

June 4, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF CASH FLOW DEFICIT FUNDING AGREEMENT
WALT DISNEY CONCERT HALL PROJECT
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the attached Term Sheet for a Cash Flow Deficit Funding Agreement with Walt Disney Concert Hall I in an amount not to exceed \$22.5 million; and
2. Instruct the Chief Administrative Officer and County Counsel to prepare an Agreement as outlined in the Term Sheet and authorize the Chief Administrative Officer to sign the Agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Walt Disney Concert Hall I (Disney I) is a nonprofit corporation created for the sole purpose of constructing the Walt Disney Concert Hall. Disney I, in conjunction with the Music Center, has secured \$252 million in monetary pledges in order to fund the construction of the Concert Hall. The construction of the Concert Hall is scheduled to continue through April of 2003. Upon completion of construction, the building will undergo final preparations before the scheduled opening in October of 2003.

Honorable Board of Supervisors
June 4, 2002
Page 2

Through July of 2002, Disney I will have received \$202 million balance of the pledges in cash. The balance of the pledges, \$50 million, will continue to be received through the end of December 2005. The timing of the payment of the remaining pledges and the continued construction results in a gap between available cash and the timing of the project's expenditure requirements. The largest amount of this gap is an estimated cumulative \$22.5 million which is reached in January of 2003.

Disney I has asked the County to assist in closing this cash flow gap on a temporary basis by advancing the necessary cash to make construction related payments. Disney I will collateralize these advances through the granting of a security interest in the remaining pledges to the County.

FISCAL IMPACT/FINANCING

The commitment to advance the \$22.5 million will require the Auditor-Controller to reserve that amount during Fiscal Year 2002-03. This amount will be included in the Final Change letter to the Fiscal Year 2002-03 budget which will be before the Board in June. The reserve will be reduced as the pledge payments are received from Disney I. Disney I has agreed to make the County whole by repaying the advances with interest at the Treasury Pool rate.

FACTS AND LEGAL PROVISIONS

The officers of Disney I and the Music Center have agreed to the attached Term Sheet which describes the business points for the Agreement. The basic tenets of the Agreement include:

- As security for its payment obligations, Disney I and the Music Center will grant the County a security interest in:(i) all of Disney I's right, title and interest, if any, in and to all existing pledges relating to the Concert Hall; and (ii) the cash proceeds of all those pledges received by Disney I;
- As pledge receipts exceed the anticipated cash obligations of Disney I, then all pledges received will be paid to the County;

Honorable Board of Supervisors
June 4, 2002
Page 3

- Disney I will not use its available cash to fund the cost of additional improvements (such as the Founder's Room, proposed café, gift shop or restaurant tenant spaces) until all amounts owed the County are paid;
- In any event, Disney I will repay all amounts owed by December 31, 2006; and
- A default by Disney I under the agreements evidencing and securing the cash flow deficit funding agreement will constitute a default by Disney I under the Concert Hall Master Lease.

County Counsel and this office will prepare an Agreement which contains the provisions of the Term Sheet. Upon completion, the Agreement will be signed by Disney I, the Music Center and the Chief Administrative Officer.

ENVIRONMENTAL DOCUMENTATION

This action is exempt from the California Environmental Quality Act because it will have no effect on the environment.

IMPACT ON CURRENT SERVICES

None.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
JSE:mda

Attachment

- c. Executive Officer, Board of Supervisors
County Counsel
Walt Disney Concert Hall I
Performing Arts Center of Los Angeles County

Honorable Board of Supervisors
June 4, 2002
Page 4