

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Segerstrom Center for the Arts (Borrower or Segerstrom)	<b>Par Amount Requested:</b>	Not to exceed \$78,000,000
<b>Applicant Description:</b>	Segerstrom (formerly known as the Orange County Performing Arts Center) is a California nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in, and an appreciation for, arts, music, dance and theater for the residents of Southern California. Segerstrom's mission is to help shape Orange County's future through meaningful collaborations with diverse communities, embracing creativity in all its forms and enabling a more inclusive and vibrant performing arts community in Orange County and across the Southern California region. Segerstrom's goal is to show that communities thrive when exposed to the performing arts.		
<b>Type of Financing:</b>	The Borrower requests the issuance of conduit tax-exempt fixed rate bonds (Bonds), not to exceed \$78 million for the current refunding of all or portion of the IBank issued Series 2008A and Series 2008B Bonds, funding a debt service reserve fund, and paying costs of issuance.		
<b>Project Description:</b>	The project (Project) consists of (1) refunding all or a portion of the Series 2008A and Series 2008B Bonds (2) establishing a debt service reserve fund, and (3) paying costs of issuance.		
<b>Project Site:</b>	615 Town Center Drive, Costa Mesa, CA 92626 (Orange County)		
<b>Plan of Finance:</b>	IBank will issue up to \$78 million in conduit tax-exempt fixed rate bonds (Bonds) for Segerstrom. The proceeds of the Bonds will be used to (1) current refund all or a portion of IBank's Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B and each of which was issued to refinance certain costs of the construction, equipping and furnishing of certain improvements to Segerstrom's performing arts facilities, consisting of a concert hall named the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2000 seats; a multi-purpose theater named the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities all located in the City of Costa Mesa, California, (2) establish a debt service reserve fund to secure the Bonds and (3) pay other expenditures relating to the issuance of the Bonds, including the costs of issuance incurred in connection with the issuance and sale of the Bonds.		
<b>Type of Issue:</b>	Public Offering		
<b>Tax Status:</b>	Tax-exempt		
<b>Term:</b>	10 years		
<b>Credit Enhancement:</b>	None		
<b>Credit Rating:</b>	S&P, A-		
<b>Fees:</b>	Application Fee \$3,500; Issuance Fee \$75,000; Annual Fee \$3,000 per year		
<b>STO Fee:</b>	Agent for Sale \$8,000		

<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
<b>Bond Proceeds:</b>		Refund Series 2008A&B	\$78,000,000.00
Par Amount	\$78,000,000.00	Cost of Issuance	\$265,550.00
Premium	\$12,382,500.00	Underwriter's Discount	\$306,536.61
		Additional Funds	\$11,810,413.39
<b>TOTAL SOURCES</b>		<b>TOTAL USES</b>	
<b>\$90,382,500.00</b>		<b>\$90,382,500.00</b>	
<b>Financing Team:</b>			
<b>Bond Counsel</b>	Stradling Yocca Carlson & Rauth		
<b>Underwriter:</b>	Wells Fargo Securities		
<b>Financial Advisor:</b>	PFM Financial Advisors, LLC		
<b>Trustee:</b>	MUFG Union Bank, NA		
<b>Public Benefits:</b>	<p>Segerstrom's Performing Arts Center (the Center) improves the quality of life for Southern California's growing population and visitors to Orange County by offering a venue for performing arts shows and educational programs. Further, thousands of free tickets are made available to students and the underprivileged each year. Segerstrom's educational programs will reach approximately 350,000 young people in seven California counties annually. Refunding the Prior Bonds with fixed rate bonds will protect the Center against the risk of further increasing rates, and enhance budget certainty.</p>		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
November 28, 2017	17-21	Steven Wright on 11/1/2017	
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 17-21 authorizing the issuance of conduit, tax-exempt fixed rate bonds, not to exceed \$78,000,000, for the benefit of Segerstrom Center for the Arts.			

