STANDARD & POOR'S PUBLIC FINANCE

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The J. Paul Getty Trust, California; Higher Education, Non-Profit Organizations

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Rationale

Outlook

The J. Paul Getty Trust

Finances and Debt

Credit Profile

$275. mil var rate rev bnds (The J. Paul Getty Trust) ser 2003A-D due 04/20/2033	AAA/A-1+
Sale date: 13-MAY-2003	

AFFIRMED
California Statewide Comntys Dev Auth, California

$99.600 mil. CALIFORNIA STATEWIDE COMNTY DEV AUTH (J PAUL GETTY TRUST) CERT OF PART	AAA
OUTLOOK:	STABLE

AFFIRMED
California Statewide Comntys Dev Auth, California

$158.000 mil. California Statewide Comntys Dev Auth (J Paul Getty Tr) tax-exempt comm paper nts (J Paul Getty Tr) ser 2002 due 07/15/2031	A-1+
OUTLOOK:	STABLE

Rationale

An 'AAA/A-1+' rating is assigned to the California Infrastructure and Economic Development Bank's $275 million variable-rate debt series 2003, issued for the J. Paul Getty Trust, the 'AAA' rating is affirmed on the trust's $99.6 million of outstanding long-term debt, and the 'A-1+' rating is affirmed on the trust's outstanding $225 million (authorized) CP Program. The 'AAA' long-term rating reflects the trust's very large unrestricted endowment relative to operating expenses and outstanding and proposed debt, and significant expenditure flexibility. Proceeds will be used to refund $88.6 million of the CP and to finance the renovation, construction, furnishing, and equipping of museums owned and operated by the Getty Trust in Los Angeles. The bonds will be sold as four separate series of debt, each of which could potentially be in a different interest rate mode. Series A and series B will be sold initially in the weekly mode and series C and series D in the daily mode. The trust has no plans for major capital projects after this project, the renovation of the Malibu Villa, is complete. While the Getty is run as a museum, Standard & Poor's Ratings Services evaluates the credit as an operating foundation. Unlike private foundations, the Getty is not required to spend a certain portion of its assets each year to retain its tax-exempt status.

Liquidity is provided by The J. Paul Getty Trust.

The 'A-1+' short-term rating on both the variable-rate demand bonds and the CP program reflects the ample liquidity and high quality of the trust's fixed-income portfolio and cash-equivalent holdings.

The trust has committed a substantial amount of same-day liquid assets and has established clear and detailed liquidation procedures to ensure full and timely payment of any bonds in the event of a failed remarketing. These sources of same-day liquid assets exceeded $640 million at March 3, 2003 and included operating cash in Treasurer's account, money market funds, Short-Term Investment Funds, and U.S. Treasury bills, notes and U.S. agencies held in long-term investment accounts.

Standard & Poor's has assessed the credit quality and liquidity of the assets committed to meet bond payments, and has closely reviewed the liquidation plans established by the treasurer and senior management. The funds are invested in the highest credit quality. The highly liquid assets have a low-to-moderate level of market risk. Both short-term and longer-term fixed-income assets are managed by three external professional investment managers, who can provide same-day liquidity in the event funds are required for bond payments. Standard & Poor's will regularly monitor the liquidity, credit quality, and sufficiency of the fixed-income assets identified as the source of liquidity for these bonds.

Outlook

The stable outlook rests on Standard & Poor's expectation that any future debt will be commensurate with continued growth of trust assets, and that the trusts' financial resources will continue to provide it with overwhelming coverage of current expenses and liabilities.

The J. Paul Getty Trust

The Getty Trust is a private operating foundation formed under Section 103 of the Internal Revenue Code of 1986. It is a charitable trust devoted to the visual arts and humanities and based at the Getty Center in Los Angeles. Through four primary venues--the J.Paul Getty Museum, the Getty Research Institute, the Getty Conservation Institute, and the Getty Grant program--the trust serves both the public and various professionals. J. Paul Getty's estate was settled in 1981, after which the trustees expanded the mission from a very broad based program to the four main divisions operating today. The completion of the Getty Center in 1997 was the next big step in the history of the trust. The Getty Center combines the various programs and the Getty Museum on 110 acres in Los Angeles. The renovation of the Villa Museum is not a new project, although the trustees did not anticipate the project would be undertaken until the Getty Center was complete. Improvements at the Getty Villa began in March 2000, and the project is expected to be complete and open to visitors by the end of 2005. Although litigation slowed down construction, it is no longer an issue.

Finances and Debt

At the close of fiscal 2002, the Getty Trust held $4.0 billion in cash and investments (marketable securities), down approximately $1 billion from 2001, which covers pro forma debt of $444 million (which does not include the full amount of authorized CP) by over 9x and current operating expenses by 20x, down from 28x in 2001. The trust has no significant liabilities other than the outstanding $99.6 million of revenue bonds, sold in 1994 and a CP program of currently $158 million, although authorized to $225 million, begun in 2002. Since there were no donor restrictions as per the trust, nearly 100% of the Trust's assets ($7 billion in fiscal 2002) are considered to be unrestricted. The trust's operating expenses totaled $246 million in fiscal 2002. Included in the $274 million of operating revenue, gains, and other support were $260 million of endowment funds used for operations. The fiscal 2003 budget approves endowment spending of $256.8 million, but this amount drops in fiscal 2004 to $231.2 million as a result of a more conservative endowment spending formula and endowment losses. As a percentage of total expenses, museum operations comprised 35% of the total, followed by research and library (21%), and general and administrative costs (18%). Management indicates that it has several areas of expenditure flexibility and variable costs, if investment markets remain weak and endowment levels are stagnant.

The trust's cash and investments at the close of fiscal 2002 covered its operating expenses by a substantial 20x; however, the trust largely relies on this endowment to produce the investment income necessary to run operations. For the six-month period ending Dec. 31, 2002, the trust returned a negative total return of 5.9%. The trust's two-year returns are a negative 7.3%, nearly on par with the TUCs median of negative 7.0%. As of July 1, 2000 the trust's approved asset allocation model was moderately conservative, with targets of 40% domestic equity, 20% international equity, 30% fixed income, and 10% alternative investments.

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