

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

Your

**BUDGET AND FINANCE**

**Committee**

**reports as follows:**

BUDGET AND FINANCE COMMITTEE REPORT relative to the 2009-10 Municipal Improvement Corporation of Los Angeles (MICLA) Fleet Replacement Program.

Recommendation for Council action:

REAFFIRM approval of the recommendation of the City Administrative Officer (CAO) contained in the October 15, 2010 First Financial Status Report (FSR) relative to the use of \$12,230,000 in MICLA financing included in the 2009-10 Budget for the purchase of 48 vehicles for the Departments of General Services, Recreation and Parks and Transportation and the Bureau of Street Services (FSR recommendation number 16).

Fiscal Impact Statement: The CAO reports that the impact to the General Fund as a result of the purchase of 48 vehicles using Recovery Zone Economic Redevelopment Bonds is \$15 million over 10 years. If MICLA is used in 2011, the impact to the General Fund would be \$16.7 million over 10 years.

Community Impact Statement: None submitted.

**SUMMARY**

At a regular meeting held on October 25, 2010, the Budget and Finance Committee considered a CAO report relative to the 2009-10 MICLA Fleet Replacement Program. During Council consideration of the First FSR, the CAO was instructed to report back on GSD's request to purchase 48 vehicles through the MICLA Fleet Replacement Program for \$12.23 million. The CAO was specifically requested to address the debt service associated with this purchase, the impact of not replacing these vehicles and whether the purchase of these vehicles conflicts with the fleet reduction goal of 2,000 vehicles included in the 2010-11 Budget.

The CAO reports that the debt service for the \$12.23 million is \$15 million which will be financed using Recovery Zone Economic Development Bonds rather than MICLA. This assumes a 10-year term at 4.9% interest and a \$1.7 million interest subsidy paid for by the Federal government. The purchase of this equipment is part of a larger issuance of Recovery Zone Bonds and the 10-year term represents a weighted average of the useful life of all the items to be purchased. If the bonds are not issued this year, the City will not be eligible for the interest subsidy and the debt service for the 48 vehicles will increase by \$1.7 million from \$15 million to \$16.7 million.

Representatives of the CAO and GSD provided an overview of the matter and responded to related questions from Committee members. The Committee expressed concerns regarding the acquisition of replacement fleet vehicles and the CAO and GSD representatives confirmed that these 48 trucks are not part of the 2,000 vehicles targeted for elimination in the preliminary fleet utilization study conducted by GSD. Additionally, the representatives reiterated that none of the replacement fleet vehicles in this request were for cars or sedans. The Committee emphasized

that additional Council approval would be needed if any replacement fleet vehicles were for cars or sedans. After further discussion and allowing for public comment, the Committee moved to reaffirm approval of the recommendation of the CAO contained in the First FSR relative to the use of \$12,230,000 in MICLA financing included in the 2009-10 Budget for the purchase of 48 vehicles for the Departments of General Services, Recreation and Parks and Transportation and the Bureau of Street Services (FSR recommendation number 16).

This matter is now submitted to Council for its consideration.

Respectfully submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PARKS	YES
SMITH	YES
ROSENDAHL	ABSENT
HUIZAR	ABSENT
KORETZ	YES

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**- Not Official Until Council Acts -**