

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Los Angeles County Museum of Natural History Foundation (“Borrower”/“Foundation”)	Par Amount Requested:	Not to exceed \$89,790,000
Applicant Description:	The Los Angeles County Museum of Natural History Foundation is a California nonprofit public benefit corporation that, along with the County of Los Angeles, formed and operates a public-private partnership, the Natural History Museum of Los Angeles County. The Foundation also includes the La Brea Tar Pits Museum and the William S. Hart Park and Museum. The Foundation’s mission is to inspire wonder, discovery, and responsibility for our natural and cultural worlds.		
Type of Financing:	The Foundation requests issuance of \$89,790,000 in conduit Tax-exempt Variable Rate obligations (“Obligations”).		
Project Description:	(1) refund all or a portion of the outstanding principal amount of the Series 2008 Obligations the proceeds of which were used originally to finance the cost of acquisition, construction, development, renovation, equipping and furnishing of the Borrower’s museum, educational and exhibition facilities located at 900 Exposition Boulevard and 5801 Wilshire Boulevard, Los Angeles, California and 24151 San Fernando Road, Newhall, California, and (2) pay certain costs of issuance in connection with the Obligations.		
Project Site:	900 Exposition Blvd. and 5801 Wilshire Blvd., Los Angeles, CA and 24151 San Fernando Road, Newhall, CA (Los Angeles County).		
Plan of Finance:	The Foundation intends to refund and reissue, for federal tax purposes, the \$89,790,000 IBank Variable Rate Demand Refunding Revenue Bonds (Los Angeles County Museum of Natural History Foundation) Series 2008A and Series 2008B (together, the “Series 2008 Bonds”) in order to remarket and privately place the Series 2008 Bonds, amend certain terms, and convert the current interest rate mode to a new index rate mode (the “Index Rate Mode”).		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt		
Term:	20 years		
Credit Enhancement:	None		
Credit Rating:	Not applicable		
Fees:	Application Fee \$1,500; Issuance Fee \$72,395; Annual Fee \$500 per year		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Par Amount	\$89,790,000	Refund Series 2008A Bonds	\$44,895,000
Equity Contribution	\$275,000	Refund Series 2008B Bonds	\$44,895,000
		Cost of Issuance	\$275,000
TOTAL SOURCES	\$90,065,000	TOTAL USES	\$90,065,000
Financing Team:	Bond Counsel: Hawkins Delafield & Wood LLP Private Placement Purchaser: Wells Fargo Municipal Capital Strategies, LLC Trustee: MUFG Union Bank, N.A.		
Public Benefits:	Refunding the outstanding Series 2008 Bonds will provide an estimated annual savings of over \$194,000 compared to the existing Series 2008 Bonds structure. The reduction in annual debt management cost will allow the Foundation to reinvest its resources towards its primary mission.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
April 25, 2017	17-07	John Weir on March 17, 2017	

Staff Recommendation: Staff recommends approval of Resolution No. 17-07 authorizing the issuance of Conduit, Tax-exempt Variable Rate Obligations, not to exceed \$89,790,000, for the benefit of the Los Angeles County Museum of Natural History Foundation.

BACKGROUND AND HISTORY

The Natural History Museum of Los Angeles County (“NHMLA” /”Museum”) is a public-private partnership between the Foundation and the County of Los Angeles. NHMLA’s mission is to inspire wonder, discovery, and responsibility for our natural and cultural worlds. The Museum has one of the world’s largest and most valuable collections extending to nearly 35 million specimens, some as old as 4.5 billion years. Its curatorial staff not only cares for those collections, but uses them for groundbreaking scientific and historic research.

The Museum opened to the public in Exposition Park in 1913. The original building was designed in a Romanesque style and features three wings of exhibit space, decorated with Italian marble walls and mosaic tiled floors. The center piece of the building is the Rotunda which illuminates the lobby below through a stained glass dome suspended 58 feet in the air. It is listed on the National Register of Historic Places. The Museum celebrated its 100 - year anniversary in 2013.

Museum Ownership

The State of California (“State”), the City of Los Angeles (“City”) and County of Los Angeles (“County”) developed the land for the cultural center in 1909. The State of California owns the real property on which the Museum campus (“Campus”) is located. The County owns the Museum’s buildings and facilities. Under a ground lease agreement (“Ground Lease”), the County leased the Campus from the State in 2007 for a period of 75 years, which terminates in 2081. The Ground Lease restricts the County to use the Campus for the public benefit consistent with the Museum’s operations.

The County holds title to the Museum facility buildings. Ownership of the various specimens, collections, and exhibits is generally divided between the County and the Foundation, with the County owning most items acquired before 1965 and the Foundation owning most items acquired after 1965.

