

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The J. Paul Getty Trust (“Getty Trust” or “Borrower”)	Par Amount Requested:	Not to exceed \$250,000,000
Applicant Description:	A California charitable trust and private operating foundation dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities.		
Type of Financing:	Conduit Tax Exempt and/or Taxable Refunding Revenue Bonds (“Bonds”)		
Project Description:	This project is a refunding of the IBank’s Variable Rate Refunding Revenue Bonds, Series 2011A-2, Series 2011A-3 and Series 2011A-4 (collectively, the “Prior Bonds”), which were originally issued to refinance the IBank’s Series 2003 Bonds. The Series 2003 Bonds were originally issued to finance the renovation, construction, furnishing and equipping of a museum and related facilities owned and operated by the Getty Trust and located in Los Angeles.		
Project Site:	1200 Getty Center Drive, Los Angeles, California (Los Angeles County) 17985 Pacific Coast Highway, Los Angeles, California (Los Angeles County)		
Plan of Finance:	IBank will lend the proceeds of the Bonds to the Borrower to refund all or a portion of the Prior Bonds, terminate a component of the swap associated with the Prior Bonds and pay for the costs of issuance of the Bonds.		
Type of Issue:	Public Offering		
Tax Status:	Tax Exempt and/or Taxable		
Term:	April 1, 2038 final maturity		
Credit Enhancement:	No Credit Enhancement		
Credit Rating:	Expected Ratings: “AAA” by Standard & Poor’s and “Aaa” by Moody’s		
IBank Fees:	Application Fee \$4,000; Issuance Fee \$125,000; Initial Annual Fee \$3,500 per year		
STO Fees:	Agent For Sale \$10,000 to be paid to STO		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt and/or Taxable Bond Proceeds	\$250,000,000	Refunding Prior Bonds	\$207,600,000
The Getty Trust Equity Contribution	\$157,605	Swap Termination Payments	\$41,946,000
		Cost of Issuance	\$454,000
		Prior Bonds Accrued Interest	\$157,605
TOTAL SOURCES	\$250,157,605	TOTAL USES	\$250,157,605
Financing Team:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP Borrower’s Counsel: Nixon Peabody LLP Underwriter: Jefferies LLC and UBS Financial Services Inc. Consultant: Swap Financial Group LLC Trustee: U.S. Bank, N.A. Underwriter’s Counsel: O’Melveny & Meyers LLP		
Public Benefits:	The Getty Trust expects to reduce its exposure to future interest rate risk and potentially provide positive expected present value savings. The refunding transaction creates a more conservative debt portfolio by reducing the Getty’s swap exposure, exposure to LIBOR, and exposure to remarketing risks. A more conservative portfolio allows the Getty to focus time and resources on its core philanthropic efforts.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
February 26, 2020	20-01	John Belmont on 1/15/2020	

Staff Recommendation: Staff recommends approval of Resolution No. 20-01 authorizing the issuance of Conduit Tax Exempt and/or Taxable Refunding Revenue Bonds in an aggregate amount not to exceed \$250,000,000 for the benefit of The J. Paul Getty Trust.

BACKGROUND AND HISTORY

The J. Paul Getty Trust (“Getty Trust”), founded in 1953, is a 501(c)(3) non-profit charitable trust and private operating foundation dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities. The Getty Trust’s mission is to “further knowledge and nurture critical seeing through the growth and presentation of its collections and by advancing the understanding and preservation of the world’s artistic heritage”. The Getty Trust is based at the Getty Center in the Brentwood area of Los Angeles. The Getty Center consolidates the Getty Trust’s activities on one campus, including its programs and administrative offices. A second campus, the Getty Villa, is located in Pacific Palisades and serves as a center for the study of classical art and culture. The Getty Trust operates as an international cultural and philanthropic institution that focuses on the visual arts via four programs as described below:

- **The J. Paul Getty Museum** collects, preserves, exhibits and interprets works of art at both the Getty Center and Getty Villa sites.
- **The Getty Research Institute** is dedicated to furthering knowledge and advancing understanding of the visual arts. Its research library contains special collections of rare materials and digital resources that serve an international community of scholars and the interested public.
- **The Getty Conservation Institute** works internationally to advance conservation practice in the visual arts, which include, but are not limited to, objects, collections, architecture, and sites.
- **The Getty Foundation**, fulfills the philanthropic mission of the Getty Trust by supporting individuals and institutions committed to advancing the understanding and preservation of the visual arts locally and throughout the world.

