

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

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Colburn School ("The Colburn" or "School")	Par Amount Requested:	Not to exceed \$68,000,000
Applicant Description:	The Colburn is a California nonprofit, public benefit corporation, located in downtown Los Angeles. Founded in 1950, the School provides high-quality performing arts and music education to students of all ages and abilities.		
Type of Financing:	Conduit Tax Exempt Revenue Bonds		
Project Description:	The financing involves refunding IBank's 2015A Variable Rate Revenue Bonds and to pay certain costs of issuance in connection with the issuance and sale of the Bonds.		
Project Site:	200 S. Grand Avenue, Los Angeles, CA 90012 201 S. Olive Street, Los Angeles, CA 90012 (Los Angeles County)		
Plan of Finance:	IBank will issue up to \$68,000,000 in Tax-Exempt Revenue Bonds with a maximum of 36 year term (the "Series 2019 Bonds"). The proceeds from the Series 2019 Bonds will be used to refund, in whole, the Issuer's Variable Rate Revenue Bonds (The Colburn School), Series 2015A (the "2015A Bonds") and to pay certain costs of issuance.		
Type of Issue:	Public Offering		
Tax Status:	Tax Exempt		
Term:	Up to 36 years		
Credit Rating:	Expected S&P Global Ratings A-		
IBank Fees:	Application Fee \$3,500; Issuance Fee \$75,000; Initial Annual Fee \$3,000 per year		
STO Fees:	Agent For Sale \$6,000 to be paid to STO		
Estimated Sources of Funds:		Estimated Uses of Funds:	
Tax-Exempt Bond Proceeds	\$68,000,000.00	Refunding of Series 2015A	\$66,060,000.00
Premium/(Discount)	\$(1,940,000.00)	Deposit to Escrow Fund (Interest)	\$933,889.32
The Colburn Contribution	\$1,633,889.32	Costs of Issuance	\$700,000.00
TOTAL SOURCES	\$67,693,889.32	TOTAL USES	\$67,693,889.32
Financing Team:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP Underwriter: Bank of America Financial Advisor: BLX Group, LLC Trustee: Wells Fargo Bank, N.A.		
Public Benefits:	The Colburn will redeem the 2015A Bonds on or after December 1, 2019, and doing so will allow them to benefit from the current low interest rates. Any potential savings of the refunding will allow the School's continued pursuit of its mission: to offer the highest quality performing arts education by an outstanding faculty in an optimal learning environment.		
Date of Board Meeting: September 17, 2019	Resolution Number: 19-17	Prepared by: Steven Wright on 8/22/2019	
Staff Recommendation: Staff recommends approval of Resolution No. 19-17 authorizing the issuance of Conduit Tax Exempt Revenue Bonds in an amount not to exceed \$68,000,000 for the benefit of The Colburn School.			

BACKGROUND AND HISTORY

The Colburn is a California non-profit, public benefit corporation, located in downtown Los Angeles (L.A.). Its mission 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. The Colburn strives to provide students with an opportunity to continue their love for art and music education through professional training and career development. The school is located in the heart of downtown L.A. near the Museum of Contemporary Art, the Walt Disney Concert Hall, the Broad Museum, and the L.A. Music Center.

The Colburn began 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. The Colburn offers programs in music, dance, and drama to students of all ages. The Colburn's Conservatory of Music, established in 2003, offers Bachelor and Master of Music degrees, Artist's Diploma, Performance Diploma, and Professional Studies Certificates. Established in 2010, the Music Academy provides a curriculum of classes to pre-college students who are focused on careers in music. The Colburn offers fee based classes and lessons as well as financial aid and scholarship assistance to students in the programs.

The Colburn's Programs

Music – The music program is the largest at The Colburn. It offers individual instruction on orchestral instruments, piano, saxophone, guitar, recorder, and voice to beginners up to advanced level. The music program also focuses heavily on chamber music and ensembles that includes five orchestras, six choirs, seven jazz ensembles, a band, and a wind ensemble.

Early Childhood – This program introduces children, as young as seven months to eight years, to performing arts through music, theory, voice, dance, and drama. The approach is to help young children learn artistic information through fun activities that will build special interest and abilities.

