

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Waverly School (“Waverly” or “Borrower”)	Par Amount Requested:	Not to exceed \$9,500,000
Applicant Description:	Waverly is a 501(c)(3) nonprofit public benefit educational institution serving students from elementary through twelfth grade with college-preparatory curriculum.		
Type of Financing:	Conduit Tax-Exempt Fixed Rate Obligations (“Obligations”)		
Project Description:	The project will provide funding to (1) finance and refinance the cost of acquisition, construction, rehabilitation, equipping and furnishing of the real property and improvements located at 67 West Bellevue Drive, 108 Waverly Drive, and adjacent property which constitutes the Borrower’s middle and high school campuses, Pasadena, California 91105 (collectively, the “Facilities”), and (2) pay certain costs of issuance of the Obligations.		
Project Site:	67 West Bellevue Drive, and 108 Waverly Drive, Pasadena, California 91105 (Los Angeles County)		
Plan of Finance:	The borrower intends to purchase real property located at 67 West Bellevue Drive, and refund its outstanding taxable debt (“Prior Debt”), issued by Clearinghouse CDFI, the proceeds of which were used for the acquisition, construction, rehabilitation, equipping and furnishing of the real properties located at 108 Waverly Drive, and adjacent property which constitutes the Borrower’s middle and high school campuses, Pasadena, CA 91105.		
Type of Issue:	Private Placement		
Tax Status:	Tax-Exempt		
Term:	30 years		
Credit Enhancement:	None		
Credit Rating:	Not Rated		
IBank Fees:	Application Fee \$2,500; Issuance Fee \$25,000; Initial Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Obligation Proceeds	\$9,500,000	Building Acquisition	\$7,800,000
Borrower’s Equity	\$775,000	Refunding	\$2,166,605
		Acquisition Closing Cost	\$108,395
		Cost of Issuance from Obligation Proceeds	\$190,000
		Cost of Issuance from Borrower’s Equity	\$10,000
TOTAL SOURCES	\$10,275,000	TOTAL USES	\$10,275,000
Financing Team:			
Bond Counsel:	Kutak Rock LLP		
Private Purchaser:	First Republic Bank		
Public Benefits:	The acquisition of the elementary school campus will bring long-term facility security and with fixed interest rate Obligations will relieve the Borrower from the regularly increasing rental expenses.		

	<p>The refunding of the outstanding Prior Debt is expected to result in present value savings of about 7.83% of the refunded par amount. Through the savings the borrower will continue its socially responsible mission for its students.</p> <p>Waverly currently employs 58 full-time and 38 part-time employees at its facilities. The total Waverly enrollment for the 2017-18 school year was 370 students.</p>	
<p>Date of Board Meeting: February 27, 2019</p>	<p>Resolution Number: 19-03</p>	<p>Prepared by: Steven Wright on 2/8/2019</p>
<p>Staff Recommendation: Staff recommends approval of Resolution No. 19-03 authorizing the issuance of Conduit Tax-Exempt Fixed Rate Obligations in an amount not to exceed \$9,500,000 for the benefit of The Waverly School.</p>		

BACKGROUND AND HISTORY

The Waverly School (“Waverly” or “Borrower”) is a California 501(c)(3) nonprofit public benefit educational institution serving students from elementary level through twelfth grade. Upon its inception in 1993 as a private school, Waverly began servicing students in elementary school and middle school. In 1997 Waverly extended its program to the high school level. In 2001, Waverly incorporated as a 501(c)(3) nonprofit public benefit corporation and legally changed its name to The Waverly School. Waverly’s mission is to promote confident, curious, resourceful learners who demonstrate intellectual engagement, critical and creative thinking, respect for individual differences and a strong sense of personal and social responsibility.

Accreditation & Curriculum

Waverly is accredited by the Western Association of Schools and Colleges and the California Association of Independent Schools. Waverly’s educational programs include: social, intellectual, physical, creative, and moral. Waverly’s teaching philosophy is to actively involving children in their own education, helping them to grow academically, reaching their full potential. Waverly offers college-preparatory curriculum for its high school students. This curriculum has been approved by the University of California.

Waverly in partnership with A Better Chance (“ABC”), the national organization with a mission to help educate young people with diverse ethnicities and cultural backgrounds for leadership positions in American society, provides access to prominent education opportunities for academically talented students in grades 6-12. About 10% of Waverly’s high school students are placements through ABC. Waverly, in addition to tuition assistance, covers the costs of athletics, extra-curricular activities and trips for ABC students.

Enrollment

Waverly’s current enrollment is around 373 students. The student to teacher ratio is 12:1 for elementary classes; 15:1 for middle school classes; and 10:1 at the high school level.

Location

Waverly is located in the San Gabriel Valley, which attracts students from Pasadena, Altadena, Eastern San Fernando Valley, and Northeast Los Angeles communities. Waverly’s three campuses and the Farm are conveniently located within walking distance from each other. The Waverly Farm is mainly an outdoor classroom, allowing students to observe wild life and have hands on experience on physical education, math, language art, nutrition and health, creative arts and conduct science experiments.

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

Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt Obligations to (1) finance and refinance the cost of the acquisition, construction, rehabilitation, equipping and furnishing of the Elementary School Campus, Business and Administration Offices located at 67 West Bellevue Drive; and 108 Waverly Drive and adjacent property which constitutes the Borrower's middle and high school campuses, Pasadena, California 91105 (collectively, the "Facilities"), and (2) pay certain costs of issuance in connection with the issuance of the Obligations.

The 67 West Bellevue Drive facility is currently being leased by Waverly. Waverly will purchase this facility with a portion of the Obligations proceeds.

Waverly will also use a portion of the Obligations proceeds to refinance Prior Debt related to its high school campus, middle school campus.