The County allocates a fixed amount of its annual budget to support about 45% of the annual operating budget of the Museum. The amount of the County’s contribution, each year, is equal to the prior year contribution with adjustments based on the percentage change in the Consumer Price Index (“CPI”) for all urban consumers in the Los Angeles, Anaheim and Riverside areas; however, the annual increase may not exceed 5%.

Natural History Foundation Family of Museums

The Foundation includes three separate museum facilities: (1) NHMLA, (2) The La Brea Tar Pits and Museum, and (3) The William S. Hart Park and Museum.

NHMLA, located in Exposition Park, holds one of the world’s largest collections of California and Western North American mammals, including over 300 fossils and 20 complete dinosaurs and ancient sea creatures. NHMLA also features permanent exhibits on birds, gems and minerals, insects, mammals, shells in addition to special exhibits that feature collections on loan from other museums.

The Museum also includes extensive grounds open to the public. Centered on the Nature Garden, the grounds display a wide variety of plants and flowers designed to attract wildlife for the benefit of visitors in addition to an amphitheater, a pond, and bird watching platform.

The La Brea Tar Pits and Museum, located in central Los Angeles, features fossilized remains of animals from 10,000 to 40,000 year old asphalt deposits. These ice-age fossils include such specimens as extinct saber-toothed cats, woolly mammoths, and mastodons. Visitors to the La

Brea Tar Pits can witness staff clean, repair and identify remains or watch live excavations on the grounds.

The William S. Hart Park and Museum, located in the City of Newhall, is housed in the former home and ranch of the famed silent film actor and director who produced a series of hit Western movies in the early 1900's. The 22-room mansion exhibits artwork by Charles M. Russell and Frederic Remington, as well as Native American artifacts and early Hollywood memorabilia. Visitors may also view a heard of American bison at the ranch which were a gift from the Walt Disney studios in 1962.

The California Secretary of State reports active status for the Foundation. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Series 2008 Bonds refunded the Series 2007 Bonds, which originally financed the Project.

The Series 2007 Bonds were issued on April 18, 2007 to: (i) finance a portion of the costs of the acquisition, rehabilitation (including seismic retrofitting and restoration of the colored stained glass skylight at the apex of the Rotunda), renovation, construction, equipping and improvement of the Borrower's facilities, galleries and exhibits, located at 900 Exposition Boulevard and 5801 Wilshire Boulevard within the City of Los Angeles, California and 24151 San Fernando Road, Newhall, California, (including furniture, fixtures and equipment and design, architectural, engineering and project management services, project consultants and other similar expenses relating thereto and other related costs and expenses of the Borrower), (ii) pay capitalized interest, (iii) fund working capital expenses of the Borrower directly related to the project, (iv) pay other related costs and expenses, including a bond insurance policy, and (v) pay costs of issuance. All modifications and improvements contemplated by the Series 2007 Bonds have been completed.

Refunding Bonds:

Bond Issue	Date Issued	Par Amount	Outstanding	Purpose of Financing
Series 2008A	4/29/2008	\$44,895,000	\$44,895,000	Refund outstanding IBank 2007A and 2007B bonds, pay capitalized interest and costs of issuance.
Series 2008B	4/29/2008	\$44,895,000	\$44,895,000	

Prior Bonds:

Bond Issue	Date Issued	Par Amount	Outstanding	Purpose of Financing
Series 2007A	4/18/2007	\$42,200,000	\$0	Finance a portion of costs for the acquisition, rehabilitation, renovation, construction, equipping & improvement of the Museum's facilities, working capital expenses, bond insurance plus costs of issuance.
Series 2007B	4/18/2007	\$42,200,000	\$0	

The Facilities financed with the proceeds of the Series 2007 Bonds are located on the following properties:

900 Exposition Blvd, Los Angeles, CA 90007
5801 Wilshire Blvd, Los Angeles, CA 90036
24151 San Fernando Road, Newhall, CA 91321

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

(see Appendix B--Project Photos).

FINANCING STRUCTURE

**IBank Term Sheet
Los Angeles County Museum of Natural History Foundation
Date: April 25, 2017**

Par Amount:	Up to \$89,790,000; in one or more series.
Type of Offering Upon Remarketing:	Private Placement
Private Purchaser:	Wells Fargo Municipal Capital Strategies, LLC
Credit Enhancement and Expected Credit Rating Upon Conversion:	No Credit Enhancement; No Expected Rating
Interest*:	Variable interest rates, expected to be a percentage of LIBOR plus a spread and subject to adjustment as set forth in the Indenture.
Maturity:	Obligations will have scheduled purchase dates prior to maturity, and in no case greater than 20 years.
Closing Date*:	April 28, 2017
Collateral:	Unsecured General Obligation (under certain circumstances moneys may be transferred to a Collateral Account)
Conduit Transaction:	The Obligations 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 Obligations.

