

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	The J. Paul Getty Trust (Getty Trust or Borrower)	<b>Amount Requested:</b>	Not to exceed \$165,000,000
<b>Applicant Description:</b>	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.		
<b>Type of Bonds</b>	Refunding Bonds		
<b>Bonds to be Refunded</b>	California Infrastructure and Economic Development Bank Refunding Revenue Bonds, (The J. Paul Getty Trust) Series 2007A-1 and 2007A-2 (Prior Bonds).		
<b>Prior Bonds Project(s)</b>	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).		
<b>Prior Project Address(s):</b>	1200 Getty Center Drive, Los Angeles 17985 Pacific Coast Highway, Los Angeles		
<b>Plan of Finance:</b>	Bond proceeds (2013 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 and efficiently convert its Prior Bonds.		
<b>Type of Issue:</b>	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.		
<b>Tax Status:</b>	Tax-exempt 501(c)(3) bonds.		
<b>Term:</b>	35 years.		
<b>Enhancement:</b>	None.		
<b>Credit Rating:</b>	Expected to be "AAA" by Standard & Poor's and "Aaa" by Moody's Investors Service based upon the financial strength of the Getty Trust.		
<b>Est. Sources of Funds</b>		<b>Est. Uses of Funds</b>	
Bond Proceeds	\$163,025,000	Refund Prior Bonds	\$162,275,000
		Costs of Issuance	750,000
<b>TOTAL SOURCES</b>	<b>\$163,025,000</b>	<b>TOTAL USES</b>	<b>\$163,025,000</b>
<b>Financing Team</b>	<b>Bond Counsel:</b> Orrick Herrington & Sutcliffe LLP <b>Borrower's Special Counsel:</b> Nixon Peabody LLP <b>Underwriters:</b> Wells Fargo Bank, N.A. and Barclays Capital Inc. <b>Underwriter's Counsel:</b> O'Melveny & Myers LLP <b>Trustee:</b> The Bank of New York Mellon Trust Company, N.A.		
<b>Public Benefits</b>	The restructuring of tax-exempt debt with new interest rate modes provides the Getty Trust with enhanced flexibility to manage its cash flow in connection with variable interest rates. As a result, the Getty Trust will continue to efficiently manage its finances and operate programs that provide educational, scientific, social and cultural resources to the State as well as to visitors from other states and 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.		
<b>Date of Board Meeting:</b>	<b>Resolution Number:</b>	<b>Prepared by:</b>	
February 26, 2013	13-01	Tara Dunn	
<b>Staff Recommendation:</b>			
Staff recommends approval of Resolution 13-01 authorizing the issuance of tax-exempt 501(c)(3) bonds in an amount not to exceed \$165,000,000 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 15, 2013, the Getty Trust had a principal amount of approximately \$612.1 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:

<b>Series</b>	<b>Issue Date</b>	<b>Original Principal Amount</b>	<b>Outstanding Principal Amount</b>
Series 2007A-1 through 2007A-4 (2007 Bonds), of which 2007A-1 and 2007A-2 are outstanding	10/24/2007	\$270,475,000	\$162,275,000
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	64,080,000
Series 2012B (2012B Bonds)	4/2/1012	108,940,000	108,940,000
		<b>Total Outstanding:</b>	<b>\$612,095,000</b>

**PLAN OF FINANCE**

The Getty Trust requests the refunding of the outstanding California Infrastructure and Economic Development Bank Refunding Revenue Bonds, Series 2007A-1 and 2007A-2 (Prior Bonds) and the issuance of tax-exempt 501(c)(3) bonds in an amount not to exceed \$165,000,000 (2013 Bonds). The Prior Bonds, along with the proceeds of the Series 2007A-3 and 2007 A-4 (previously refunded by the 2012B Bonds), were used to refund the J. Paul Getty Trust Taxable Bonds, Series 2003 (2003 Taxable Bonds), which proceeds 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.

<b>Prior Projects</b>	<b>Facility</b>
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 2013 Bonds will be used to (i) refund the Prior Bonds, and (ii) pay for costs of issuance.

The purpose of the refunding is to add new interest rate modes to the bond documents, including but not limited to, an interest rate mode based on an index created by the Securities Industry and Financial Markets Association (SIFMA) and to facilitate a conversion of the Prior Bonds to one of the new SIFMA-based interest rate modes (SIFMA Mode).

The 2013 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 2013 Bonds will be made through one or more loan agreements between the I-Bank and the Getty Trust (Loan Agreement). The 2013 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 2013 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 2013 Bonds. The 2013 Bonds constitute a limited obligation of the I-Bank, payable solely from revenues consisting primarily of loan repayments made pursuant to the Loan Agreement by the Getty Trust.

## **PUBLIC BENEFITS**

Although the Getty Trust does not expect to achieve any immediate cost savings associated with the refunding, the 2013 Bonds will 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 interest rates. As a result, the Getty Trust will continue to efficiently manage its finances and operate programs provide educational, scientific, social and cultural resources to the State as well as to visitors from other states and 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
James M. Williams	Vice President, Chief Investment Officer and Treasurer
Stephen W. Clark	Vice President, General Counsel and Secretary
Myron (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
Timothy Potts	Director, The J. Paul Getty Museum
Thomas W. Gaehtgens	Director, The Getty Research Institute
Deborah Marrow	Director, The Getty Foundation
Timothy Whalen	Director, The Getty Conservation Institute
J. Timothy Child	Vice President, Institutional Advancement

### 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.
Thelma Meléndez de Santa Anna	Superintendent of Schools, Santa Anna Unified School District,
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
James Cuno*	President and Chief Executive Officer, The J. Paul Getty Trust

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