The Trudl Zipper Dance Institute (TZDI) – This program develops highly trained dancers at both junior and adult levels. It focuses on the importance of fundamental, technique, creativity, as well as the pure enjoyment of dance. The program also includes choreography, dance history, improvisation, and music theory of dance.

The Colburn has 107 full-time equivalent faculty and 98 employees in various administrative and facilities maintenance capacities.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

PROJECT DESCRIPTION

The Colburn is requesting the issuance of conduit Tax-Exempt Revenue Bonds in an aggregate amount not to exceed \$68,000,000 to: (1) refund, in whole, the Issuer's Variable Rate Revenue Bonds (The Colburn School), Series 2015A (the "2015A Bonds"), and (2) pay costs of issuance. The 2015A Bonds were used to refund The Colburn's Series 2008 Bonds (the "2008 Bonds"). The proceeds of the 2008 Bonds were used to refund the Series 2005 Bonds, the proceeds of

which were used to construct, equip and furnish certain improvements to The Colburn. These include (i) constructing, equipping and furnishing 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 (ii) the renovation, furnishing and equipping of certain facilities within The Colburn (located at 200 South Grand Avenue, Los Angeles, California).

Refunding Series 2015A Bonds

The IBank Board approved Resolution No. 15-05 for the issuance of tax-exempt refunding revenue bonds in an aggregate amount not-to-exceed \$132,000,000 for The Colburn School on April 28, 2015 for Series 2015A and 2015B Bonds. The 2015A Bonds were issued as Index Rate Bonds with the Index Rate Scheduled Mandatory Tender Date to occur on June 1, 2020. The 2015A Bonds are subject to optional redemption on or after December 1, 2019. The Colburn requested IBank to issue Series 2019 Bonds in order to redeem only the 2015A Bonds on December 1st. Series 2015B Bonds will remain outstanding.

Bonds/ Obligations	Issue Date	Issued Par Amount	Outstanding Balance	Final Maturity Date	Interest Rate	Purpose of Financing
Series 2015A	5/27/2015	\$66,060,000	\$66,060,000	8/1/2037	SIFMA + 100 bps	Refund The Colburn Series 2008 Bonds, and pay the costs of issuance.

The Colburn Other Outstanding IBank Issued Debt

Bonds/ Obligations	Issue Date	Issued Par Amount	Outstanding Balance	Final Maturity Date	Interest Rate	Purpose of Financing
Series 2015B	5/27/2015	\$64,925,000	\$64,925,000	8/1/2037	SIFMA + 120 bps	Refund The Colburn Series 2011 Bonds, and pay the costs of issuance.

The Facilities financed with the proceeds of the previous bonds is comprised of the following properties:

200 S. Grand Avenue, Los Angeles, CA 90012
201 S. Olive Street, Los Angeles, CA 90012

(See Appendix B--Project Photos).

FINANCING STRUCTURE

IBank Term Sheet
The Colburn School
Board Meeting Date: **September 17, 2019**

Par Amount:	Not to exceed \$68,000,000, in one or more Tax Exempt series.
Type of Offering:	Public Offering
Lender/Underwriter:	BofA Securities, Inc.
Credit Enhancement:	None expected
Expected Credit Rating:	S&P Global Ratings: A-
Interest*:	Fixed Rate not to exceed 4% from Closing Date to but excluding August 1, 2029, then eligible for remarketing in another fixed mode or Variable Rate or SIFMA Average Index, which would not exceed 15%
Maximum Maturity:	August 1, 2055
Collateral:	Corporate personal property
Closing Date*:	October 12, 2019
Conduit Transaction:	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 payment 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 secured by an Indenture and sold through a public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to the Borrower pursuant to the Loan Agreement. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof during any Fixed Rate or Index Rate period. During any Daily, Weekly or Commercial Rate Periods, the authorized denomination would be \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds may initially bear interest at the Fixed Rate not to exceed 4% for 10 years up to August 1, 2029. Then from such date to final maturity date the Bonds may bear interest at Index Rates, Daily, Weekly or Commercial Paper Rates. On August 1, 2029 the Bonds are subject to a mandatory tender for purchase.