The California Franchise Tax Board reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

This project is a refinancing of prior IBank bonds. The IBank’s Refunding Revenue Bonds Series 2020A-1 and Series 2020A-2 Bonds, in an aggregate amount not to exceed \$250,000,000, will (1) refund all or a portion of the outstanding IBank’s Variable Rate Refunding Revenue Bonds, Series 2011A-2, Series 2011A-3 and Series 2011A-4 (collectively, the “Prior Bonds”, the proceeds of which were used (along with Series 2011A-1, which will not be refunded with this transaction) to refund the IBank’s outstanding Variable Rate Revenue Bonds (The J. Paul Getty Trust), Series 2003A, Series 2003B, Series 2003C and Series 2003D (together, “2003 Bonds”) and pay costs of issuance), (2) pay termination payments on interest rate swap agreements related to the Prior Bonds being terminated in part, and (3) pay certain costs of issuance.

The proceeds of the 2003 Bonds were used to finance the renovation, construction, furnishing, and equipping of a museum and related facilities owned and operated by the Getty Trust and located in Los Angeles, California, and pay certain costs of issuance.

The Getty Trust's outstanding Series 2011 A-2, A-3, and A-4 Bonds are variable rate obligations in the LIBOR Index Tender Mode. The Prior Bonds were remarketed on March 23, 2017. The Prior Bonds are subject to initial mandatory tender date on 4/1/2020.

Refunding of Prior Bonds

Bonds	Dated Date	Issue Par Amount	Outstanding Balance as of December 31, 2019	Initial Libor Index Tender Date	Secondary Libor Index Tender Date	Maturity Date
Series 2011 A-2	12/1/2011	\$69,200,000	\$69,200,000	4/1/2020	4/1/2021	4/1/2038
Series 2011 A-3	12/1/2011	\$69,200,000	\$69,200,000	4/1/2020	4/1/2021	4/1/2038
Series 2011 A-4	12/1/2011	\$69,200,000	\$69,200,000	4/1/2020	4/1/2021	4/1/2038
Total		\$207,600,000	\$207,600,000			

As of December 31, 2019, the total outstanding IBank issued bonds of the Getty Trust was \$575,045,000, which includes the Prior Bonds and the bonds listed in the following table.

The Getty Trust's Other Currently Outstanding IBank Issued Tax-Exempt Bonds

Bonds	Dated Date	Issue Par Amount	Current Outstanding Balance as of Dec 31, 2019	Final Maturity	Purpose
Series 2011A-1	12/1/2011	\$69,200,000	\$69,200,000	4/1/2038	Refund 2003 Bonds
Series 2012A-1	2/22/2012	\$56,050,000	\$26,350,000	10/1/2023	Refund 2004 Bonds
Series 2012B-1,B-2	4/2/2012	\$108,940,000	\$108,940,000	10/1/2047	Refund 2007A-3/A-4 Bonds
Series 2013A-1,A-2	4/1/2013	\$162,955,000	\$162,955,000	10/1/2047	Refund 2007A-1/A-2 Bonds
Total		\$397,145,000	\$367,445,000		

Termination of Interest Rate Swap Agreements

This project will also finance termination payments for certain interest rate swap arrangements on the Prior Bonds. A portion of the Prior Bonds are currently hedged by existing fixed-payer interest rate swaps. The Getty Trust entered into separate interest rate swap agreements in connection with the Refunded 2003 Bonds, the Refunded 2004 Bonds and the Refunded 2007 Bonds. The interest rate swap agreements related to the Refunded 2004 Bonds were terminated with the issuance of 2012A Bonds. The interest rate swap agreements pertinent to the Refunded 2003 Bonds and the Refunded 2007 Bonds remain outstanding. The interest rate swap agreements in connection with the Refunded 2003 Bonds ("Swaps") will be partially terminated, and related termination costs paid for, with the issuance of the Bonds.

