

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)  
501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Marin Academy (Academy or Borrower)	<b>Amount Requested:</b>	Not to exceed \$25,000,000
<b>Applicant Description:</b>	A California non-profit public benefit corporation operating a coeducational, college preparatory independent day school for grades 9 through 12 in the City of San Rafael.		
<b>Type of Issue:</b>	New construction, refunding, acquisition of adjacent properties.		
<b>Previous Debt to be Refunded:</b>	ABAG Finance Authority for Nonprofit Corporations Private Placement Revenue Bonds (Marin Academy) Series 2006		
<b>Project(s):</b>	Refinance the existing ABAG Revenue Bonds, the proceeds of which were used to finance the costs of construction, renovation, improvements, equipment acquisition and installation of the Academy's facilities and for paying costs of issuance. Pay and/or reimburse the Academy for the costs of acquisition, construction, renovation, retrofitting, improvement and equipping of capital facilities at Marin Academy's campus, including the construction of a new science facility. Pay and/or reimburse the Academy for the construction, improvement and equipping of certain properties located adjacent to or near the Academy's campus.		
<b>Project Address(s):</b>	Marin Academy's campus is located generally at 1600 Mission Ave., 1618 Mission Ave., 16 Quarry Road, 1513 Fifth Avenue, 1540 Fifth Avenue and 1, 2, and 3 Cottage Avenue in San Rafael. (Campus)		
<b>Plan of Finance:</b>	The I-Bank will issue tax-exempt Obligations (Tax-Exempt Obligations) and the proceeds will be used to refinance the existing bonds, provide funds for soft costs and design fees as well as provide a portion of the construction costs for the Science building project; pay and/or reimburse the Academy for miscellaneous expenditures related to the acquisition, construction, improvement and equipping of certain properties located adjacent to or near the Campus.		
<b>Type of Issue:</b>	Privately placed fixed rate Obligations with First Republic Bank, a Qualified Institutional Buyer (QIB).		
<b>Tax Status:</b>	Tax-Exempt		
<b>Term:</b>	30 years.		
<b>Credit Rating:</b>	None; credit rating requirement waived; private placement with a QIB exception is applicable.		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
Tax-Exempt Obligations	\$20,000,000	Refund existing bonds	\$7,300,000
Proceeds		Design & Construction of Science Building	\$15,720,000
Fundraising Proceeds	\$6,600,000	Other Campus Capital Improvements	\$3,000,000
		Costs of Issuance	\$300,000
<b>TOTAL SOURCES</b>	<b>\$26,600,000</b>	<b>TOTAL USES</b>	<b>\$26,600,000</b>
<b>Financing Team</b>	<b>Private Placement Purchaser:</b> First Republic Bank <b>Lender's Counsel:</b> Hawkins Delafield & Wood LLP <b>Borrower's Counsel:</b> Folger Levin LLP		
<b>Public Benefits</b>	The new Science building will provide additional opportunities for state-of-the-art instruction and independent student research. The building is expected to meet at least LEED Gold standards thus reducing energy consumption, minimizing operating costs and demonstrating a wise use of natural resources to students and the public.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
December 17, 2013	13-20	Elizabeth Hess	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution 13-20 authorizing the issuance of a tax-exempt Obligations in an amount not to exceed \$25,000,000 to be sold through private placement and loaning the proceeds to Marin Academy.			

## BACKGROUND AND HISTORY

Marin Academy (Academy or Borrower), a qualified 501(c)(3) non-profit public benefit corporation, is an independent co-educational college preparatory day school committed to scholarship and personal development. Founded in 1971, it is located in the City of San Rafael in Marin County and serves students in grades 9 through 12. The Academy is situated on the ten-acre, 120 year old campus of a former military school. Marin Academy provides its students a solid foundation in traditional academic subjects in a college-preparatory program and is committed to experiential education. The Academy promotes critical thinking – informed, independent, collaborative and creative – as the hallmark of its educational experience.

