

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	United Cerebral Palsy of the North Bay, Inc. (UCPNB) (Borrower)	<b>Amount Requested:</b>	Not to exceed \$9,500,000
<b>Applicant Description:</b>	Founded in 1981, UCPNB, a California 501(c)(3) nonprofit public benefit corporation, is a locally run affiliate of United Cerebral Palsy. UCPNB serves children and adults with disabilities and their families living in Sonoma, Napa, and Solano Counties. Their mission is to enhance the quality of life of people with cerebral palsy and other disabilities, their families, and their communities.		
<b>Type of Financing:</b>	The Borrower requests issuance of up to \$9,500,000 in conduit tax-exempt and taxable obligations (Obligations).		
<b>Project Description:</b>	The project (Project) will provide funding to finance and/or refinance existing taxable debt incurred to fund the acquisition of properties and provide building improvements to other properties owned and operated by UCPNB.		
<b>Project Site:</b>	2860 Cordelia Road, Fairfield, CA; 500 Technology Way, Napa, CA; 3835 Cypress Drive, Petaluma, CA; 3880 Cypress Drive, Petaluma, CA; 1301A Rand Street, Petaluma, CA; and 6800 Hunter Drive, Rohnert Park, CA (Napa, Solano, and Sonoma Counties)		
<b>Plan of Finance:</b>	iBank will issue up to \$9,500,000 in conduit tax-exempt and taxable obligations. The proceeds of the Obligations will be used to (1) finance and/or refinance the cost of the acquisition, improvement, equipping, and furnishing of Borrower's educational, employment, social service, administrative, and ancillary facilities at the Project sites, and (2) pay certain costs of issuance in connection with the issuance of the Obligations.		
<b>Type of Issue:</b>	501(c)(3) Private Placement with Bank of Marin		
<b>Tax Status:</b>	Tax-exempt and Taxable		
<b>Term:</b>	25 years		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	Not applicable		
<b>Fees:</b>	Application Fee \$1,500; Issuance Fee \$23,750; Annual Fee \$500 per year		
<b>Est. Sources of Funds:</b>		<b>Est. Uses of Funds:</b>	
<b>Par Amount Series A (Tax-exempt)</b>	\$8,000,000	<b>Refunding of Current Debt</b>	\$8,820,000
<b>Par Amount Series B (Taxable)</b>	\$1,000,000	<b>Cost of Issuance</b>	\$180,000
<b>Contingency</b>	\$500,000	<b>Contingency</b>	\$500,000
<b>TOTAL SOURCES</b>	<b>\$9,500,000</b>	<b>TOTAL USES</b>	<b>\$9,500,000</b>
<b>Financing Team:</b>	<b>Bond Counsel:</b>	Sam Balisy, Kutak Rock LLP	
	<b>Private Placement:</b>	Bank of Marin	
	<b>Financial Advisor:</b>	Josh Winter, Western Solutions Inc.	
	<b>Trustee:</b>	N/A	
<b>Public Benefits:</b>	The refinancing of the existing outstanding taxable debt to fixed-rate tax-exempt and taxable Obligations will provide UCPNB long-term security by freeing up investment opportunities currently used as collateral under the existing loan.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
December 15, 2015	15-19	John Weir on 11/24/15	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 15-19 authorizing the issuance of Conduit Tax-exempt and Taxable Obligations, not to exceed \$9,500,000 for the benefit of United Cerebral Palsy of the North Bay, Inc.			

## BACKGROUND AND HISTORY

United Cerebral Palsy of the North Bay, Inc. (UCPNB) is an affiliate of United Cerebral Palsy<sup>1</sup> (UCP), an international nonprofit charitable organization founded in 1949, whose mission is to advance the independence, productivity, and full participation in community life of people with various type of disabilities through its affiliate network. Each affiliate provides different levels of services tailored to needs and capabilities of the children and adults they serve.

UCPNB was founded in 1981 upon the merger of UCP of Marin (founded in 1954) and UCP of Sonoma (founded in 1969). It provides services for children and adults with various type of disabilities and their families living in Sonoma, Napa, and Solano Counties.

### **Other Outstanding Tax-exempt Debt (Non-IBank Related):**

In February 2014, UCPNB issued a tax-exempt loan through the Association of Bay Area Governments (ABAG) in the original amount of \$5,110,000 (Loan). The Loan was a private placement with the Bank of Marin and has a final maturity in 2039. The current outstanding balance is \$4,876,490.

The California Secretary of State reports active status for the Borrower.

Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

UCPNB is requesting approval for the issuance of tax-exempt and taxable Obligations in an aggregate amount not to exceed \$9,500,000. The proceeds of the Obligations will be used to (1) finance and/or refinance the cost of the acquisition, improvement, equipping, and furnishing of Borrower's educational, employment, social service, administrative, and ancillary facilities, and (2) pay certain costs of issuance in connection with the issuance of the Obligations.

The Loan to be refinanced is a Portfolio Loan Account, a demand loan, with Morgan Stanley Bank, N.A. (Morgan Stanley). UCPNB obtained the Loan July 29, 2013, in the amount of \$10,000,000. On September 13, 2013, UCPNB drew \$4,211,737 from the Loan to purchase a building located at 3880 Cypress Drive, Petaluma, CA to house the Cypress Primary School and to consolidate its Wells Fargo and Royal Bank of Canada Lines of Credit. UCPNB also purchased the WineBev Services (WineBev) property located at 500 Technology Way, Napa, California with the proceeds of the Loan. A portion of the Loan, about \$2.5M was paid off in February 2014 with the ABAG tax-exempt loan. This payoff was allocated to a portion of purchase price of the WineBev Facility. The Loan is secured

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<sup>1</sup> Cerebral palsy is a disorder of movement, muscle tone or posture that is caused by an insult to the immature, developing brain, most often before birth. People with cerebral palsy may have difficulty with swallowing and commonly have eye muscle imbalance and may have reduced range of motion at various joints of their bodies due to muscle stiffness. The effect of cerebral palsy on functional abilities varies greatly as some people show normal to near normal intellectual function, but others may have intellectual disabilities. Epilepsy, blindness or deafness also may be present. People with cerebral palsy often have underlying developmental brain abnormalities. (Source: Mayo Clinic Website)

by the Borrower's investment accounts with Morgan Stanley. The Loan's annual interest rate as of June 30, 2015, was 1.15% and the outstanding balance was \$8,757,421.

The Cypress Primary School facility occupies a portion of this property and the rest is leased by Riverside Montessori School, a charter school serving 170 students from kindergarten to sixth grades.

The Project is comprised of the following properties:

**Cypress Primary School**

3880 Cypress Drive  
Petaluma, CA

**UCPNB Administrative Office and Cypress Secondary School**

3835 Cypress Drive  
Petaluma, CA

**WineBev Services**

500 Technology Way  
Napa, CA

**OADS**

1301A Rand Street  
Petaluma, CA

**Gone For Good**

2860 Cordelia Road  
Fairfield, CA

**Senior Program**

6800 Hunter Drive  
Rohnert Park, CA

## FINANCING STRUCTURE

### Financing Terms United Cerebral Palsy of the North Bay Date: December 15, 2015

<b>Par Amount:</b>	Not to exceed \$9,500,000 Tax-exempt and Taxable Obligations
<b>Type of Offering:</b>	Private Placement
<b>Lender:</b>	Bank of Marin
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	N/A
<b>Interest*:</b>	Series A Loan – 2.60% (For the 1 <sup>st</sup> 7 years, then adjusted as per Loan Agreement terms) Series B Loan – 3.00% (For the 1st 7 years, then adjusted as per Loan Agreement terms)
<b>Maturity:</b>	December 1, 2040
<b>Collateral:</b>	Personal property subject to the Pledge Agreement, at least equal to the aggregate principal amount of the Loan outstanding and UCC-1 Financing Statement
<b>Closing Date*:</b>	December 22, 2015
<b>Conduit Transaction:</b>	The Obligations are special, limited obligations 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 Interest Rate and Closing Date are subject to change.

### Financing Structure

The Series A Obligation's will have a 10 year term, payable in monthly installments based on a 20 year amortization schedule. The interest rate will be fixed at 2.60% for the first seven years. Beginning December 1, 2022, the rate will be adjusted to a rate calculated as 66% of the sum of the three year Treasury Constant Maturity at that time plus 2.83% for the remaining three years to the mandatory Initial Prepayment Date set as December 1, 2022.

The parties are in the process of negotiating the terms of the Series B 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 Obligations 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

### From Financial Point of View

Although the Project will not result in present value saving for the Borrower, it will provide long-term security since UCPNB will benefit by refinancing their current adjustable rate taxable line of credit with fixed rate tax-exempt and taxable obligations and by freeing up assets secured by the current outstanding debt. The Obligations will be issued in two Series, the smaller tranche of which will be taxable obligations.

### From Other Point of Views

UCPNB currently employs 176 staff. UCPBN educational programs currently have 63 students.

Services offered by UCPNB are tailored to improve the quality of life and promote full inclusion in community life by providing resources, referral, advocacy, and community integration services. Primary activities include:

- **Education**

**Cypress Primary School:** Cypress Primary School began operations on August 27, 2007, as a non-public, special education school in Sonoma County. The school provides personalized curriculum and learning for children ages 5-22 with autism, special educational and/or behavioral needs. It currently serves 55 students.