Bonds	Notional Amount	Swap Counterparty	Getty Trust Paying Rate	Getty Trust Receiving Rate	Expiration date	Value at 12/31/2019 (Unaudited)
Refunded 2007	\$135,237,500	JP Morgan Chase Bank	3.424%	62.5% of 3-Month LIBOR	10/1/2047	(\$59,655,748)
Refunded 2007	\$135,237,500	The Bank of New York Mellon	3.429%	62.5% of 3-Month LIBOR	10/1/2047	(\$58,622,675)
Refunded 2003 Bonds ¹	\$120,217,500	The Bank of New York Mellon	3.740%	70% of 3-Month LIBOR	4/1/2033	(\$24,082,015)
Refunded 2003 Bonds ¹	\$120,217,500	JP Morgan Chase Bank	3.744%	70% of 3-Month LIBOR	4/1/2033	(\$24,278,214)
Total	\$510,910,000					(\$166,638,652)

(1) *These Swaps are expected to be partially terminated upon issuance of the Bonds.*

Benefits of Refunding of the Prior Bonds

By refunding a portion of the existing variable-rate bonds with fixed-rate bonds and terminating a like amount of the swaps, the Getty Trust expects to reduce its potential exposure to (i) future interest rate risk, and (ii) market access at future mandatory tender dates. The Getty Trust estimates slight positive present value saving based on current variable rates on the Prior Bonds.

The Project (or Facilities financed with the proceeds of the previous bonds) is comprised of the following properties:

- 1200 Getty Center Drive, Los Angeles, California
- 17985 Pacific Coast Highway, Los Angeles, California

All of the original projects at the above properties have been completed.

(See Appendix B--Project Photos).

FINANCING STRUCTURE

**IBank Term Sheet
The J. Paul Getty Trust
Board Meeting Date: February 26, 2020**

Par Amount:	Not to exceed \$250,000,000 in one or more Tax Exempt and/or Taxable series.
Type of Offering:	Public Offering
Lender/Underwriter:	Jefferies LLC and UBS Financial Services Inc.
Expected Credit Rating:	S&P: AAA Moody's: Aaa
Interest Rate*:	A series of the Bonds is expected to be in a fixed rate mode, initially bearing interest at not to exceed 5.50%. Another series of the Bonds is expected to be in a longer term variable rate mode. The maximum interest rate per annum permitted under the Bond Indenture is not to exceed 12%. Both series are eligible to be converted to another interest rate mode, as described in the Bond Indenture.
Maturity:	April 1, 2038 final maturity
Collateral:	Corporate personal property
Closing Date*:	March 18, 2020
Conduit Transaction:	The Bonds 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 Bonds.

*Please note that Interest Rate and Closing Date are subject to change.

Financing Structure

The Bonds will be secured by an Indenture and sold through a public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds will initially be delivered in denominations of \$5,000 and any integral multiple thereof.

The proceeds of the Bonds will be used to pay the principal portion of the redemption price of the Prior Bonds. The Getty Trust will pay the interest portion of the redemption price.

It is expected that the Bonds will be sold as two separate Series 2020A-1 and Series 2020A-2. The Series 2020A-1 Bonds will be issued in a fixed mode and may not be converted to a different mode per the Indenture. The Series 2020A-2 Bonds will be issued in either an Index-Based Mode or a Long-Term Mode (as defined in the Bond Indenture). The initial mode for the Series 2020A-2 Bonds will be selected by the Getty Trust on or before the date of sale of the Series 2020A-2 Bonds.

