

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Colburn School (Colburn)	Amount Requested:	Not to exceed \$132,000,000
Applicant Description:	A California nonprofit, public benefit corporation founded in 1950, providing high-quality performing arts and music education to students of all ages and abilities, through non-degree and degree/diploma granting programs which includes a multitude of performance opportunities in a state-of-the-art facility.		
Type of Financing:	Refunding Series 2008 and 2011 Bonds		
Project Description:	The project (Project) involves refunding the Colburn prior Bonds Series 2008 and 2011, and to pay the costs of issuance incurred in connection with the issuance and sale of the Bonds.		
Project Site:	200 S. Grand Avenue, Los Angeles, CA 90012 (Los Angeles County) The Certificate of Occupancy and the address on the 99-year Ground Lease: 201 S. Olive, Los Angeles, CA 90012.		
Plan of Finance:	<p>IBank will issue up to \$132 million in variable rate revenue bonds with a 22 year maturity (the "Series 2015 Bonds"). The proceeds of the Series 2015 Bonds will be used to (1) refund, in whole, the Issuer's Variable Rate Revenue Bonds (The Colburn School), Series 2008 (the "2008 Bonds"), and to purchase and cancel, in whole, the Issuer's Variable Rate Revenue Bonds (the Colburn School), Series 2011 (the "Series 2011 Bonds" and together with the 2008 Bonds, the "Refunded Bonds"), a portion of the proceeds of which were used to refinance the construction, equipping and furnishing of certain improvements to The Colburn School of Performing Arts (the "School"), consisting of an approximately 384,000 square foot facility including a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, a cafeteria, dormitory, outdoor plaza, parking facilities and related and appurtenant facilities (located at 201 South Olive Street, Los Angeles, California) and the renovation, furnishing and equipping of certain facilities within the School (located at 200 South Grand Avenue, Los Angeles, California) (collectively, the "Project"), and (2) to pay the costs of issuance.</p> <p>Type of Issue: Public offering variable-rate revenue bonds Tax Status: Tax-exempt Term: 22 Years Credit Enhancement: None Credit Rating: S&P A+ Fees: Application Fee \$1,500; Issuance Fee \$75,000 (STO \$10,000); Annual Fee \$500 per year</p>		
Est. Sources of Funds:		Est. Uses of Funds:	
Par Amount Series 2015A	\$66,060,000	Refunding 2008 Bonds	\$66,060,000
Par Amount Series 2015B	64,925,000	Refunding 2011 Bonds	\$64,925,000
School Equity Contribution	980,000	Costs of Issuance	980,000
TOTAL SOURCES	\$131,965,000	TOTAL USES	\$131,965,000
Financing Team:	Bond Counsel: Orrick, Herrington & Sutcliffe Underwriter: Bank of America Merrill Lynch Financial Advisor: BLX Group LLC Trustee: First Republic Bank		

Public Benefits:	The Colburn entered into a 99-year lease with the Community Redevelopment Agency of the City of Los Angeles at one dollar per year. This highlights the status of this facility in the community. Performances are attended by a broad economic and ethnic spectrum of the greater Los Angeles community. The Colburn Conservatory of Music and the Music Academy provide a comprehensive curriculum of classes to pre-college students. The Colburn hosts free concerts and performances, and operates many community outreach programs impacting over 6,500 inner-city elementary schools, exposing about 20,000 elementary school children each year to performing arts.	
Date of Board Meeting: April 28, 2015	Resolution Number: 15-05	Prepared by: John Belmont
Staff Recommendation: Staff recommends approval of Resolution 15-05 authorizing the issuance of the Refunding Bonds for an aggregate amount not to exceed \$132,000,000 for the benefit of The Colburn School.		

BACKGROUND AND HISTORY

The Colburn School (Colburn) is a non-profit, public benefit corporation located in downtown Los Angeles, California. The mission of the School is to offer the highest quality performing arts education to young people as early as possible in their lives, and to provide them with the opportunity to continue their education through professional training and career development. Situated next to the Museum of Contemporary Art, across from the new Walt Disney Concert Hall, and one block south of the Los Angeles Music Center, the School is located at the heart of downtown Los Angeles.

Colburn was established in 1950 as a preparatory program for the University of Southern California until 1980 when it became an independent community school of the performing arts and was accredited as a non-degree-granting institution by the National Association of Schools of Music. Since then, the school has grown to offer programs in music, dance and drama to students of all ages (toddler to adult) and abilities (novice to advanced) through the Colburn School of Performing Arts, the Music Academy (both non-degree granting programs), and offers professional training with degrees/diplomas in music through the Colburn School Conservatory of Music.