The Colburn has a Swap Agreement dated March 28, 2005 with Bank of America, NA, initially, in connection with The Colburn Series 2005B Bonds. The notional amount of Swap Agreement is \$65,000,000 with a fixed rate of 3.78% against a floating rate at 65% of a 30 day LIBOR plus 23 basis points to be paid by the counterparty. The Swap Agreement includes the Credit Support Annex, dated March 28, 2005 and a Confirmation, with a trade date of March 28, 2005 and will expire on August 1, 2037.

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 Colburn provides free community outreach programs for inner city students which provides an avenue for students to pursue an education in art. The Colburn's Center for Innovation and Community Impact Programs reach approximately 6,500 elementary school students in the community each year. These programs offer high quality education to students who may not have the financial resource to pursue performing arts instruction.

Center for Innovation and Community Impact Programs

Jumpstart – The program is designed for first through eighth-grade students. Its curriculum focuses on providing a foundation of musicianship skills and build students' performing experience and confidence.

Musical Encounter – This program, which started more than 40 years ago, introduces the performing arts to inner-city public school students attending 15 elementary schools in the downtown area. These students are treated to performances by The Colburn School students and faculty.

Summer Encounter – This is a free, two week program for students attending the same 15 elementary schools mentioned earlier and provides classes in guitar, voice, percussion, recorder, keyboard improvisation, drama and mime. During this two week program, lunch is provided each day.

The Colburn has elected to exercise its option to redeem the 2015A Bonds on December 1st in order to take advantage of current interest rates and avoid the risk of interest rates rising between December 1, 2019 and June 1, 2020. The 2015A Bonds were issued as Index Rate Bonds with scheduled Mandatory Tender Date on June 1, 2020. The Colburn will redeem the 2015A Bonds on or after December 1, 2019 and doing so will allow them to benefit from the current low interest rates.

Any potential savings of the refunding will allow the School’s continued pursuit of its objectives, as expressed by its mission statement to offer the highest quality performing arts education by an outstanding faculty in an optimal learning environment.

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 Publication:	09/10/2019
Publications:	<i>The Metropolitan News-Enterprise of Los Angeles and The Sacramento Daily Recorder</i>
Date of TEFRA Hearing:	09/17/2019
Oral/Written Comments:	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Applicant meets all of the IBank 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. The Borrower is capable of meeting the obligations incurred under relevant agreements. 3. Payments to be made by the Borrower 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. See Appendix C for Financial Statements. 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 No. 19-17 authorizing the issuance of Conduit Tax Exempt Revenue Bonds in an aggregate amount not to exceed \$68,000,000, for the benefit of The Colburn School.

