

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

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	The Walt Disney Family Museum, LLC and The Walt Disney Family Museum (collectively, the Borrower)	<b>Amount Requested:</b>	Not to exceed \$55,000,000
<b>Applicant Description:</b>	The Walt Disney Family Museum, LLC, a California limited liability company (Museum LLC), and its sole member, The Walt Disney Family Museum, a California nonprofit public benefit corporation (Family Museum Corporation), are joint borrowers. The Museum LLC operates the Walt Disney Family Museum (Museum). The Museum features contemporary, interactive galleries with exhibits narrated in Walt Disney's own voice along with early drawings, cartoons, films, music and a model of Disneyland. The Museum's mission is to inform present and future generations about the life of Walter Elias Disney and, through his story, to inspire them to heed their imagination and persevere in pursuing their goals.		
<b>Type of Financing:</b>	Conduit Tax-exempt Refunding Revenue Bonds (Bonds).		
<b>Project Description:</b>	The project (Project) will provide funding to defease and redeem a portion of the outstanding tax-exempt Series 2008 Bonds issued by IBank to fund the acquisition of, construction and substantial renovation of three historic buildings in The Presidio that comprise the Museum.		
<b>Project Site:</b>	104 Montgomery Street, 122 Riley Avenue, & 108 Taylor Road in The Presidio, San Francisco, CA (County of San Francisco).		
<b>Plan of Finance:</b>	IBank will issue conduit, tax-exempt refunding revenue bonds in the principal amount not to exceed \$55 million to (1) Refund a portion of the outstanding California Infrastructure and Economic Development Bank Revenue Bonds (The Walt Disney Family Museum) Series 2008 (Series 2008 Bonds); and (2) Pay costs of issuance of the Bonds.		
<b>Type of Issue:</b>	Public Offering fixed rate securities in minimum \$5,000 denominations		
<b>Tax Status:</b>	Tax-exempt		
<b>Term:</b>	22 years		
<b>Credit Enhancement:</b>	The Walt and Lilly Disney Foundation, as Guarantor		
<b>Credit Rating:</b>	S&P A+, Moody's A1		
<b>Fees:</b>	Application Fee \$1,500; Issuance Fee \$52,000 ;STO \$8,000; Annual Fee \$500/year		
<b>Estimated Sources of Funds:</b>		<b>Estimated Uses of Funds:</b>	
Tax-exempt Bonds-Par Amount	\$47,000,000	Refunding Escrow	\$54,297,000
Bond Premium	\$8,000,000	Costs of Issuance	\$703,000
<b>TOTAL SOURCES</b>	<b>\$55,000,000</b>	<b>TOTAL USES</b>	<b>\$55,000,000</b>
<b>Financing Team:</b>	<b>Bond Counsel:</b> Orrick, Herrington & Sutcliffe LLP <b>Underwriter:</b> Wells Fargo Securities <b>Underwriter Counsel:</b> Hawkins Delafield & Wood LLP <b>Financial Advisor:</b> Sperry Capital Inc. <b>Trustee:</b> The Bank of New York Mellon Trust Company, N.A.		
<b>Public Benefits:</b>	Refunding a portion of the Borrower's outstanding Series 2008 Bonds will provide an estimated net present value savings of over \$5,000,000 compared to the existing debt service. The reduction in debt service will benefit the Museum and the community and allow the Borrower to reinvest resources towards its primary mission.		

<b>Date of Board Meeting:</b> April 26, 2016	<b>Resolution Number:</b> 16-10	<b>Prepared by:</b> John Weir
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 16-10 authorizing the issuance of Conduit, Tax-exempt Refunding Revenue Bonds, not to exceed \$55,000,000, for the benefit of The Walt Disney Family Museum, LLC, and The Walt Disney Family Museum.		

The Walt Disney Family Museum LLC., a California limited liability company (Museum LLC), and The Walt Disney Family Museum (Family Museum Corporation), a California nonprofit public benefit corporation, both located in San Francisco, are joint borrowers under the Loan Agreement entered into with IBank and, as such, are joint and several obligors with respect to the payment of the Bonds. The Museum LLC operates the Walt Disney Family Museum (Museum).

The Museum opened to the public in October 2009. The total cost of the Museum was approximately \$100 million, which was partially financed by the Series 2008 Bonds. The Museum consists of approximately 77,000 square feet of space located in three historic brick buildings in The Presidio, a national park located in the City and County of San Francisco. The Museum features interactive galleries that include early drawings animation, movies, music, listening stations, historic materials and artifacts, and a 12-foot diameter model of Disneyland.