The Colburn School is recognized by the professional music community as having one of the finest pre-college community school programs in the country. Its alumni include international performing artists and musicians in top positions in symphony orchestras. The Music Academy, established in 2010, provides a comprehensive curriculum of classes to pre-college, highly-gifted students focused on careers in music. The Conservatory of Music, established in 2003, has quickly become known nationally and internationally as one of the top conservatories in the United States. Its students have won major competitions and secured professional jobs, competing against students from the most prominent conservatories in the country.

Current Colburn leadership is listed in Appendix A.

PROJECT DESCRIPTION

Proceeds of the Bonds will be used for the refunding of Colburn's outstanding bonds which include:

- \$66,060,000 I-Bank Variable Rate Demand Revenue Bonds (Colburn School), Series 2008
- \$64,925,000 I-Bank Variable Rate Revenue Bonds (Colburn School), Series 2011.

Background:

The 2008 Bonds redeemed all of the Series 2006B Bonds and a portion of the Series 2006A Bonds, both issued through IBank as auction rate securities.

The 2011 Bonds refinanced the remaining Series 2006A Bonds.

The 2006A&B Bonds were issued by the Colburn School in order to refund the School's existing \$130 million bond issuance completed in March 2005 (the "Series 2005 Bonds"). The Series 2005 Bonds were issued to pay the construction costs of a new 326,000 square-foot facility (the "New Facility"). Construction for the New Facility commenced in October 2004 and was completed in August 2007.

This 12-story New Facility addition was integrated with the original campus. It offers student housing; additional performance, practice, rehearsal and studio space; a public cafe and plaza; a music library; offices; and parking, for a campus total of 250 underground spaces. The New Facility added significantly to the School's teaching capacity. It contains a larger and relocated music library; a 200-seat performance hall; a 3,600-square-foot rehearsal hall; 20 new teaching studios, 4 classrooms, and 50 practice rooms; and a 125 person dormitory for the Conservatory of Music Program. The additional space provided by the New Facility allows the School to achieve sufficient enrollment in its Conservatory of Music Program to populate an eventual full Romantic orchestra (or approximately 95 musicians) and a piano department, both important elements in the educational integrity of the Conservatory of Music. The School entered into a 99-year lease with the Community Redevelopment Agency of the City of Los Angeles at one dollar per year. Such concession by the City recognizes the importance of this facility its value to the community.

(see Appendix B--Project Photos).

FINANCING STRUCTURE

Colburn is requesting approval for the issuance of Tax-Exempt Bonds in an amount not to exceed \$132,000,000. The proceeds of the Series 2015 Bonds will be used to: (1) refund, in whole, the Issuer's Variable Rate Revenue Bonds (The Colburn School), Series 2008 (the "2008 Bonds"), and to purchase and cancel, in whole, the Issuer's Variable Rate Revenue Bonds (the Colburn School), Series 2011 (the "Series 2011 Bonds" and together with the 2008 Bonds, the "Refunded Bonds"), a portion of the proceeds of which were used to refinance the construction, equipping and furnishing of certain improvements to The Colburn School of Performing Arts (the "School"), consisting of an approximately 384,000 square foot facility including a library, performance lab, rehearsal hall, studios, classrooms, practice rooms, a cafeteria, dormitory, outdoor plaza, parking facilities and related and appurtenant facilities (located at 201 South Olive Street, Los Angeles, California) and the renovation, furnishing and equipping of certain facilities within the School (located at 200 South Grand Avenue, Los Angeles, California) (collectively, the "Project"), and (2) to pay the costs of issuance incurred in connection with the issuance and sale of the Bonds.

The financing will provide the ability to a) refund the bonds prior to each of their respective put dates, b) appropriately spread out its market access /put risk by structuring in two different put dates for the new 2015 Bonds, currently scheduled for February 29, 2016 and January 31, 2016, and c) better align with market standards in the public market. The Bonds shall mature not later than their original maturity dates, and no new money is being raised; therefore no TEFRA Notice and Hearing process were required for this project. Also, the Bonds will bear an Index Rate, so Colburn is not required to maintain Credit Facilities. The school will be replacing outstanding variable rate bonds with new variable rate bonds and the cost comparison over time will depend on the future level of interest rates and this makes achieving cost savings uncertain.

