Saint Ignatius College Preparatory: Sale of Revenue Bonds to Fund Campus Expansion

Background. On July 17, 2024, St. Ignatius College Preparatory issued a $126.94 million bond[1] to fund its 165,000 square foot New Learning Commons. While the sale of the bonds was an overwhelming success—investor orders exceeded the offering by 10 times—this outcome was far from guaranteed. The school faced several significant hurdles, including:

- The school had not been an active borrower for many years and had never been rated by national rating agencies.
- The size of the financing, relative to the school's enrollment, was much larger than that of other private schools recently entering the market.
- The bond's size created a lower debt coverage ratio than investors typically prefer.
- Finally, although well-known in national education circles, there were concerns about how a private school in San Francisco might be perceived by investors, given the city's recent negative national press related to its post-COVID struggles.

These challenges required S.I.'s Finance Committee to make many difficult decisions including:

Deciding to Enter the Public Markets. S.I. had, over the years, obtained financing for various improvement projects. However, these financings were "privately placed" with regional financial institutions. While these types of financings can reduce upfront costs, it often comes with higher interest rates and restrictions on the borrowing term. By entering the public markets, S.I. faced increased complexity and higher upfront costs, but access to longer-term debt with lower annual payments enabled the school to secure the amount of funding required for the project.

Aggressively Pursuing the Highest Rating Possible. Entering the public market requires an investment-grade rating, but smaller private institutions like S.I. are often ranked at the lowest investment-grade level. Given the significant impact of ratings on borrowing costs, the decision was made to aggressively pursue a higher rating. A key part of this plan was scheduling an on-site meeting and school tour with S&P analysts to showcase the school's vibrancy and mission. These efforts paid off, earning an "A" rating and an S&P report highlighting the school's *"…strong enterprise risk profile, steady demand, and tenured management team."*

Using S.I.'s Network to Kick Off the Sales Effort. Like many private high schools, S.I. has a passionate alumni and supporter network. To leverage this network, retail orders from those connected to the school were prioritized over all others.

Obtaining National Recognition. A week before the sale, S.I.'s finance officer connected with a Bloomberg reporter. This interview offered an opportunity to address concerns about how San Francisco's current challenges might impact the financing. The resulting five-page article not only alerted investors and the S.I. network to the upcoming financing but also showcased the school's proposed project, high test scores, and 170-year history, portraying it as a strong, independent, and highly functional institution.

Conclusion. Receiving orders for ten times the bonds issued would be extraordinary for any tax-exempt issuer. But for a mid-sized private high school, absent from the market for 20 years, unrated, and in a city facing a fiscal crisis, it is a notable and remarkable achievement.

---

[1] The bonds were sold at a premium, generating $140 million in project funding.