### Enrollment

Marin Academy currently has 405 students in grades 9 to 12 with a student to faculty ratio of 9:1 and an average class size of 15. Students come from over 60 middle schools in six San Francisco Bay area counties with the majority (72%) coming from Marin County.

### Curriculum & Accreditation

The Academy offers a comprehensive college preparatory curriculum with over 100 course titles. The curriculum follows a six-day rotating block schedule of 80-minute classes. The School is accredited by the Western Association of Schools and Colleges and is a member of each of the following entities: the National Association of Independent Schools, the National Business Officers Association, the Council for Advancement and Support of Education, the California Association of Independent Schools, the National Association of Principals of Schools for Girls, the Secondary School Admission Test board, A Better Chance, and the College Board.

### Community Involvement

The Academy fosters a culture based on seven practices: (1) Perspective - developing social, environmental and global awareness that fosters an understanding of one's place in a sustainable world; (2) Responsibility – accepting ownership of one's actions and one's role in the well-being of the community; (3) Compassion – displaying respect and empathy; (4) Balance – exhibiting balance, reflection and contemplation in all endeavors; (5) Mind – embracing curiosity, creativity and passion for a life of learning; (6) Communication – communicating effectively with others, verbally, visually and symbolically; (7) Integrity – demonstrating an active commitment to justice and ethical behavior.

### Financial Aid

Approximately 21.5% of students receive financial assistance totaling more than \$2.5 million.

A list of the Academy's Trustees and Administrative staff is provided in **Attachment A – Governance and Management**.

## PLAN OF FINANCE

The Academy requests approval for issuance of tax-exempt obligations (Tax-Exempt Obligations) in an amount not to exceed \$25,000,000 to be used to (1) refund existing ABAG Finance Authority for Nonprofit Corporations Private Placement Revenue Bonds (Marin Academy) Series 2006 (Series 2006 Bonds) including any prepayment fees, (2) pay and/or reimburse the Academy for the costs of acquisition, construction, renovation, retrofitting, improvement and equipping of capital facilities at the Campus, including the construction of a

new science facility, (3) pay and/or reimburse the Academy for the costs of miscellaneous expenditures related to the acquisition, construction, improvement and equipping of certain properties located adjacent to or near the Campus and (4) pay various costs of issuing the Tax-Exempt Obligations and other related costs. The adjacent properties may include 1612 Fourth Street, San Rafael, CA and/or other properties located in the area bounded by Mission Avenue, Fourth Street, H Street and E Street. If acquired, the adjacent properties will be owned, used, and operated by Marin Academy exclusively for school-related activities including future capital improvements and additional faculty/staff parking.

The proceeds of the Series 2006 Bonds were used to finance the costs of construction, renovation, improvement, equipment acquisition and installation of Marin Academy's facilities, including renovation or replacement of the administration building and construction of a new library facility, and for paying costs of issuing the Series 2006 Bonds. See **Attachment B - Campus Map and Photos**.

The Tax-Exempt Obligations are to be sold in a private placement with First Republic Bank and the proceeds will then be loaned to the Academy pursuant to a master loan agreement among the I-Bank, the Academy, and First Republic Bank (Loan Agreement). The Loan Agreement will have a stated term of 30 years with an expected fixed interest rate of 3.15 percent.

The principal and interest due under the Tax-Exempt Obligations shall be paid from the School's operating revenues. No I-Bank or other State funds will be used or are required for repayment of the Tax Exempt Obligations.

The Academy's obligation to repay First Republic Bank for the proceeds of the Tax-Exempt Obligations is expected to be secured by collateral including the School's operating revenues and other non real estate assets owned by the School. The operating revenues include revenues derived from tuition and fees and unrestricted gifts. As part of the financing, the I-Bank will assign all rights to the aforementioned collateral, as well as all enforcement obligations related thereto to First Republic Bank. The Academy will be required to comply with standard financial covenants, including the maintenance of a minimum debt service coverage ratio and other standard conditions, covenants and default provisions customary in similar tax-exempt limited obligation transactions.

