in whole. The Obligations will be secured by a Security Agreement, a UCC-1 filing on the Borrower’s assets, and a Deed of Trust on the Campus. IBank will assign this security interest to FRB at closing via an Assignment Agreement.

The Obligations will have a fixed rate of 3.25% per annum. Repayment will be monthly principal and interest based on a 30-year amortization schedule.

The security interest in the Collateral, defined in the Term Sheet, under the Master Loan Agreement, the Deed of Trust and the Security Agreement may be on parity with any and all future debts from the Lender to the Borrower if such conditions are met. The Jonathan and Carol Sebastiani Trust and Johnathan A. Sebastiani (each a “Guarantor”) will guarantee the Obligations.

## **Limited Obligations of IBank**

The Obligations are payable solely from and secured solely by the pledge of the Borrower’s payments under the transaction documents. Neither IBank; nor any of the members of its Board of Directors; nor any of its officers or employees; nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Obligations are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

## **PUBLIC BENEFITS**

The School is choosing to refund variable rate bonds that are currently at an all-in rate of near 4.5% and which risk rising higher given the Fed’s recent short-term rate increases. The fixed rate on this new loan will be 3.25% and is expected to result in debt service saving over the 30 year life of the Obligations. The certainty of the debt service payment amounts under fixed rate structure will also allow the School to budget with clarity now and in the future. Finally, the amortization payments will be structured with level annual payments rather than high principal payments that are currently in the variable rate structure. The Obligations will end the letter of credit related to the Prior Debt, relieving the School from uncertainty inherited with the loc’s renewals.

**OTHER PROJECT DATA**

<b>PERMITS AND APPROVAL</b>	
Required? No	If Yes, Describe:
<b>TEFRA</b>	
Date of TEFRA Publication: 11/9/2022	Publications: The Sacramento Bee and The Press Democrat
Date of TEFRA Hearing: 11/16/2022	Oral/Written Comment: No , If yes explain:
<b>ELIGIBILITY REVIEW</b>	
Applicants meets all the IBank eligibility criteria? Yes or No <b>Yes</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of IBank in connection with the financing and to make all the scheduled payments.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed? N/A	Certificate Number: _____ Date: _____

**RECOMMENDATION**

Staff recommends approval of Resolution 22-16 authorizing the issuance of conduit Tax-exempt Fixed Rate Obligations in an amount not to exceed \$5,500,000 for the benefit of The Presentation School.

## APPENDIX A: GOVERNANCE AND MANAGEMENT

<b>BOARD OF TRUSTEES</b>	
Jessica Cuneo, PhD, Chairperson	Licensed Clinical Psychologist and Senior Medical Science Liaison Alkermes Sonoma, CA
Matt Parker, Treasurer	CEO Silverado Investment Management Company Sonoma, CA
Brad Corona, Finance/Strategic Plan	Managing Director Vertical Venture Partners (VVP) Sonoma, CA
Sonya DeLuca, Advancement/Strategic Plan	Associate Director and Chief Operating Officer Napa Valley Grapegrowers and the Napa Valley Farmworker Foundation Napa, CA
Bahaneh Hobel, Governance/Strategic Plan	Partner Dickenson Peatman & Fogarty Sonoma, CA
Dot Kowal, DEI/Strategic Plan	Director of Diversity, Equity, and Inclusion Sonoma Academy Petaluma, CA
Matt Mo, Trustee DEI	Head of Finance and Operations Blueprint Power Sonoma, CA
Cherise Norris, DDS, Facilities	Cherise Norris, DDS Sonoma, CA
Ashish Patel, Facilities/Strategic Planning	Co-Owner Olea Hotel Sonoma, CA
Scott Shapiro, Finance	Vice President and Commercial Loan Officer Poppy Bank Sonoma, CA
Dana Sexton Vivier, Finance, Governance	CFO Far Niente Wine Estates Oakville, CA

<b>OFFICERS</b>	
Jacqueline Gallo	Head of School
Shanna Rodgers	Business Officer