In addition to providing a gallery for the general public, the Museum is also committed to providing educational experiences for both students and teaching professionals.

### **School Experiences**

School experiences are available for student groups that include grade appropriate thematic guided or self-guided gallery tours and workshops for grades Pre-school to 12.

For grades first through third, students can explore exciting moments in Walt Disney's life and the history of animation and take part in their own short animated movie to gain a hands-on understanding of the animation process. Students in grades fourth through eight can discover the importance of storytelling in animation by engaging in interactive activities focused on the concepts of character, setting, and plot or they may create storyboards that illustrate the outline of a story. Students in grades ninth through twelve, can discover how special effects are used to make animation more interesting and realistic and how the resulting advancements in technology enhanced Disney animation. They also can experiment with a Multiplane Camera, explore how depth is created in animation, and create their own digital short films.

In addition to school trips, the Museum also offers several eight-week after school sessions for middle school and high school students. Each week, students focus on a new skill or concept and receive hands on instruction with many storytelling and animation techniques, including 2D animation, 2D Digital, storyboarding, and concept art.

The Museum holds Teen Animation Festival International (TAFI) that provides teenagers the opportunity to screen their film in the Museum Theater. The Museum holds TAFI as an award program in April annually. The previous awards have included family memberships to the Museum, portfolio reviews, one-on-one time with industry professionals, and studio tours.

### **Educator Experiences**

The Museum also offers a variety of professional development workshops throughout the school year for teachers and educators. These workshops cover various topics such as synchronizing sound, rudimentary robotics and discovering documentary, in addition to customized workshops for professional development or team building experiences. Pre- and post-visit lesson plans are available and include information and activities to help teachers prepare students prior to their visit and after their visit.

## Scholarships

The Museum offers various scholarship programs to make sure all students have the opportunity to benefit from the Museum's curriculum as well as the summer camp program.

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 refunding revenue bonds not to exceed \$55,000,000 to (1) refund a portion of the outstanding principal amount of the IBank's Revenue Bonds (The Walt Disney Family Museum) Series 2008 (Series 2008 Bonds), the proceeds of which were used to finance the cost of the acquisition, construction, installation, furnishing, equipping, reconstruction, repair, alteration, improvement and extension of certain facilities, consisting generally of certain portions of the Museum, including exhibition halls, office space and related facilities, located at 104 Montgomery Street, 122 Riley Avenue, and 108 Taylor Road in the Presidio of San Francisco, San Francisco, California 94129 (2008 Project); and (2) pay certain costs of issuance of the Bonds.

The Series 2008 Bonds was issued on April 9, 2008 with a final maturity of February 1, 2038 and have a current outstanding aggregate principal balance of \$51,475,000 as of February, 2016. The Series 2008 Bonds was issued as both serial and term bonds. The coupon range of the remaining bonds is between 5.00% and 5.25%.

### The Presidio

The Museum is located in The Presidio, which was claimed by the United States Government in 1846. In 1776, The Presidio was established as Spain's northern outpost in the Americas and then served as a Mexican fort from 1822 until 1846. On 1846, it became a premier U.S. Army post and remained as the Army's post until 1994. Since then, it has been gradually transformed to serve the public. Today, The Presidio is a National Park, home to museums and food trucks, art and archaeological sites, and recreational facilities.

The Project is comprised of the following properties:

104 Montgomery Street in The Presidio  
San Francisco, CA 94129

122 Riley Avenue  
San Francisco, CA 94129

108 Taylor Road  
San Francisco, CA 94129

(See Appendix B--Project Photos).