The Waverly educational facilities are approximately 32,150 square feet, consisting of elementary, middle and high school campuses and business and administration offices. There is approximately 43,500 square feet of an educational farm including traditional and outdoor classrooms, art studio, athletic facilities, multipurpose rooms, and administrative offices. All educational and farm facilities sit on approximately 80,000 square feet of property.

The Facilities are or will be owned and operated by the Borrower.

Refunding of Non-IBank Prior Debt:

Prior Debt	Issuer	Dated Date	Issued Par Amount	Interest Rate	Outstanding Balance	Maturity Date	Purpose of Financing
2006 Loan	Clearinghouse CDFI	12/4/2006	\$2,750,000	5.19%	\$2,166,605	1/1/2022	Funds for the acquisition, construction, renovation, equipping and furnishing of the Borrower's high school facility.

The Project is comprised of the following properties:

Waverly Elementary School/Business Office

67 West Bellevue Drive
Pasadena, California 91105

Waverly High School & Middle School

108 Waverly Drive
Pasadena, California 91105

(see Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet The Waverly School February 27, 2019

Par Amount:	Not to exceed \$9,500,000 in conduit Tax-Exempt Fixed Rate Obligations
Type of Offering:	Private Placement
Private Purchaser:	First Republic Bank
Credit Enhancement:	No Credit Enhancement
Expected Credit Rating:	No Credit Rating Expected
Interest*:	Tax-Exempt, fixed for a period of 15 years at 3.60% per annum, thereafter converting to a variable rate.
Maturity:	Not to exceed 30 years from Closing Date.
Collateral:	First Deed of Trust on the Facilities owned by the Borrower located in Pasadena, CA, and a Security Agreement, and UCC-1 filing on general business assets.
Closing Date*:	March 11, 2019
Conduit Transaction:	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 Obligations will be directly purchased by First Republic Bank and loaned to the Borrower pursuant to a Loan Agreement. Transfer of the Obligations will be limited to Qualified Institutional Buyers and the Obligations may only be transferred in whole.

The Obligations will bear interest at fixed rate of 3.60% per annum from closing date to February 28, 2034. Then, from March 1, 2034 through maturity date on March 1, 2049, the Obligations will bear interest at either the variable rate or the Treasury Rate as selected by the Borrower. The selected interest rate on or after March 1, 2034 shall not be less than 3.35% per annum. The Treasury Rate on this transaction refers to a fixed rate equal to U.S. 10-Year Treasury Note Rate plus 210 basis points (2.10%).

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

Waverly offers a Tuition Assistance program ("TAP") which ensures the socioeconomic diversity of the school and plays a vital role in the overall community. The Borrower commits approximately 25% of Waverly's gross tuition revenue to the TAP every year. For the 2018-19 school year, 39% of Waverly's students have received TAP assistant.

The Borrower currently leases the elementary school campus located at 67 West Bellevue Drive, and will acquire this campus with a portion of the Obligations proceeds. The acquisition of this campus will bring long-term facility security and with fixed interest rate Obligations will relieve the Borrower from the regularly increasing rental expenses.

The refunding of the outstanding Prior Debt is expected to result in approximately \$168,977.43 present value savings, or 7.83% of the refunded par amount. The Borrower will be able to use the released resources to continue its mission to promote confident, curious, resourceful learners who demonstrate intellectual engagement, critical and creative thinking, respect for individual differences and a strong sense of personal and social responsibility.

Waverly currently employs 58 full-time and 38 part-time employees at its facilities. The total Waverly enrollment for the 2017-18 school year was 370 students.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	02/12/2019
Publications:	<i>The Pasadena Star News and The Daily Recorder</i>
Date of TEFRA Hearing:	02/27/2019
Oral/Written Comments:	<input type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower 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. See Appendix C for Financial Statements. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution No. 19-03 authorizing the issuance of Conduit Tax-Exempt Fixed Rate Obligations in an amount not to exceed \$9,500,000, for the benefit of The Waverly School.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Rick Sternfeld, Attorney Los Angeles County Los Angeles, CA	Board Chair
Pat Leawprasert, Sr. Systems Analyst City of Los Angeles Los Angeles, CA	Secretary
Joanne Toll, Television/Film Producer	Treasurer
Max Darnell, Managing Partner & Chief Investment Officer First Quadrant Pasadena, CA	Member
Michael Dean	Member
Ellen Greenstone, Attorney Retired	Member
Heidi Johnson, Head of School The Waverly School Pasadena, California	Member
Gideon Kracov, Attorney The Law Office of Gideon Kracov Los Angeles, CA	Member
Debbie Lennon, Educator Loyola Marymount University Los Angeles, CA	Member
Susan Lofgren, Marriage Family Therapist Los Angeles, CA	Member
Wendy Lopata, Marriage Family Therapist Wendy Lopata & Associates Pasadena, CA	Member
Lillian Manzella, Attorney	Member
Noah Mayer, Portfolio Manager Hotchkis & Wiley Los Angeles, CA	Member
Ashley Postlewaite, Owner Renegade Productions Glendale, CA	Member
Bianca Pulitzer, Ceramic Artist The Studio of Bianca Pulitzer Pasadena, CA	Member
Emily Stadnicki, Principal City Planner City of La Canada Flintridge La Canada, CA	Member
Nadine Tanio, : Doctoral Candidate University of California, Los Angeles Los Angeles, CA	Member

Mark Woodsmall, Attorney and Founder Woodsmall Law Group Pasadena, CA	Member
Serita Young, Attorney Richard Watson Gershon Los Angeles, CA	Member

OFFICERS

Heidi Johnson	Head of School
Tracey Fiss	Business and Facilities Manager

APPENDIX B: PROJECT PHOTOS



APPENDIX C: FINANCIAL STATEMENTS 2015 – 2017