

GOVERNMENT OPERATIONS COMMITTEE REPORT relative to the Fourth Construction Projects Report (CPR) for Fiscal Year 2023-24.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

APPROVE the recommendations contained in the City Administrative Officer (CAO) report dated March 15, 2024, attached to the Council file.

Fiscal Impact Statement: The CAO reports that the recommendations stated in the report include transfers, appropriations, and expenditure authority totaling \$48.24 million consisting of \$30.32 million from various special funds, \$6.79 million in Municipal Improvement Corporation of Los Angeles (MICLA) financing, \$6.69 million in Capital and Technology Improvement Expenditure Program (CTIEP) funds, \$2.77 million from grant awards, and \$1.67 million from the General Fund. All transfers and appropriations are based on existing funds, reimbursements, or revenues. There is no additional General Fund impact for operations and maintenance costs as a result of the recommendations detailed in Attachment No. 4 of the CAO report dated March 15, 2024, attached to the Council file.

Financial Policies Statement: The CAO reports that the recommendations stated in the report comply with the City's Financial Policies in that appropriations for funds are limited to available cash balances needed to fund ongoing maintenance, programming, project shortfalls, and critical operational needs in the current budget year.

Debt Impact Statement: The CAO reports that the issuance of MICLA debt is a General Fund obligation. An appropriation of \$3,040,714 in MICLA funds (Items P, T and QQQ) would cause the City to borrow \$3,040,714 at an approximate 5.5 percent interest rate over 20 years. The transfer of \$2,305,696 in MICLA funds (Items IIII, JJJJ, KKKK, LLLL, QQQQ, and RRRR) would cause the City to borrow \$2,305,696 at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service for these nine MICLA-financed capital improvement projects totaling \$5,346,412 is \$8,947,685, including interest of approximately \$3,601,275. During the life of the bonds, the estimated average annual debt service is \$447,384 over 20 years. The appropriation of \$197,445 in MICLA funds to Department of Generals Services's budgetary accounts (Items YY and SSS) for Yards and Shops Capital Equipment and electrical equipment replacement upgrades, respectively, would cause the City to borrow \$197,445 at an approximate 5.5 percent interest rate over 10 years. The total estimated debt service for these two capital equipment Items is \$261,947, including interest of approximately \$64,502. During the life of the bonds, the estimated average annual debt service is \$26,195 over 10 years.

Because future interest rates cannot be fully predicted, actual interest rates are dependent on market conditions at the time of issuance. In accordance with the City's Debt Management Policy, the City has an established debt ceiling to guide in evaluating the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is 6.0 percent. The 2023-24 Adopted Budget non voter-approved debt ratio is 2.54 percent. The issuance of debt for these projects will not cause the City to exceed the six percent non voter-approved debt limit.

The issuance of MICLA for the reauthorization of the Los Angeles Convention Center Expansion project, which requires an additional \$500,000, would cause the City to borrow \$500,000 at an approximate 5.5

percent interest rate over 20 years. The total estimated debt service for the projects is \$1,105,302, including interest of approximately \$444,863. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance.

Community Impact Statement: None submitted

**(Budget, Finance and Innovation Committee waived consideration of this matter on April 16, 2024)**

SUMMARY

At the meeting held on April 9, 2024, your Government Operations Committee considered a CAO report Fourth CPR for Fiscal Year 2023-24.

After an opportunity for public comment was held, the Committee approved the recommendation, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

GOVERNMENT OPERATIONS COMMITTEE

| <u>MEMBER</u> | <u>VOTE</u> |
|---------------|-------------|
| PADILLA       | YES         |
| HERNANDEZ     | YES         |
| HUTT          | YES         |

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**-NOT OFFICIAL UNTIL COUNCIL ACTS-**