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

Financing Structure

The Borrower is requesting the issuance of conduit Tax-exempt Obligations not to exceed \$89,790,000 to (i) remarket and privately place the Series 2008 Bonds, and (ii) amend and restate the Indenture and Loan Agreement relating to the Series 2008 Bonds in order to add certain new provisions, including those relating to a new index rate mode and the conversion of the Series 2008 Bonds to such Index Rate Mode.

The Obligations will current-refund the outstanding Series 2008 Bonds and be secured by an Amended and Restated Indenture and sold directly to Wells Fargo Municipal Capital Strategies, LLC. The proceeds of the Bonds will be loaned to Borrower pursuant to an Amended and Restated Loan Agreement. The term of the Obligations will not exceed 20 years and will allow scheduled purchase dates prior to maturity. The interest rate will be based on LIBOR Index Rate plus a spread. While in an Index Rate Mode, no credit enhancement will be in place. The Museum may enter into swap transactions. Swap transactions will be either on parity with, or subordinate to, the Borrower's primary obligation to pay debt service on the Series 2008 Bonds. All swap payments will be payable as general unsecured obligations.

The Series 2008 Bonds were originally issued on April 29, 2008 and sold to J. P. Morgan Securities, Inc. in two series, the Series 2008A Bonds and the Series 2008B Bonds. The Series 2008A Bonds' principal and interest payments were supported by a direct-pay letter of credit ("2008A Credit Facility") issued by Allied Irish Bank, P.L.C. The Series 2008B Bonds' principal and interest payments were supported by direct pay letter of credit ("2008B Credit Facility") issued by the Bank of New York. The proceeds of the Series 2008 Bonds were used to: (i) refund all of the then outstanding principal amount of the \$84,400,000 IBank Revenue Bonds (Los Angeles County Museum of Natural History Foundation) Series 2007A and Series 2007B, (ii) pay capitalized interest on the Series 2008 Bonds, and (iii) pay costs of issuance. The 2008 transaction benefitted the Borrower by removing the uncertainties of the 2007 Bonds rate structure, which were issued as auction rate securities, and lowering the borrowing cost by an estimated \$360,000 per month based upon market rates at the time.

Limited Obligations of IBank

The Obligations 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, any of its officers or employees, or any person executing the transaction documents on behalf of IBank shall be personally liable for the Obligations or subject to any personal liability or accountability by reason of the execution thereof. The Obligations 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 Museum offers extensive resources to educators, such as workshops, lesson plans, facilities and field trips for grades K-12. Schools and educators may also arrange for a visit by one of two mobile museums housed in modified trailers that bring a simulated research environment to schools.

Scholarly Research

The Museum's collection of specimens serve to document individual organisms and minerals within the time and space in which they existed. This helps researchers document the variation

that occurs within species and, for those specimens collected year round, insight into annual cycles, and long term changes in distribution, population size and genetic composition.

The Museum's curatorial staff members are recognized authorities in their respective fields. They serve as faculty and research associates at universities, other museums, and institutions. They publish regularly in journals and magazines and are engaged in field and on-site research.

The Museum maintains twenty active collection departments in addition to a research library and Registrar's Office which works to preserve the integrity and legal documentation for all the artifacts and specimens within collections or on display.

The Museum's collections form a vast permanent record which scientists can examine, apply new analytical techniques and test new hypotheses to produce a vast array of scientific data and findings. The Museum's current programs serve more than one million museum enthusiasts, onsite and in the community, annually, including about 200,000 students who visit the Museum free of charge.

Refunding the Series 2008A and 2008B Bonds

The new structure of the Obligations is expected to result in substantial cost savings to the Museum. The primary benefits to the Museum are: (i) an improved capital structure that eliminates the need and cost of a remarketing agent, (ii) extends the next rollover date to four years versus the current three years, (iii) eliminates remarketing risk until the next rollover date, and (iv) sets rates on the more prominently traded LIBOR index versus the current SIFMA index.

The existing Series 2008 Bonds are variable rate demand bonds (VRDBs) currently backed by letters of credit from Wells Fargo Bank, N.A. which are scheduled to expire later this year (August 22, 2017). Wells Fargo Bank, N.A. has offered to directly purchase both series of the Series 2008 Bonds in a new Index Rate mode. The bond Indenture will be amended to allow for a conversion of the Series 2008 Bonds to an index rate. While the bonds are in the Index Rate mode, the Obligations will no longer be supported by letters of credit, and a remarketing agent will not be needed since the bonds will no longer be remarketed on a daily basis to public market investors. As such, the Museum will no longer be required to pay the standard remarketing agent fees associated with typical VRDBs. Furthermore, a bond rating will not be required on the bonds during the index rate period.

