

# Bond Case Briefs

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## New Jersey Private School With \$67,850-a-Year Tuition to Tap Tax-Free Bond Market.

- **The Lawrenceville School to sell debt for campus complex**
- **Bond deal features big-name trustees, large endowment**

An elite New Jersey boarding school is hitting the \$4 trillion municipal-bond market with a bond deal that comes with a bit of prestige.

The Lawrenceville School is selling \$56 million of tax-free and taxable debt next week to help finance a complex that will include a pool, hockey rink, dining facility and fitness center. Located just down the road from Princeton University in Lawrenceville, New Jersey, the school founded in 1810 boasts a \$632.9 million endowment and a who's who of trustees led by Jonathan Weiss, chief executive officer of corporate and investment banking at Wells Fargo & Co.

Lawrenceville, considered one of the best boarding schools in the U.S., is joining borrowers like a botanical garden in Pennsylvania and the territory of American Samoa by seizing on low interest rates and insatiable investor demand for muni bonds. The borrowing will help finance the \$179 million complex dubbed the Tsai Field House, which was backed by donors like billionaire Joseph Tsai, executive vice chairman of Alibaba Group Holding Ltd., who is an alumnus of the school and trustee.

The complex on the 700-acre campus is "going to transform our school for decades and generations of students," said Ben Hammond, the school's chief financial officer. Other notable alumni include former Walt Disney Co. head Michael Eisner, late Salomon Brothers CEO John Gutfreund and musician Huey Lewis.

Elite boarding schools occasionally raise money in the muni market, which helps them finance projects on their picturesque campuses. They're often armed with strong credit ratings thanks to strong demand from students, big endowments and alumni support. Lawrenceville, with just over 830 students during the 2020-21 school year, benefits from an "excellent brand" and exceptional donor support, according to a report by Moody's Investors Service, which rated the bonds Aa2.

Roberto Roffo, a managing director and portfolio manager at SWBC Investment Company, said the school will do well in the muni market thanks to its strong credit and status as a "mini Harvard."

"If I were looking for high-grade, this would be a beautiful bond to buy," said Roffo, who said he's looking to lower-rated credits instead.

The school is known for being an early adopter of the Harkness method in its classrooms, which emphasizes discussion among students. Bond documents note many of its students go on to attend top-tier colleges like Princeton, New York University and Georgetown University.

The majority of students board on campus at the school, which charged boarding tuition of \$67,850 for the 2020-21 school year. In fall 2020, people of color comprised about 52% of the student body

and about 30% of students received need-based financial aid.

Having such high-profile supporters helped the school during the pandemic. Bond documents note the school did not receive a loan through the Paycheck Protection Program, saying a benefactor “instead” offered a line of credit to avoid cutting staff.

While the school doesn’t name the donor, a financial statement included with bond documents says the Joe and Clara Tsai Foundation provided an \$8 million line of credit to the school in November. A spokesperson for the school declined to comment.

Lawrenceville also launched a capital campaign in May with the goal of raising \$425 million, and it’s already raised \$367 million in cash and commitments as of June 30, bond documents note. As of June 2020, the school’s endowment per student was approximately \$598,000, bond documents say.

The school is expecting to return to normal operations in the upcoming school year, and students and employees are required to be vaccinated against Covid-19. As of June 15, student applications are up 16% from the prior year.

The first phase of construction on the bond-financed field house is expected to be completed next year, according to the school. The next phase will renovate the existing one. Hammond said it helps to enter the bond market at a time when interest rates are low.

“We’re watching the markets like everyone else, feeling very fortunate about our timing, which feels lucky to us,” he said.

## **Bloomberg Markets**

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