

Bond Case Briefs

Municipal Finance Law Since 1971

Boarding School Attended by Tucker Carlson Joins in Muni Market Sales Boom.

- **St. George's School selling tax-exempt debt to refinance bonds**
- **Exclusive schools are among issuers seizing on low rates**

Elite boarding schools are getting in on the boom of debt sales in the \$4 trillion municipal-bond market.

Rhode Island's St. George's School, with a campus that overlooks the Atlantic Ocean and \$66,950 annual price tag for boarding students, is planning to sell about \$43.4 million of tax-exempt bonds to refinance higher interest-rate debt and fund new projects at the alma mater of Howard Dean, Billy Bush and Tucker Carlson. The offering with preliminary maturities ranging from 2026 to 2051 comes shortly after New Jersey's Lawrenceville School sold bonds in July for a field house complex complete with a hockey rink and pool.

The boarding schools are among a plethora of borrowers that are seizing on ultra-low yields in the muni market, with the one-year AAA benchmark hovering at 0.04%, the lowest since at least 2015, according to Bloomberg BVAL. Long-term debt issuance has climbed nearly 9% year-over-year, according to data compiled by Bloomberg. Debt sales by private and religious schools are up 73% year-over-year, the data show.

Other K-12 schools are also tapping the market with sales to seize on low interest rates for capital projects or refinancing. Charter school bond issuance has also surged, with about \$2.7 billion of debt sold, the data show.

St. George's and other elite boarding schools typically have high credit ratings, which helps them easily raise money in the muni market. St. George's School is selling bonds rated AA- by S&P Global Ratings, a credit ranking that's in line with schools like George School in Pennsylvania and the Taft School in Connecticut.

St. George's, founded in 1896, "ranks with the best private schools in the country," bond documents say. Enrollment totaled about 380 students in the 2020-21 academic year, and has met or exceeded its budgeted target for the last decade. The school's endowment had a market value of \$209.3 million as of June 30.

St. George's is known for its weeks-long sailing program on a 70-foot vessel, Geronimo, where students learn seamanship skills while taking a marine science course. That program helps in the school's marketing to would-be students, bond documents note.

And the Lawrenceville School gave St. George's some idea of what to expect in the bond market given the school had a similarly-high credit rating that was rated two steps below AAA by Moody's Investors Service. It sold tax-exempt bonds that priced to yield 1.83% in 2051, about 48 basis points above AAA rated borrowers, according to data compiled by Bloomberg. The sale received about \$325 million in orders from 17 different institutions, helping lower yields on the sale, according to Ben

Hammond, the school's chief financial officer.

St. George's bond sale will be used in part to refinance debt sold in 2014, some of which has an effective interest rate of 3.11%, bond documents say.

Independent schools, which includes day schools, rated by S&P Global Ratings were able to reopen either fully in person or with hybrid learning in fall 2020, which helped them keep enrollments fairly stable and weather the pandemic, said Bobbi Gajwani, a director at S&P.

St. George's received a record amount of applications for the upcoming school year and it expects the year to be its most selective in at least 20 years, with a selectivity rate of 21%. The school recorded a surplus in fiscal 2020 and another one expected in 2021.

Gajwani said St. George's financial performance during the pandemic contrasts with initial expectations.

"We did expect most schools to see declines in operating margins given expected revenue impacts, particularly from boarding and international enrollment, and increased Covid-related expenses, but St. George's is expecting surpluses — particularly impressive given its high percentage of boarding and some international enrollment," she said.

Bloomberg Markets

By Amanda Albright

August 2, 2021, 10:30 AM PDT Updated on August 2, 2021, 10:56 AM PDT

— With assistance by Matthew Begley