The following table exhibits the estimated annual savings expected from the refunding and direct purchase of the Series 2008 Bonds by Wells Fargo:

Approximate Annual Savings	
Expenses Eliminated	Annual Savings
Remarketing Fee	\$ 89,790
Direct Purchase Credit Spread Lower than LOC Fee	\$ 89,790
Avoidance of Rating Agency Fee	\$ 14,750
Total Estimated Annual Savings	\$194,300

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA Publication:	April 3, 2017
Publications:	<i>LA Times and The Sacramento Bee</i>
Date of TEFRA Hearing:	April 17, 2017
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank 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. 17-07 authorizing the issuance of Conduit Tax-exempt Variable Rate Obligations in an aggregate amount not to exceed \$89,790,000 for the benefit of the Los Angeles County Museum of Natural History Foundation.

APPENDIX A: GOVERNANCE AND MANAGEMENT

BOARD OF DIRECTORS

Sarah Meeker Jensen, President of the Board	Principal, Jensen + Partners, Los Angeles, CA
Richard S. Volpert, President, Board of Governors	Principal, Glaser Weil Fink Jacobs Howard Avchen & Shapiro, Los Angeles, CA
Paul G Haaga Jr., Chairman of the Board	Civic Leader, La Canada Flintridge, CA
Caroline Moser, President of the Alliance	Civic Leader, Los Angeles, CA
Anissa Balson	Director, William Randolph Hearst Foundation, Los Angeles, CA
Arun K. Bhumitra	CEO, Arjay Telecom, Torrence, CA
James E. Blancarte	Commissioner, The Los Angeles County Superior Ct., Los Angeles, CA
Neal H. Brockmeyer	Civic Leader, La Canada Flintridge, CA
Louisa Cardenas	UCEE Master Gardener, Los Angeles, CA
Esther Chao	Partner, Giant Panda Management, Los Angeles, CA
Stephen J. Davis	President, Hasbro Studios, Burbank, CA
Susan Dever	Board Member, Lomita Railroad Museum Foundation, Lomita, CA
Heather de Roos	Civic Leader, Manhattan Beach, CA
Charlene Dimas Peinado	President & CEO, The Los Angeles Child Guidance Clinic, Los Angeles, CA
Nancy Edwards	Civic Leader, Los Angeles, CA
Shannon Faulk	Agent, Farmers Insurance, Culver City, CA
Michael J. Forticq Sr.	Managing Partner, Hancock Park Associates Houston, TX
William M. Garland III	Owner & Operator, Quercus, LLC, Los Angeles, CA
David Glickman	President, Glickman Capital, Los Angeles, CA
Stanley Gold	Business Executive, Shamrock Holdings, Inc., Burbank, CA
Daniel S. Goldin	Chairman & CEO, The Intellisis Corporation, San Diego, CA
Karen A. Hoffman	Managing Director, The Ahmanson Foundation, Beverly Hills, CA
Larry Keele	Civic Leader, Los Angeles, CA
Rick Keller	Managing Director, Morgan Stanley Private Wealth Mgmt., Los Angeles, CA
Patricia Lombard	Civic Leader, Los Angeles, CA
Gregg Martin	Partner, Hamburg, Karic, Edwards & Martin LLP, Los Angeles, CA
Eric B. Moore	Principal, Avinson Young, Los Angeles, CA
Noramae Munster	Director, Ports O'Call Waterfront Dining, San Pedro, CA
Diane Naegele	President, RJN Productions, Beverly Hills, CA

James Olson	Museum Exhibit Design Consultant, Thousand Oaks, CA
Joan Payden	President & CEO, Payden and Rygel, Los Angeles, CA
Jonathan M. Peacock	Chairman, Arix Bioscience, Hampton, NJ
Edward P. Roski, Jr.	Chairman & CEO, Majestic Realty Company, City of Industry, CA
Peter Scranton	Civic Leader, Los Angeles, CA
Sheldon Stone	Principal, Oaktree Capital Management, LP, Los Angeles, CA
Mary Su	Owner, M&M Financial Service, Walnut, CA
Dr. Richard Sun	President, SSS Development, Inc., Alhambra, CA
John Wuo	President, Golden Apple Group, Arcadia, CA
Judge Eric E. Younger	Retired Judge, LA Superior Court, Los Angeles, CA
Elizabeth Thumann	Civic Leader, Los Angeles, CA

OFFICERS

Dr. Lori Bettison-Varga	President and Director
Gretchen Humbert	Chief Financial Officer
Dawn McDivitt	Chief Deputy Director
Dr. Luis M. Chiappe	VP, Research and Collections
Tom Jacobson	Senior VP, Advancement
Cynthia Wornham	VP, Marketing and Communications
Nooshin Nathan	Chief Talent Officer

APPENDIX B: PROJECT PHOTOS



The Nature Gardens at the Natural History Museum



“Dueling Dinos” on display in the Dinosaur Hall



Research scientist preparing specimen for display



East Entrance to Natural History Museum



Diorama in African Mammal Hall