Colburn is pursuing refunding of the following bonds:

Issuer: California Infrastructure and Economic Development Bank
Name, Year and Series of Bonds: Variable Rate Demand Revenue Bonds (The Colburn School), Series 2008
Amount of Bond Issue: \$69,190,000
Amount Currently Outstanding: \$66,060,000
Interest Rate: Variable Rate based on the following: 75% of LIBOR + 115bps
Maturity Date: August 1, 2037 with a February 29, 2016 put date
Purpose of Debt: Redemption of all of 2006B Bonds and a portion of 2006A Bonds
Original Project is Complete

Issuer: California Infrastructure and Economic Development Bank
Name, Year and Series of Bonds: Variable Rate Revenue Bonds (The Colburn School), Series 2011
Amount of Bond Issue: \$64,925,000
Amount Currently Outstanding: \$64,925,000
Interest Rate: Variable Rate based on the following: SIFMA +25 bps
Maturity Date: August 1, 2037 with a January 31, 2016 put date
Purpose of Debt: Refinancing remaining 2006A Bonds
Original Project is Complete

PUBLIC BENEFITS

The School provides the highest quality performing arts education at all levels of development in an optimal learning environment. The School's outreach programs reach approximately 15,000 underserved children in the community each year. Acknowledging the inner-artist in all children, Community Engagement at Colburn provides access to excellence to underserved youth through free, world-class orchestral concerts, scholarship resources and intensive educational opportunities. Interwoven with the participation of high-potential students from across Los Angeles, the Colburn outreach programs develop in participating students the confidence and skills needed to live happier and more enriching lives. The two main components are:

Engagement Programs

Provides high-need youth with access to sequential arts learning and a viable path for improved learning skills. With programs such as Musical Encounter, Summer Encounter, Jumpstart, and the Herbert Zipper Scholars, students experience strengthened self-respect and a lifelong appreciation for the arts.

a) **Herbert Zipper Scholars**

The Herbert Zipper Scholars program offers highly-motivated, low-income students the opportunity to advance as musicians, by providing instruction and support to the "whole student." Herbert Zipper Scholars receive instruction in music theory, private lessons, ensemble participation, as well as many other opportunities. This program is made possible by the Jack Kent Cooke Foundation.

b) **Jumpstart**

Jumpstart is a comprehensive, scholarship-supported program that provides pathways for personal and artistic excellence to low-income students who demonstrate a commitment to music education. With a full music curriculum – designed, specifically, for 70 sixth and seventh grade students - each student experiences an immersive music curriculum, which is held on the Colburn campus. Upon completion of Jumpstart, students who demonstrate an intermediate-to-advanced level of musicianship will be invited to continue their scholarship-supported music education through 12th grade so they may develop the artistry, discipline, and confidence needed to catapult them into college.

c) **Musical Encounter**

The Musical Encounter series, which was started over 24 years ago, introduces the performing arts to inner-city public school students attending 12 different elementary schools through concerts by some of Colburn's young students. Student performers, including the Children's Choir, the Colburn Conservatory Orchestra, string trios and quartets, a brass quintet, jazz groups, tap dance groups and a variety of solo musicians visit each of the 12 schools three times annually.

d) **Summer Encounter**

Summer Encounter is a free, two-week immersion program in the performing arts that provides enrichment opportunities students attending the same 12 inner-city schools that are visited by Musical Encounter, which features classes in guitar, voice, percussion, recorder, keyboard improvisation, drama and mime. Lunch is provided each day, and a portion of the lunch period is devoted to a special

performance to inspire and entertain the children and encourage a dialogue between artists and students. As part of the program, Colburn arranges special field trips to neighboring arts venues, such as the Museum of Contemporary Art and the Walt Disney Concert Hall.

Summer Encounter students who show serious interest and ability are awarded full scholarships for continuing studies at Colburn.

Immersion Programs

Through community performances, learning at Colburn, and interactive performances, immersion in the arts and the community is accessible to both Colburn students and high-need students.

The refinanced project will enhance the School's continued pursuit of its objectives, as expressed by its Mission Statement: To offer the highest quality performing arts education to young people as early as possible in their lives, and to provide them with the opportunity to continue through professional training and career development.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All approvals have been obtained.
TEFRA	
Date of TEFRA	N/A
Publications	N/A
Oral/Written Comments	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. Colburn is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by Colburn 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. 4. The proposed financing is appropriate for the Project.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A Certificate No.: Date:

RECOMMENDATION

Staff recommends approval of Resolution 15-05 authorizing the issuance of Bonds for an aggregate amount not to exceed \$132,000,000 for the benefit of The Colburn School.