## BACKGROUND AND HISTORY

In the late 1960's, the initial idea and frame work of building a concert hall as a world-class venue for performances of the Philharmonic Society of Orange County, Pacific Chorale and Pacific Symphony was formed. In 1979, the Segerstrom Family donated a five-acre parcel of land to establish the Segerstrom Center for the Arts (Borrower or Segerstrom), formerly known as the Orange County Performing Arts Center. Segerstrom was founded by Renée and Henry Segerstrom and opened on September 29, 1986 with a concert in its Segerstrom Hall. Segerstrom's founders determined that the new performing arts complex located in Costa Mesa, California, would be established with private funds and government funding would not be solicited or accepted.

In 1998, the Segerstrom family purchased another parcel of land and in 2000, Henry Segerstrom donated \$40 million to the Borrower to construct a concert hall, a multi-use theater, an educational center, public restaurant and community plaza. The Center includes several performance facilities such as the 3,000 seat Segerstrom Hall, 2,000 seat Renée and Henry Segerstrom Concert Hall, 500 seat multi-functional Samueli Theater, 250 seat Judy Morr Theater, and a 46,000 square foot Arts Plaza. The 500 seat Samueli Theater was named in recognition of a \$10 million gift from the Samueli Family Foundation. The Segerstrom Hall and Judy Morr Theater were designed by Charles Lawrence and opened in 1986. The Renée and Henry Segerstrom Concert Hall, Samueli Theater and the Lawrence and Kristina Dodge Education Center were designed by Cesar Pelli, an architect who has received numerous awards and other honors for his work including the American Institute of Architects Gold Medal in 1995.

In September 2015, Segerstrom in collaboration with the American Ballet Theatre (ABT) opened the American Ballet Theatre William J. Gillespie Ballet School at Segerstrom (School). The School combines the resources of ABT, America's National Ballet Company and Segerstrom. William J. Gillespie has been a board member of ABT since 1999.

Segerstrom is home to three resident companies: Pacific Symphony, the Philharmonic Society of Orange County, and Pacific Chorale. In addition, the Lawrence and Kristina Dodge Education Center provides educational art programs to students and educators ranging from grade school through college.

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

## PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt Revenue Bonds (Segerstrom Center for the Arts), Series 2017 (with such additional series designations as are authorized in the Indenture) (Bonds) in an amount not to exceed \$78,000,000 to (1) current refund all or a portion of IBank's Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B, each of which was issued to refinance certain costs of the construction, equipping and furnishing of certain improvements to the Center consisting of a concert hall named the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2000 seats; a multi-purpose theater named the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities all located in the City of Costa Mesa, California, (2) establish a debt

service reserve fund to secure the Bonds and (3) pay other expenditures relating to the issuance of the Bonds, including the costs of issuance incurred in connection with the issuance and sale of the Bonds.

Segerstrom is refunding all or a portion of the following Prior Bonds:

Bond Issue	Issue Date	Par Amount	Outstanding as of June 30, 2017	Maturity Date	Purpose
Series 2008A	7/2/2008	\$90,000,000	\$38,365,000	7/1/2034	Refunding
Series 2008B	7/2/2008	\$90,000,000	\$38,365,000	7/1/2034	Refunding

The Series 2008A and Series 2008B were issued to refund the following prior series of bonds:

- IBank Variable Rate Revenue Bonds, Series 2004A, 2004B and 2004C (2004 Bonds);
- IBank Variable Rate Revenue Bonds Series 2007A and 2007B (2007 Bonds)

The Series 2004 Bonds and the Series 2007 Bonds were issued to finance the construction, equipping and furnishing of improvements to the Center. The construction began in February 2003, and the Center opened for performances in September 2006 and was completed in March 2007.

The Series 2017 bonds will refund the remaining portions of the Series 2008A & 2008B bonds. With this restructuring, the Center will: i) refund the maturing variable rate bonds; ii) eliminate its variable rate exposure and "put" bond exposure; and iii) enhance its budgetary certainty.

The Project is comprised of the following property:

Segerstrom Center for the Arts  
 615 Town Center Drive  
 Costa Mesa, CA 92626

(see Appendix B--Project Photos).

