

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

**STAFF REPORT
AMENDED AND RESTATED RESOLUTION NO. 17-07**

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 Bonds, 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).		
Reason for Amended and Restated Resolution:	<p>On April 25, 2017, the Board approved Resolution 17-07 (Appendix A), authorizing the issuance of the Obligations for the benefit of the Borrower. The authority granted pursuant to Resolution No. 17-07 expires on October 22, 2017.</p> <p>As set forth in the Staff Report for Resolution No. 17-07, 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”) and (1) remarket and privately place the Obligations, (2) amend certain terms of the Series 2008 Bond documents, and (3) convert the current interest rate mode to a new index rate mode (the “Index Rate Mode”) (collectively, the “Transaction”). The Borrower initially expected to close the Transaction by now, however, due to continuing negotiations with swap provider JPMorgan, the Borrower has been unable to complete the transaction within the initial 180 days approved by the Board and therefore seeks an extension of the termination date set forth in Resolution No. 17-07.</p> <p>Under the JPMorgan swap documents, the Foundation is required to obtain JPMorgan’s consent to the Transaction. However, the Borrower has not yet been able to obtain JPMorgan’s formal consent and is therefore requesting approval of a 180 day extension of Resolution No.17-07’s expiration date in order to allow sufficient time to complete discussions with JPMorgan, obtain its consent to the Transaction, and close the Transaction.</p>		
Type of Issue:	Private Placement		
Tax Status:	Tax-exempt		
Term:	20 years		
Credit Enhancement:	None		
Credit Rating:	Not applicable		
Fees:	Amended 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:		Amended and Restated	Prepared by:
September 26, 2017		Resolution No. 17-07	John Weir on August 18, 2017
Staff Recommendation: Staff recommends approval of Amended and Restated 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, and extending the expiration date of Resolution No. 17-07 by 180 days.			

FINANCING STRUCTURE

Financing Terms¹
Los Angeles County Museum of Natural History Foundation
Date: September 26, 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*:	November 15, 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.

Purpose of Amending and Restating Resolution No. 17-07

Resolution No. 17-07 previously approved the Borrower's request for the issuance of conduit Tax-exempt Obligations not to exceed \$89,790,000 to (i) remarket and privately place the Obligations, and (ii) amend and restate the existing Indenture and Loan Agreement in order to add certain new provisions, including those relating to the conversion to an Index Rate Mode.

The authorized denomination of the Obligations is defined as follows: (a) during any Weekly Interest Rate Period, Daily Interest Rate Period or Term Interest Rate Period of less than one year, \$100,000 or any multiple of \$5,000 in excess thereof; (b) during any Index Rate Period, \$250,000 or any multiple of \$5,000 in excess thereof; and (c) during any Term Interest Rate Period of one year or more, \$5,000 or any integral multiple in excess thereof (To convert to a Term Interest Rate, the Borrower is required to hold a rating of A-/A3.).

The Borrower previously entered to an interest rate swap agreement with JPMorgan (the "Swap Agreement"). The Swap Agreement's scheduled Termination Date is on September 1, 2037. The Swap Agreement requires the Borrower to obtain JPMorgan's consent in the event of redemption, defeasance, refunding or purchases (in lieu of redemption) of the Series 2008 Bonds. The Borrower was unable to obtain JPMorgan's consent in time to close the Transaction within the Resolution No. 17-07 expiration date. Accordingly, the Borrower seeks a 180 day extension of the termination date set forth in Resolution No. 17-07 in order to complete discussions with JP Morgan, obtain its formal consent to the Transaction, and close the Transaction.

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.

Benefits of Refunding the Series 2008 Bonds

Completing the Transaction is expected to result in substantial cost savings to the Borrower. The primary benefits to the Borrower are: (i) an improved capital structure that eliminates the need and cost of a remarketing agent, (ii) extension of the next rollover date to four years versus the current three years, (iii) eliminating remarketing risk until the next rollover date, and (iv) setting 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 (LOCs) from Wells Fargo Bank, which were scheduled to expire on August 22, 2017. The LOCs have been extended through July 31, 2018. Wells Fargo Bank has offered to directly purchase the Obligations in the new Index Rate Mode. The Indenture for the Series 2008 Bonds will be amended and restated to allow for a conversion to the Index Rate Mode. While 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 Obligations will not be remarketed on a daily basis to public market investors, as was the case with the Series 2008 Bonds. As such, the Borrower will no longer be required to pay the standard remarketing agent fees associated with typical VRDBs. Furthermore, a rating will not be required on the Obligations during the index rate period.

¹ The financing terms are identical to those of Resolution No. 17-07, with the sole exception of the revised closing date.

The following table exhibits the estimated annual savings expected from the refunding and direct purchase of the Obligations by Wells Fargo Bank:

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

RECOMMENDATION

Staff recommends approval of Amended and Restated 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, and extending the expiration date of Resolution No. 17-07 by 180 days.