- **Transition Services**

**Cypress Transition Services:** Cypress Transition Services provides a bridge to supported and competitive employment. The service is designed to successfully facilitate transition from school to post-school activities based on the needs of the students.

- **Social Enterprises**

**WineBev Services:** WineBev Services is an employment program for adults with disabilities located in Napa County in a 15,000 sq. ft. warehouse. Services include fabricating packaging, repacking, hand labeling, mobile bottling line support, and other jobs that their contract partners require.

**Gone for Good:** Gone for Good provides employment opportunities for adults with disabilities, adults with barriers to employment, and adults who support

workers with disabilities. Its primary services are secure document destruction; e-waste deconstruction; document imaging, printing, and mailing. Gone for Good operates on-site and off-site locations.

**OADS:** Old Adobe Developmental Services (OADS) was established in 1971 as the Petaluma Training Center and changed its name to OADS in 1978. OADS provides employment, education, recreation services to people with disabilities in Sonoma County. OADS also offers transportation services, behavior support services, and volunteer opportunities.

- **Supported Employment**

This program offers a variety of supported employment services in Napa, Solano, and Sonoma Counties and trains disabled people to gain the skills to work independently or semi-independently.

- **Senior Services**

Offers mature adults with disabilities the opportunity to remain engaged in the community through social, cultural, and recreational activities both onsite and via regional day trips.

- **Petaluma Recycling Center**

The Petaluma Recycling Center was established in 1974 and serves as an employment and job training site for OADS employees with disabilities and as the primary recycling facility for Petaluma and the south Sonoma County area.

- **Recreation**

UCPNB offers a variety of camp and adapted physical educational activities for children and adults. Some of the UCPNB 2015 recreational programs include "Cycle Without Limits" Bike/Swim Camp at Sonoma State University; the Cypress Summer Program for school-aged children offering swimming, hiking, bowling, and other similar activities; Camp Kaos for school-age children with disabilities and includes games, arts, crafts, and nature activities such as boating; and Adventure Camps that include sea kayaking, white water rafting, and adapted cycling; and BOOST Conductive Education Program, a therapeutic four-week movement education program for children with physical disabilities. Supervised by a trained movement specialist, children learn how to increase their mobility in order to live a more independent life.

## OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES, Describe:</b> All approvals have been obtained.
TEFRA	
Date of TEFRA	November 30, 2015
Publications	The Daily Recorder, The Napa Valley Register, and The Press Democrat
Oral/Written Comments	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b>
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. (Applicant) is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by (Applicant) to IBank under the proposed financing agreements are adequate to pay the current expenses of the 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>
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution No. 15-19 authorizing the issuance of Conduit Tax-exempt and Taxable Obligations for an aggregate amount not to exceed \$9,500,000 for the benefit of United Cerebral Palsy of the North Bay, Inc.

**APPENDIX A: GOVERNANCE AND MANAGEMENT**

<b>BOARD OF DIRECTORS</b>	
Jack Stuart, Board President	Committee Member of the American Vineyard Foundation and Chairman of the Land Trust of Napa County Napa, CA
Elaine McHugh, Ph.D., Board Vice-President	Adaptive Physical Education Professor Sonoma State University Sonoma, CA
Janet Hart, Board Treasurer	Certified Financial Planner Hart Group Santa Rosa, CA
Mary Ann Malinak, Board Secretary	Business Consultant and HR/Training Project Manager M Squared Consulting San Francisco, CA
Jamie Hidalgo, Member	VP, Senior Compliance Administrator/Director of Branch Operations Summit State Bank Santa Rosa, CA
George Triest, Member	State Performance Plan Technical Assistance Project Director California Department of Education Sacramento, CA
Claire Martin, Member	Participant and Volunteer UCPNB, Retired

<b>OFFICERS</b>	
Margret Farmen	Chief Executive Officer
Ron Hamilton	Chief of Operations
Ludy Argouarch	Chief Financial Officer
Laura Briggin	Director (Cypress School)
Mike Lisenko	President of Business Operations (WineBev Services)
Dennis Blong	President of Business Operations (Gone for Good)
Elizabeth Clary	President of Business and Program Development



## APPENDIX B: PROJECT PHOTOS



A child undergoing therapy in the BOOST Conductive Education Program, a five-week intensive movement program that helps children with disabilities address gross and fine motor, self-help and communication skills.



Campers attending Camp Cazadero overnight camp. One of the many recreational services provided by United Cerebral Palsy of the North Bay.

Volunteers working with children in an art class.



Recreational Services