## FINANCING STRUCTURE

**The Walt Disney Family Museum, LLC**  
**The Walt Disney Family Museum**  
**Date: April 26, 2016**

<b>Par Amount:</b>	Not to exceed \$55,000,000; in one or more tax-exempt series.
<b>Type of Offering:</b>	Public Offering
<b>Underwriter:</b>	Wells Fargo Securities
<b>Credit Enhancement:</b>	None
<b>Expected Credit Rating:</b>	Moody's A1, Standard & Poor's A+
<b>True Interest Cost*:</b>	True interest cost not to exceed 4.10%
<b>Maturity:</b>	February 1, 2038
<b>Guaranty:</b>	Guaranty by The Walt and Lilly Disney Foundation
<b>Collateral:</b>	The obligations of the Borrower under the Loan Agreement are unsecured and no assets or revenues of the Borrower and/or the Guarantor are pledged with respect to the payment of principal of or interest on the Bonds. The Bonds are a joint and several obligation of the Borrower.
<b>Closing Date*:</b>	May 3, 2016
<b>Conduit Transaction:</b>	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 the payments 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 sold in a public offering through Wells Fargo Securities as fixed rate securities. The Series 2008 Bonds maturing on or after February 1, 2019 are callable on or after February 1, 2018. To meet this indenture requirement, the callable outstanding Series 2008 Bonds maturing on or after February 1, 2019, in the aggregate principal amount of \$48,810,000, will be placed in an escrow account on the closing date and will be defeased on February 1, 2018. The balance of the non-callable Series 2008 Bonds, maturing in 2017 and 2018, with the remaining total outstanding principal balance of \$2,665,000, will be paid on their scheduled maturity dates.

### 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 Museum offers a variety of community outreach programs and events, including providing bus transportation to certain school groups, and offering art studio and computer studio workshops to students of all ages. The Museum offers 57 full time jobs and 14 part-time jobs in addition to 138 volunteer positions.

According to the Wells Fargo Securities' assumption, the proposed refunding will produce total savings of \$7,288,498 in debt service payments, which translates into a present value savings of \$5,495,852 for the Museum or 10.00% of the amount refunded. The estimated summary of savings for the Bonds is illustrated in the table below:

<b>Bonds: Summary of Savings</b>				
<b>As of Dec. 31</b>	<b>Prior Debt Service</b>	<b>Refunding Debt Service</b>	<b>Savings</b>	<b>Present Value Savings</b>
2017	2,531,471	2,234,250	297,221	289,723
2018	2,531,471	2,234,250	297,221	282,368
2019	3,930,596	3,596,450	334,146	309,704
2020	3,931,971	3,599,650	332,321	300,286
2021	3,934,471	3,600,450	334,021	294,275
2022	3,932,971	3,595,875	337,096	289,483
2023	3,932,346	3,595,125	337,221	282,266
2024	3,932,346	3,595,250	337,096	275,025
2025	3,931,751	3,596,000	335,751	267,007
2026	3,934,878	3,602,000	332,878	258,034
2027	3,931,575	3,598,125	333,450	251,968
2028	3,931,219	3,594,375	336,844	248,140
2029	3,934,025	3,600,250	333,775	239,691
2030	3,935,138	3,600,375	334,763	234,365
2031	3,934,294	3,599,625	334,669	228,419
2032	3,931,231	3,597,750	333,481	221,900
2033	3,935,425	3,599,375	336,050	218,012
2034	3,931,481	3,599,125	332,356	210,214
2035	3,934,006	3,596,750	337,256	207,986
2036	3,932,475	3,596,875	335,600	201,795
2037	3,931,494	3,599,000	332,494	194,939
2038	3,930,583	3,597,780	332,788	190,252
<b>Total</b>	<b>\$ 83,717,218</b>	<b>\$ 76,428,705</b>	<b>\$ 7,288,498</b>	<b>\$ 5,495,852</b>

\*Present Value Savings are discounted to the arbitrage yield to the delivery date.



**APPENDIX A: GOVERNANCE AND MANAGEMENT\***

**BOARD OF DIRECTORS<sup>1</sup>**

Ronald W. Miller	President of the Board Walt Disney's Son-in-law
Christopher Miller	Walt Disney's grandson
Joanna Miller	Walt Disney's granddaughter
Tamara Diane Miller	Walt Disney's granddaughter
Jennifer Miller-Goff	Walt Disney's granddaughter
Nick Runeare	Walt Disney's great-grandson
Lilly Goff	Walt Disney's great-granddaughter

**OFFICERS**

Kirsten Komoroske	Executive Director & Board Member
Nancy Wolf	Director of Facilities & Operations
Richard Stone	Controller

- 1- The Board of Directors and Officers for **The Walt Disney Family Museum, LLC** and **The Walt Disney Family Museum** can be reached at:

104 Montgomery Street in the Presidio  
San Francisco, CA 94129



## APPENDIX B: PROJECT PHOTOS

### The Walt Disney Family Museum in The Presidio, San Francisco, CA



Inside the main gallery



