

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The J. Paul Getty Trust (Getty Trust or Borrower)	Amount Requested:	Not to exceed \$115,000,000
Applicant Description:	A California charitable trust and private foundation operating museums and research facilities dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities.		
Type of Bonds:	Refunding Bonds		
Bonds to be Refunded:	California Infrastructure and Economic Development Bank Refunding Revenue Bonds, Series 2007A-3 and 2007A-4 (Prior Bonds).		
Prior Bonds Project(s):	Capital projects of museums and related facilities owned and operated by the Getty Trust and located in Los Angeles, California, including but not limited to the acquisition of objects of art by the Getty Trust (Prior Projects).		
Prior Project Sites:	1200 Getty Center Drive, Los Angeles 17985 Pacific Coast Highway, Los Angeles		
Plan of Finance:	Bond proceeds (2012B Bonds) will be used to (i) refund the Prior Bonds, and (ii) pay for costs of issuance. The refunding will allow the Getty Trust to add new interest rate modes; efficiently convert its Prior Bonds to provide more flexibility by eliminating the need for liquidity facilities.		
Type of Issue:	One or more series of publicly-offered variable rate securities initially bearing interest at a SIFMA-based index rate sold in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.		
Tax Status:	Tax-exempt 501(c)(3) bonds.		
Term:	35 years.		
Credit Enhancement:	Expected to be "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service		
Credit Rating:	based upon the financial strength of the Getty Trust.		
Est. Sources of Funds:		Est. Uses of Funds:	
Bond Proceeds	\$108,950,000	Refund Prior Bonds	\$108,200,000
		Costs of Issuance	750,000
TOTAL SOURCES	\$108,950,000	TOTAL USES	\$108,950,000
Financing Team:	Bond Counsel: Orrick Herrington & Sutcliffe LLP Underwriter: J.P. Morgan Securities, LLC Underwriter's Counsel: O'Melveny & Myers Trustee: The Bank of New York Mellon Trust Company, N.A.		
Public Benefits:	The restructuring of tax-exempt debt with new interest rate modes provides the Getty Trust with enhanced flexibility to manage cash flow in connection with variable rate debt. As a result, the Getty Trust will continue to efficiently manage its finances to maximize the operation of programs that provide educational, scientific, social and cultural resources to the State as well as to visitors from other states and from international communities. Admission to The Getty Center (including The J. Paul Getty Museum) and Getty Villa is free attracting approximately 1.6 million visitors annually.		
Date of Board Meeting:	Resolution Number:	Prepared by:	
March 6, 2012	12-01	Tara Dunn	
Staff Recommendation:			
Staff recommends approval of Resolution 12-01 authorizing the issuance of tax-exempt 501(c)(3) bonds in an amount not to exceed \$115,000,000 for The J. Paul Getty Trust.			

BACKGROUND AND HISTORY

The J. Paul Getty Trust, a qualified 501(c)(3) non-profit corporation, is a charitable trust and private foundation operating museums and research facilities dedicated to the presentation, enjoyment, study and conservation of the visual arts and humanities. The Getty Trust is based at the Getty Center which is comprised of six buildings located on a 753-acre parcel of land in the Brentwood area of Los Angeles. The Getty Center was constructed to consolidate the Getty Trust's activities on one campus, including its program 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 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**, through strategic grants and programs, 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 Getty Trust's primary sources of support are endowment income and revenues from parking, publishing, the museum bookstore and food service operations. As of February 23, 2012, the Getty Trust had a principal amount of approximately \$616.2 million in long-term debt outstanding (see below), and unrestricted endowment funds of the Getty Trust totaled approximately 8 times such outstanding indebtedness. A list of the current Governance and Management is provided in Attachment A.

Previous I-Bank Financing

Since 2002, the I-Bank has issued several series of bonds to finance the construction, equipping and furnishing of the museums and facilities owned by the Getty Trust and to refinance previously issued bonds also used for the development of its facilities. All capital projects associated with the bonds listed below are complete. The current outstanding series of bonds issued by the I-Bank are as follows:

Series	Issue Date	Original Principal Amount	Outstanding Principal Amount
Series 2007A-1 through 2007A-4 (2007 Bonds)	10/24/2007	\$270,475,000	\$270,475,000
Series 2011A-1 through 2011A-4 (2011 Bonds)	12/1/2011	276,800,000	276,800,000
Series 2012A-1 and 2012A-2 (2012A Bonds)	2/22/2012	68,930,000	68,930,000
Totals:		\$616,205,000	\$616,205,000

In connection with the above-referenced 2007 Bonds, the Getty Trust maintains revolving credit agreements (Liquidity Facilities) that it may draw upon as an additional source of liquidity, beyond the Getty Trust's own internal funds, to pay the purchase price of the 2007 Bonds that have been tendered for purchase and not remarketed.