APPENDIX A: GOVERNANCE AND MANAGEMENT

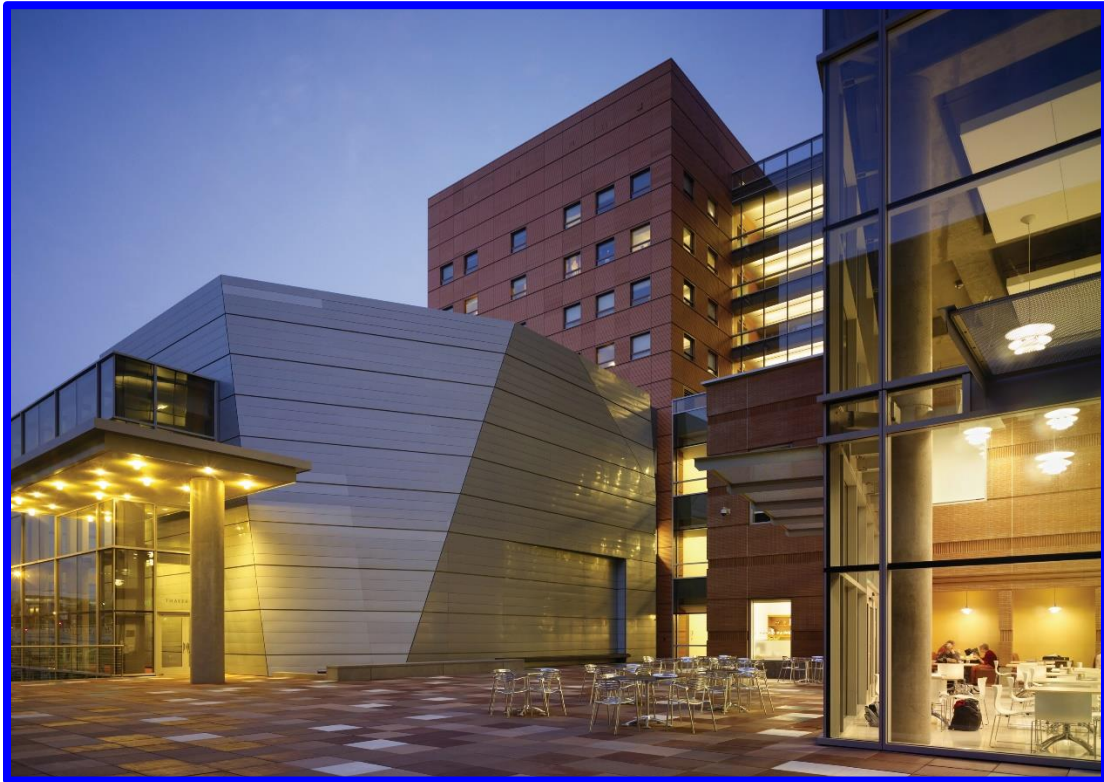
Board Members	
Daniel L. Avchen	Chairman and CEO, Hammel, Green & Abrahamson Architects & Engineers
David D. Colburn ⁽¹⁾ Chair – Finance & Investment Committee	President, Bixby Bridge Capital, LLC and Manager of Lincolnshire Associates, Ltd., Tantallon Lenders, LLC and Miranda Investors, LLC
Richard W. Colburn ^{(1) (2)}	President, RCK Properties, Inc., Henley Management Company, and Negaunee Foundation
Alice Coulombe	Former Committee President, Metropolitan Associates
Nathan D. Frankel	President, Advance Steel Recovery
Carol Colburn Grigor ^{(1) (2)} Lifetime Chairman Emeritus	Chairman, The Colburn School and The Colburn Foundation; President, Dunard Fund USA
Greg Guyett	Co-Head of Global Banking HSBC; Chief Operating Officer, East West Bank and East West Bancorp
Warner W. Henry	Owner and Chairman, The Henry Wine Group
Catherine Colburn Hogel, M.D.	Physician, Harvard Medical School
Molly Kirk	CSPA event supporter and Donor
Monica Kohler	Research Assistant Professor, California Institute of Technology
Aliza Lesser	Treasurer, WoTIOH (Women of Temple Israel of Hollywood)
Robert Lewis	Managing Director, McKinsey & Company- Los Angeles
Beverly C. Marksbury Chair – Audit Committee	Community leader and advocate
Andrew Millstein Chairman of the Board and Executive Committee	President, Walt Disney Animation, Walt Disney Animation Studios and Disney Toon Studios
Diane Naegele Chair – Communications Committee	President, RJN Productions, Inc.
Mahnaz Newman	Board of Directors and Executive Committee, Los Angeles Chamber Orchestra Executive Committee
Elizabeth Redleaf	Founder, Werc Werk Works

Board Members (Continued)	
Ann Ronus Chair – Community Engagement Committee	Former Director, Los Angeles Philharmonic
Marc L. Sandman Chair – Compensation Committee	Senior Vice President, Disney/ABC Television Group; Chief Spokesperson, The Colburn School
Harry B. Suh Chair – Advancement Committee	Executive Director, Morgan Stanley, Los Angeles
Keith Terasaki, M.D. Chair – Academic Affairs Committee	Chief of Diagnostic Imaging Department, Kaiser Permanente
Peter Wardle Chair – Governance Committee	Partner, Gibson, Dunn & Crutcher
Dylan Yolles	Equity Portfolio Manager, Capital Group, Los Angeles

- 1- Also member of The Colburn Foundation Board of Directors.
2- Also member of The Colburn Music Fund Board of Directors.

OFFICERS	
Sel Kardan	President and Chief Executive Officer
Seth Weintraub	Chief Financial Officer and Chief Administrative Officer
Linda Cormier	Secretary
Adrian Daly	Provost

APPENDIX B: PROJECT PHOTOS



APPENDIX C: FINANCIAL STATEMENTS 2016 – 2018