The Tax-Exempt Obligations will be offered only to and purchased by First Republic Bank, and thus constitute a private placement. In order to meet the I-Bank's requirements for private placements, First Republic Bank must provide a sophisticated investor letter (Letter) at closing certifying, among other things, that: (i) it is a qualified institutional buyer, (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Tax-Exempt Obligations and that it is able to bear the economic risks of such investment; and (iii) it agrees to comply with the provisions in the Loan Agreement that prohibit the sale of First Republic Bank's interest in the Tax-Exempt Obligations except to another qualified institutional buyer or an "accredited investor" within the meaning of Rule 501 promulgated under the Securities Act, as well as provisions that impose minimum denomination requirements.

The credit rating requirement has been waived as permitted by bond policies and procedures applicable to a private placement transaction.



## RECOMMENDATION

Staff recommends approval of Resolution 13-20 authorizing the issuance of Tax-Exempt Obligations in an amount not to exceed \$25,000,000 to be sold through private placement and loaning the proceeds to Marin Academy.

## ATTACHMENT A - GOVERNANCE AND MANAGEMENT

<b>BOARD OF TRUSTEES</b>	
Kathy Dell	Chair
Rosemary Morgan	Vice Chair
Eric Warner	Vice Chair – Finance
Travis Brownley	Trustee and Head of School
Cregg Baumbaugh	Trustee
Mitch Cohen	Trustee
Jefferson Coombs	Trustee
Laura Cox	Trustee
Joan Dea	Trustee
Sue Diamond	Trustee
Dick Drew	Trustee
Jim Hyman	Trustee
Liz Kind	Trustee
M. Kristin Klein	Trustee
Ned Klingelhofer	Trustee
George Lee	Trustee
Paul Levitan	Trustee
Sally Matsuishi	Trustee
Preston McCaskill	Trustee
Stephanie Mellin	Trustee
Betsy Muir	Faculty Trustee
Brandon Nicholson	Trustee
Emile Munger Ogden	Trustee
Louisa Ritter	Trustee
Kelly Scannell	Trustee and MAPA President
Adam Willner	Trustee
Rebecca Young Gustin	Faculty Trustee

<b>ADMINISTRATION</b>	
Anne Travis Brownley	Head of School
Dan Babior	Director of Admissions and Financial Aid
Scott Young	Academic Dean
Nicole Stanton	Dean of Faculty
Lynne Hansen	Dean of Students
Josh Frechette	Athletic Director
Meg Wilson	Director of Institutional Advancement
Jennifer Blake	Co-Director of College Counseling
Jennifer Christensen	Co-Director of College Counseling
Michael Morris	Director of Operations
Michael Joyce	Chief Financial Officer

**ATTACHMENT B – Campus Map and Photos**



Marin Academy is situated on a ten-acre, 120-year old campus of a former military school in San Rafael. The campus facilities include seven academic buildings, two gymnasiums, a swimming pool, and an all-weather athletic field.

**Map Key**

- |                                       |                               |
|---------------------------------------|-------------------------------|
| 1. Performing Arts Center             | 9. Gymnasium (Old Gym)        |
| 2. Founders Hall                      | 10. Athletic Center (New Gym) |
| 3. Visual Arts Center                 | 11. Pool                      |
| 4. Foster Hall                        | 12. Maintenance Shop          |
| 5. Student Center Plaza               | 13. Faculty and Staff Parking |
| 6. Bodie Brizendine Leadership Center | 14. MA Garden                 |
| 7. Library                            | 15. Championship Field        |
| 8. Thacher Hall                       |                               |

Proposed new Science Building



Bodie Brizendine Leadership Center and Library partially funded by the Series 2006 Bonds



Thacher Hall of Science Building



Proposed site of new Science building looking north toward the gymnasiums and south toward existing Science building