PLAN OF FINANCE

The Getty Trust requests the refunding a portion of the outstanding 2007 Bonds consisting of the California Infrastructure and Economic Development Bank Refunding Revenue Bonds, Series 2007A-3 and 2007A-4 (Prior Bonds) and the issuance of tax-exempt 501(c)(3) bonds in an amount not to exceed \$115,000,000 (2012B Bonds). The Prior Bonds, along with the proceeds of the Series 2007A-1 and 2007 A-2, were used refund the J. Paul Getty Trust Taxable Bonds, Series 2003 (2003 Taxable Bonds) which were used to finance and refinance a portion of the acquisition, construction, renovation, improvement and equipping of capital projects, including but not limited to the acquisition of objects of art, all of which are constructed, installed or located at the museum at the Getty Center or the museum at the Getty Villa (Prior Projects) as further described below.

Prior Projects	Facility
Art and Library Acquisitions consisting of multiple purchases of paintings, sculptures, manuscripts, decorative arts, photographs, etc.	Primarily located at Getty Center
Bus Turnaround	Getty Center
Other facilities capital projects and working capital	Getty Center and Getty Villa

The 2012B Bonds will be used to (i) refund the Prior Bonds, and (ii) pay for costs of issuance. Following the refunding, Series 2007A-1 and 2007A-2 will remain outstanding.

The purpose of the 2012B Bonds is to add new interest rate modes based on an index created by the Securities Industry and Financial Markets Association (SIFMA) to the bond documents and facilitate a conversion of the Prior Bonds to one of the new SIFMA-based interest rate modes (SIFMA Mode). Although these changes could have been accomplished through amendments to the existing bond documents, the amendment process would have required the changes to be implemented on a series by series basis and also would have required a lengthy procedure to remarket the Prior Bonds in order to convert to the new SIFMA Mode.

The 2012B Bonds will be issued pursuant to one or more indentures between the I-Bank and The Bank of New York Mellon Trust Company, N.A. as Trustee (Indenture), and a loan of the proceeds of the 2012B Bonds will be made through one or more loan agreements between the I-Bank and the Getty Trust (Loan Agreement). The 2012B Bonds are expected to be rated "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service based solely on the financial strength of the Getty Trust.

In no event shall the 2012B Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2012B Bonds. The 2012B Bonds constitute a limited obligation of the I-Bank, payable solely from revenues consisting primarily of loan repayments made by the Getty Trust.

PUBLIC BENEFITS

Although the Getty Trust does not expect to achieve any immediate cost savings associated with the refunding, the 2012B Bonds will enable the Borrower to optimize its cash flow by eliminating the need for Liquidity Facilities required for the Prior Bonds and provide increased flexibility to restructure its outstanding tax-exempt debt through the addition of the new interest rate modes.

The restructuring of tax-exempt debt with new interest rate modes provides the Getty Trust with enhanced flexibility to manage cash flow in connection with variable rate debt. As a result, the Getty Trust will continue to efficiently manage its finances to maximize the operation of programs that provide educational, scientific, social and cultural resources to the State as well as to visitors from other states and from international communities. Admission to The Getty Center (including The J. Paul Getty Museum) and Getty Villa is free attracting approximately 1.6 million visitors annually.

ATTACHMENT A - GOVERNANCE AND MANAGEMENT

Below is a list of the Getty Trust's current executive officers and Board of Trustees.

Executive Officers

James Cuno*	President and Chief Executive Officer and Acting Director, Getty Museum
James M. Williams	Vice President, Chief Investment Officer and Treasurer
Stephen W. Clark	Vice President, General Counsel and Secretary
Ron Hartwig	Vice President, Communications
Patricia A. Woodworth	Vice President, Chief Financial Officer and Chief Operating Officer
William Humphries	Controller
Steve Algert	Managing Director and Assistant Treasurer
Benjamin Liou	Managing Director, Equities & Bonds and Assistant Treasurer
Thomas W. Gaehtgens	Director, The Getty Research Institute
Deborah Marrow	Director, The Getty Foundation
Timothy Whalen	Director, The Getty Conservation Institute

**Serves on the Board of Trustees as long as he is President of The J. Paul Getty Trust.*

Board of Trustees

<u>Trustee</u>	<u>Principal Affiliation</u>
Mark S. Siegel, <i>Chair</i>	President, Remy Investors & Consultants, Inc.
Neil L. Rudenstine, <i>Vice Chair</i>	Chairman, ARTstor
Frances Daly Fergusson	President Emeritus and Professor of Art, Vassar College
Maria D. Hummer-Tuttle	Former Partner, Manatt, Phelps and Phillips
Joanne C. Kozberg	Partner, California Strategies
Paul LeClerc	Retired President, CEO and Trustee, The New York Public Library
David Lee	Managing General Partner, Clarity Partners, L.P.
Luis G. Nogales	Managing Partner, Nogales Partners
Stewart A. Resnick	Chairman, Roll International Corporation
William E. B. Siart	Founder and Chairman, ExEd
Ronald P. Spogli	President and CEO, Freeman Spogli & Co.
Peter J. Taylor	Chief Financial Officer, University of California
Jay S. Wintrob	President & CEO, SunAmerica Financial Group