



# COUNTY OF SONOMA

575 ADMINISTRATION  
DRIVE, ROOM 102A  
SANTA ROSA, CA 95403

## SUMMARY REPORT

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**Agenda Date:** 8/30/2022

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**To:** Sonoma County Board of Supervisors  
**Department or Agency Name(s):** Economic Development  
**Staff Name and Phone Number:** Lauren Cartwright 707-565-7298  
**Vote Requirement:** Majority  
**Supervisorial District(s):** Third

**Title:**

8:45 A.M. - Adoption of Resolution for Sonoma Academy Tax-Exempt Bond Financing

**Recommended Action:**

Conduct a public hearing and adopt a resolution to approve a tax-exempt bond financing in an amount not to exceed \$20,000,000 to be issued by the California Statewide Communities Development Authority to the benefit of Sonoma Academy, a nonprofit, private Sonoma County co-educational college preparatory school for grades nine through twelve. (Third District)

**Executive Summary:**

This public hearing is being conducted to approve a resolution to authorize the California Statewide Communities Development Authority (the "Authority" or "CSCDA") to approve a tax-exempt bond financing in an amount not to exceed \$20,000,000 to be issued to the benefit of [Sonoma Academy](https://www.sonomaacademy.org/) <<https://www.sonomaacademy.org/>> (the "Borrower"), a nonprofit private school in Sonoma County.

The Authority will loan the proceeds of the Obligations to the Borrower for the purpose of (a) (i) refinancing outstanding indebtedness incurred by the Borrower, the proceeds of which were used to finance and refinance the cost of issuance and construction of the new Sonoma Academy Community Performing Arts Center building located at 2500 Farmers Lane, Santa Rosa, CA 95404, and (ii) pay various transaction costs and related costs.

The purpose of the public hearing is to satisfy Federal Internal Revenue Service requirement of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), that as a condition to issuing bonds, the approval of the elected governmental offices of the jurisdiction where the facilities are located be obtained following a public hearing. The hearing provides the public an opportunity to comment on the use of tax-exempt bond proceeds by the specific borrowing institution to finance their capital needs.

**Discussion:**

The California Statewide Communities Development Authority ([CSCDA](https://cscda.org/about/) <<https://cscda.org/about/>>) was created in 1988, under California's Joint Exercise of Powers Act, to provide California's local governments with an effective tool for the timely financing of community-based public benefit projects.

Currently, more than 530 cities, counties and special districts have become Program Participants to CSCDA - which serves as their conduit issues and provides access to an efficient mechanism to finance locally-approved projects. CSCDA has issued more than \$70 billion in tax-exempt bonds to help local governments build community infrastructure, provide affordable housing, create job, make access available to quality healthcare and education, and more. CSCDA provides an important resource to local government members.

Sonoma Academy, founded in 1999, is a co-educational college preparatory school for grades nine through twelve. The school is situated on 34 acres, located in Santa Rosa, Sonoma County, California.

Sonoma Academy was founded by 12 community and business leaders who envisioned a premier, independent college preparatory high school. In one year, the founding trustees secured land for the permanent campus, launched a Founding Campaign, and hired a visionary head of school, Janet Durgin. Ms. Durgin developed the curriculum, hired staff and faculty from across the country, and recruited students from three counties. Sonoma Academy opened in September 2001 with an outstanding academic program enhanced by performing arts, athletics, international travel, community service, and a one-to-one laptop program. The school initially served 46 students in grades 9 and 10. In 2004, the school held its first graduation with 27 graduates. Ground was broken in 2005 to build a campus at a 34-acre site gifted to Sonoma Academy. On September 9, 2008, precisely seven years to the day after its very first opening celebration, Sonoma Academy opened the school year at its permanent campus.

Sonoma Academy attracts students and families seeking a rigorous college preparatory education with a 21st Century perspective. Along with high-level subject material, students learn critical skills such as collaboration, critical thinking, problem solving, and the use of digital technology and media.