## FINANCING STRUCTURE

### **IBank Term Sheet The Segerstrom Center for the Arts Date: November 28, 2017**

<b>Bond Par Amount:</b>	Not to exceed \$78,000,000; in one or more tax-exempt series.
<b>Type of Offering:</b>	Public Offering
<b>Underwriter:</b>	Wells Fargo Bank, National Association and U.S. Bancorp Investments, Inc.
<b>Credit Enhancement:</b>	(not expected)
<b>Expected Credit Rating:</b>	Standard & Poor's Rating Services: A-
<b>Interest*:</b>	Not to exceed 6.00%
<b>Maturity:</b>	July 1, 2027
<b>Collateral:</b>	Corporation's personal property
<b>Expected Closing Date*:</b>	December 21, 2017

#### **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 pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to Borrower pursuant to a Loan Agreement. The Bonds will be sold in a public offering through MUFG Union Bank, N.A. Interest on the Bonds will be calculated on the basis of a 360-day year and twelve 30-day months and will be payable in arrears each January 1 and July 1, commencing July 1, 2018. The Bonds will be available in denominations of \$5,000 or any integral multiple thereof. The Bonds will not be subject to redemption prior to maturity.

#### **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

Seegerstrom's education department has 10 different programs that reaches over 350,000 students each year, in seven California counties. The Center provides a vehicle for its young people to participate in performing arts educational programs, and each year the Borrower offers thousands of free tickets to students and the underserved. These programs are designed to bring students from grammar school through the university level into contact with many different disciplines of performing arts and exposure to seasoned, accomplished professional artists. Seegerstrom provides performances, workshops, and residencies to promote arts at schools throughout Southern California and collaborates with Disney to introduce musical theater to schools. Through this program, schools will receive a 17-week musical theater residency as a 30 minute Disney KIDS Musical at the school site, working with professional teaching artists. Annually, the Arts Teach Showcase, a free event, is held at the Renée and Henry Seegerstrom Concert Hall where more than 60 internationally acclaimed professional artists attend, representing a variety of art forms such as dance, music, theater, storytelling and the visual arts.

Seegerstrom supports community through partnership with various organizations:

- **Military Families:** Hands-on workshops, and performances
- **Children's Hospital Orange County:** Teaching artists visit patients, and deliver therapeutic arts programs
- **Big Brothers Big Sisters:** Dance and theater workshops
- **Aids Services Foundation:** Visual arts program for youth affected by HIV/AIDS
- **California State University, Fullerton Partnership:** Training for teachers and students
- **Alzheimer's Orange County:** Music, dance and movement to early-stage Alzheimer patients
- **Community Events:** Providing hands-on activities by artists at community events

Seegerstrom's performing arts educational programs are offered through: Master classes, Broadway training, Summer classes, and ABT William J. Gillespie Dance School. The teachers at Master Classes are artists from Broadway, television, jazz, classical music and the world's leading dance companies.

### **Refunding of the Prior Bonds provided by Wells Fargo**

The Prior Bonds are variable rate bonds and are being current refunded with fixed rate bonds in order to protect the Center against the risk of further increasing rates, and provide budget certainty.

## OTHER PROJECT DATA

<b>PERMITS AND APPROVAL</b>	
Required?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES, Describe:</b> All approvals have been obtained.
<b>TEFRA</b>	
Date of TEFRA Publication:	N/A <sup>1</sup>
Publications:	N/A
Oral/Written Comments:	<input checked="" type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b> N/A
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>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.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution No. 17- 21 authorizing the issuance of conduit, tax-exempt fixed rate bonds, not to exceed \$78,000,000, for the benefit of Segerstrom Center for the Arts.

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<sup>1</sup> A Public Approval Certificate was obtained for the original issue and the original maturity date was not extended, therefore a TEFRA Hearing is not required for this transaction.