A portion of the Bonds proceeds will be used to partially terminate outstanding Swaps that were in connection with the Refunded 2003 Bonds.

Based on Section 147(f)(2)(D) of the Code, since the average maturity date of the Bonds will be no later than the average maturity date of the Prior Bonds, no TEFRA is required for the Bonds.

Limited Obligations of IBank

The Bonds 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 Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds 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

The Getty Center, including The J. Paul Getty Museum, and Getty Villa offers free admission and attracts approximately 2 million visitors annually, including 150,000 school children. The Getty Trust and its various programs have approximately 1,300 full-time equivalent employees and approximately 850 volunteers and docents.

The Getty Trust exhibits its art collection to inspire and educate, supporting specialized art scholars and interns, offering a library for public and scholarly use and other educational and grant programs. These programs provide educational, scientific, social and cultural resources to the State as well as to national and international communities.

The refunding transaction creates a more conservative debt portfolio by reducing the Getty's swap exposure, exposure to LIBOR, and exposure to remarketing risks. A more conservative portfolio allows the Getty to focus time and resources on its core philanthropic efforts.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	TEFRA not required
Publications:	
Date of TEFRA Hearing:	
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. 20-01 authorizing the issuance of Conduit Tax Exempt and/or Taxable Refunding Revenue Bonds in an aggregate amount not to exceed \$250,000,000 for the benefit of The J. Paul Getty Trust.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Mary Schmidt Campbell, Member	Position: Trustee Affiliated Company: Spelman College City, State: Atlanta, GA
Megan B., Member	Position: Trustee Affiliated Company: LA Promise Fund Board City, State: Los Angeles, CA
James Cuno, Member	Position: Trustee Affiliated Company: The J. Paul Getty Trust City, State: Los Angeles, CA
Bruce W. Dunlevie, Member	Position: Founder and General Partner Affiliated Company: Benchmark Capital City, State: Menlo Park, CA
Drew G. Faust, Member	Position: Arthur Kingsley Porter University Professor Affiliated Company: Harvard University City, State: Cambridge, MA
Maria Hummer-Tuttle, Member	Position: Lawyer Affiliated Company: former partner Manatt, Phelps and Phillips in Los Angeles City, State: Los Angeles, CA
Pamela J. Joyner, Member	Position: Founder Affiliated Company: Avid Partners City, State: San Francisco, CA
Ronald S. Lauder, Member	Position: Honorary Chairman Affiliated Company: Museum of Modern Art City, State: New York, NY
David L. Lee, Board Chair	Position: Co-Founder and Managing General Partner Affiliated Company: Clarity Partners City, State: Beverly Hills, CA
Robert W. Lovelace, Member	Position: Vice Chairman Affiliated Company: Capital Group Companies City, State: Los Angeles, CA
Thelma Meléndez de Santa Ana, Member	Position: Retired Affiliated Company: formerly Administrator/ Superintendent, Inglewood Unified School Dist. City, State: Inglewood, CA
Ronald P. Spogli, Vice Chair	Position: Co-Chairman Affiliated Company: Freeman Spogli & Co., Inc. City, State: Los Angeles, CA
John Studzinski, Member	Position: Vice Chairman Affiliated Company: PIMCO City, State: New York, New York

OFFICERS	
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James Cuno	President and Chief Executive Officer
Steven A. Olsen	Vice President, Chief Financial Officer, and Chief Operating Officer
William Humphries	Controller

The Board of Trustees (the "Board"), currently consisting of thirteen Trustees, governs the Getty Trust. The number of Trustees may fluctuate at the discretion of the Trustees, but there may not be fewer than three serving at any one time.

APPENDIX B: PROJECT PHOTOS

The Getty Center



The Getty Villa



APPENDIX C: FINANCIAL STATEMENTS 2017 – 2019