Sonoma Academy currently serves 329 students, 30% of whom self-identify as students of color. Students come from 80+ middle schools, ensuring a broad mixture of students from all over the greater North Bay Area. Students arrive here from over 30 cities and towns across the Sonoma, Marin, Napa, and Lake Counties.

The 2022-23 tuition and fees (including the dining program) is \$51,560 annually, per student. The school's commitment to socioeconomic diversity ensures that almost 50% of the student body receives nearly \$3.9 million in financial aid each year.

As the final part of the Campus Master Plan, the School began construction on the Community Performing Arts Center in May 2022, which will be a new 14,750 sq ft, 210-460 flexible seating center with 2 performance spaces and 3 teaching spaces (stage, greenroom, and actor's studio). Construction is anticipated to take 15 months which will have it ready for the start of the Fall 2023 semester. The projected cost for the project when originally planned in 2020 was \$34 million, although due to delays from COVID and obtaining permits, coupled with price increases in today's inflationary environment, the revised cost is approximately \$46 million.

Sonoma Academy ran a capital campaign beginning in fiscal year 2018-2019 to raise funds for this Performing Arts Center, for which \$28 million has been received in cash to date. There are an additional \$2 million in signed commitments they expect to receive during the construction period, and the school anticipates there may be opportunity for an additional \$4.7 million fundraising by the time the project is complete. Of the total \$46 million cost, roughly \$4 million in campaign cash has been spent to date for soft costs, leaving about \$42

million in costs left to spend and remaining campaign cash of \$24 million.

Assuming the budgeted \$4.7 million in anticipated additional fundraising comes in over the course of construction, the funding gap to complete is about \$10.4 million which the loan proceeds will support. The requested loan amount of \$20 million will cover this funding gap, plus refinance of the existing loan (\$5.4 million balance), as well as provide some cushion in the event a portion of the \$4.7 million potential additional fundraising does not come to fruition.

Sonoma Academy draws inspiration from the school's mission statement to "engage with the surrounding community" to create a learning environment comprising students from a diversity of backgrounds. The institution's commitment to socioeconomic diversity ensures that almost 50% of the student body receives nearly \$3.9 million in financial aid each year.

Sonoma Academy Mission: Sonoma Academy calls its students to be creative, ethical, and committed to learning. The school nurtures inspiring teachers and engages with the surrounding community, and its students communicate across cultures as they prepare to become leaders in a dynamic world.

The purpose of the public hearing is to satisfy Federal Internal Revenue Service requirement of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), that as a condition to issuing bonds, the approval of the elected governmental offices of the jurisdiction where the facilities are located be obtained following a public hearing. The hearing allows the public an opportunity to review and make comments regarding the proposed tax-exempt financing for the Project.

The TEFRA Notice must be published seven calendar days prior to the public hearing. The Notice provides the public with the time, location, and call-in number for the hearing. The Notice must be published in a public location. As required by federal law, the notice of public hearing was published on August 23, 2022.

The Board has conducted similar hearings for entities in Sonoma County, with the most recent being for Progress Foundation in July of 2022. The Board's approval of the financing does not in any way pledge the credit or revenues of the County to the financing. The bonds will be purchased by First Republic Bank, who have assessed the credit worthiness of Sonoma Academy and the project. The financing is a direct obligation of Sonoma Academy. If there is a delinquency or default the recourse is to Sonoma Academy, not the County of Sonoma. County Counsel and Kutak Rock LLP, special tax counsel with respect to the financing, reviewed the resolution and agree that it does not pledge County credit or revenues.

Given increased interest in the department staff providing services in facilitating these TEFRA hearings, and under direction from the County Administrator, staff will be exploring the creation of policy that helps the County recover associated expenses, and streamlines processes for the applicant, while maintaining public transparency.

**Strategic Plan:**

N/A

**Prior Board Actions:**

See Recent TEFRA Hearings Attachment

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**FISCAL SUMMARY**

**Narrative Explanation of Fiscal Impacts:**

None.

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

Resolution of the Board of Supervisors  
Recent TEFRA Hearings - Previous 5 Years

**Related Items "On File" with the Clerk of the Board:**

None.