**APPENDIX A: GOVERNANCE AND MANAGEMENT**

**BOARD OF DIRECTORS**

Wylie A. Aitken	Aitken * Aitken * Cohn Santa Ana, CA
Zelma Allred	CEO Pool Water Products Irvine, CA
Julia Argyros	Philanthropist
Doug Baker	Philanthropist
Joan Beall	Philanthropist
David E. Blackford	President & CEO California Bank & Trust Irvine, CA
Marta S. Bhathal	RAJ Manufacturing Tustin, CA
Deborah Bridges	Philanthropist
Sandy Segerstrom Daniels	Managing Partner C.J. Segerstrom & Sons Costa Mesa, CA
Michael Feldman	Head of Wealth Management Union Bank Irvine, CA
Moti Ferder	Lugano Diamonds & Jewelry, Inc. Newport Beach, CA
John Garrett	Counsel, Garrett Stiepel Ryder LLP Costa Mesa, CA
Jackie Glass	Philanthropist
Joseph Hensley	Market President – SoCal Commercial Banking US Bank Newport Beach, CA
Shanaz Langson	Investment Building Group Newport Beach, CA
Leslie Leyton	CEO California Auto Finance Anaheim, CA
Ethan F. Morgan	Managing Director, Private Bank J.P. Morgan Irvine, CA
Pat Poss	Philanthropist Irvine, CA



Eve Ruffatto	Philanthropist
Elizabeth Segerstrom	Philanthropist
Mike Shapiro	Chairman, HOM Sotheby's International Realty Newport Beach, CA
Connie Spenuzza	Philanthropist
Gaddi H. Vasquez	Senior Vice President, Government Affairs Edison International Rosemead, CA
William W. Wang	CEO Vizio Irvine, CA
Jaynine Warner	Philanthropist
Carol Wilken	Philanthropist
Jane Fujishige Yada	Philanthropist

**OFFICERS**

John L. Ginger	Chairman of the Board CEO J. Ginger Masonry Riverside, CA
Terrence W. Dwyer	President
Brian Finck	Chief Financial Officer
Roger T. Kirwan	Treasurer/Vice Chair, Investments Chairman & CEO Woodside Credit Newport Beach, CA
Sally S. Crockett	Secretary Philanthropist Newport Beach, Ca

**EXECUTIVE COMMITTEE**

James A. Driscoll	Chair, Audit Special Projects Manager PAAMCO Irvine, CA
Stephen T. Fry	Co-Chair, Capital Campaign Steering Chairman, President & CEO Fry Steel Company Santa Fe Springs, CA
Lawrence M. Higby	Co-Chair, Capital Campaign Steering Philanthropist
Betty Huang	Chair, Center Fund Philanthropist
Rick J. Muth	Chair, Facilities President ORCO Block & Hardscape Stanton, CA
Mark C. Perry	Chairman Elect Executive Vice Chairman, Global Commercial Banking Bank of America Merrill Lynch Newport Beach, CA
David H. Troob	Chair, Finance Philanthropist
Anthony A. Allen	Chair, Building committee Philanthropist
Timothy L. Strader	Chair, Ad Hoc Board Governance Chairman Starpointe Ventures Irvine, CA
Chris Rommel	Chair, Board Development SVP, Regional Managing Director Wells Fargo Wealth Management Irvine, CA
William Meehan	Chair, Long Range Planning Managing Partner Rutan and Tucker, LLP Costa Mesa, CA
Alan Simon	Member at Large Chairman, Omaha Steaks Omaha, NE

**Note Regarding Segerstrom’s Board of Directors and Executive Members**

The following Board Members of the Borrower recused themselves from attending the Board of Directors meeting on Monday, September 25, 2017 and did not participate in the vote on the Borrower’s Series 2017 Bonds:

Joseph Hensley	Market President, US Bank, Newport Beach, CA
Chris Rommel	Regional Managing Director, Wells Fargo, Irvine, CA
William Meehan	Partner, Rutan and Tucker, LLP, Costa, Mesa, CA

APPENDIX B: PROJECT PHOTOS

Renee and Henry Segerstrom Concert Hall