APPENDIX A GOVERNANCE AND MANAGEMENT

THE COLBURN SCHOOL BOARD OF DIRECTORS

<p>Robert Attiyeh CFO, AMGEN <i>retired</i>, former director of McKinsey and Company and the Federal Reserve Bank of San Francisco Board Affiliations: International Rectifier, Myriad Genetics</p>	<p>Jennifer Diener Past president of the Directors of the Los Angeles Chamber Orchestra, the California Heritage Museum, and the Claremont Graduate School. Board Affiliations: Blue Ribbon of the Music Center, the Broad Stage, Pine Cobble School in Williamstown, Mass. Center Dance Association of the Music Center, and the Jules Stein Eye Institute Affiliates</p>
<p>Daniel L. Avchen Chairman and CEO, Hammel, Green & Abrahamson Architects & Engineers</p>	<p>Edmund Edelman Los Angeles County Supervisor <i>retired</i></p>
<p>David Barry Vice President and General Counsel, Southern California Edison <i>retired</i> Board Affiliations: Los Angeles Philharmonic, Los Angeles Opera, Los Angeles Music and Art School</p>	<p>Robert B. Egelston Chairman, The Capital Group Companies <i>retired</i> Board Affiliations: California Institute of the Arts</p>
<p>Thomas Beckmen Co-Founder and Proprietor of Beckmen Vineyards, in Santa Yanez, CA; Founder of Roland Corporation U.S.</p>	<p>Bradley H. Ellis Partner at Sidley Austin LLP Board Affiliations: Orange County High School of the Arts</p>
<p>Iona Benson Honorary Life Director</p>	<p>Carol Colburn Grigor Chairman, Colburn School and The Colburn Foundation; President, Dunard Fund USA Board Affiliations: Los Angeles Philharmonic</p>
<p>Adele Binder Former owner of L.A. Haute, Los Angeles. Board Affiliations: LA Phil, Children’s Hospital, Huntington Library</p>	<p>Warner Henry Owner and Chairman, The Henry Wine Group Board Affiliations: Los Angeles Opera, Hoover Institution (Stanford University)</p>
<p>David D. Colburn President of Bixby Bridge Capital, LLC and manager of several investment partnerships, including Lincolnshire Associates, Ltd., Tantallon Lenders, LLC and Miranda Investors, LLC.</p>	<p>Catherine Colburn Hogel, M.D. Physician Board Affiliations: London Philharmonic Orchestra</p>
<p>Richard W. Colburn President of Rck Properties, Inc., Henley Management Company and Negaunee Foundation. Board Affiliations: The Field Museum, WTTW Television, Chicago Symphony Orchestra</p>	<p>Aliza Lesser Treasurer for WoTIOH (Women of Temple Israel of Hollywood) and for Warriors Baseball Board Affiliations: LA Choreographers & Dancers, LA County Museum of Art, LA Phil, MOCA, New York City Ballet, The Broad Stage, UCLA Live and The Zimmer Children’s Museum</p>
<p>Alice Coulombe Committee President of Metropolitan Associates, founding member and former chair, Pasadena Arts Commission. 40 year Community and Civic Volunteer Board Affiliations: Los Angeles Opera, Los Angeles Music Center</p>	<p>Robert Lewis Managing Director, McKinsey & Company-Los Angeles and overseer of Southern California activities</p>

<p>Placido Domingo General Director, Los Angeles Opera; world-renowned operatic tenor and conductor</p>	
<p>Beverly Marksbury Leader and advocate, U.S. District and Superior Courts systems and programs in California. Former president of Pasadena Showcase House for the Arts Board Affiliations: San Marino League and the Pasadena Humane Society</p>	
<p>Steven Matt Co-Founder, President, and Chief Executive Officer of Matt Construction</p>	
<p>Toby Mayman Executive Director, The Colburn School <i>retired</i> Board Affiliations: Advisory Council of the Los Angeles Chamber Orchestra and National Council of the Santa Fe Opera</p>	
<p>Andrew Millstein President, Walt Disney Animation Board Affiliations: ASIFA and the Visual Effects Society</p>	
<p>Charles Read Partner, Jones Day LLP; professor of Law at UCLA School of Law</p>	
<p>Elizabeth Redleaf Founder of Werc Werk Works. Board Affiliations: Walker Art Center Film Society, IFP Minnesota, Cowles Center for Dance & the Performing Arts, ArtSpace Projects, Inc.</p>	
<p>Ann Ronus Former Director of the Los Angeles Philharmonic Association. Board Affiliations: Los Angeles Philharmonic</p>	
<p>Marc Sandman Senior Vice President of Labor Relations for the Disney/ABC Television</p>	
<p>Keith Terasaki, M.D. Radiologist and chief of the Diagnostic Imaging Department, Kaiser Permanente. Board Affiliations: John Wesley Community Health Institute</p>	
<p>Jim Ward Chief Investment Officer, Everett Harris & Co. and the Co-Founder of the Global Environment Fund</p>	
<p>Peter Wardle Partner, Gibson, Dunn & Crutcher Board Affiliations: Western Center on Law and Poverty and LA County Bar Assoc.</p>	
<p>Jonathan Weedman Senior Vice President, Wells Fargo Foundation Board Affiliations: Los Angeles Philharmonic, Southern California Grantmakers</p>	

OFFICERS

Sel Kardan President and Chief Executive Officer
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Seth Weintraub Treasurer and Chief Financial Officer
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Linda Cormier Secretary

APPENDIX B PROJECT PHOTOS



APPENDIX C FINANCIAL STATEMENTS 2012 - 2014