

BUDGET AND FINANCE COMMITTEE REPORT relative to funding recommendations for the Sixth Street Viaduct Replacement Project.

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

1. AUTHORIZE Municipal Improvement Corporation of Los Angeles (MICLA) Commercial Paper totaling \$23,920,000 to fund project elements listed in Table 3 and 4, and Item No. 9 on Table 5 of the Public Works Bureau of Engineering (BOE) report dated September 14, 2015 (attached to the City Administrative Officer [CAO] report dated September 29, 2015 [attached to Council file No. 14-1510-S5]); and, AUTHORIZE the BOE to increase the ceiling for the construction contract with Skanska/Stacey and Witbeck, a Joint Venture (Contract No. C-123545) by the same amount for construction of these elements.
2. INSTRUCT the CAO to identify within six months a City-owned property, valued at \$23,920,000, that can be used as the leased asset for the refinancing through the asset transfer method.
3. INSTRUCT the BOE to request that \$17,300,000 needed for project elements listed on Table 5 of the BOE Report dated September 14, 2015 (attached to the CAO report dated September 29, 2015) be included in future budgets and reimbursed through grant opportunities, call for projects and other funding sources.
4. INSTRUCT the Public Works Bureau of Street Services to include the portions of Clarence Street, Anderson Street, and Mission Road under the Sixth Street Viaduct in the annual street resurfacing program at the completion of the Project in Fiscal Year 2018-19.

Fiscal Impact Statement: The CAO reports that authorization of the \$23.92 million in MICLA funding requested in this action will have an impact on the General Fund.

Debt Impact Statement: The CAO reports that the issuance of MICLA lease revenue bonds is a General Fund obligation. The proposed project cost of \$23.92 million will result in an estimated total debt service of \$37.71 million, which includes the borrowing amount and interest (\$13.83 million). During the life of the bonds, the estimated average annual debt service is \$1.88 million over 20 years. Actual interest rates may differ, as rates are dependent on market conditions at the time of issuance. The CAO advises that it cannot fully predict what interest rates will be in the future.

In accordance with the City's Debt Management Policy, the City has set debt ceilings to use as a guide in evaluating the affordability for future debt. The debt ceiling for non-voter direct debt service as percent of General Fund Revenues is six percent. The City is currently at 4.5 percent. The proposed issuance will not cause the City to exceed its debt ceiling.

Community Impact Statement: None submitted.

(Public Works and Gang Reduction Committee waived consideration of the above matter)

SUMMARY

At its regular meeting held on October 5, 2015, the Budget and Finance Committee considered a report dated September 29, 2015 from the CAO relative to funding recommendations for the Sixth Street Viaduct Replacement Project (Public Works and Gang Reduction Committee waived consideration of this matter).

In its report, the CAO forwards the recommendation of the Seismic Governance Committee (SGC) for \$41.22 million in additional funding for the Sixth Street Viaduct Replacement Project, and that \$23.92 million of that amount be authorized from MICLA Commercial Paper as interim financing with the remaining \$17.3 million to be funded over the next two years through the budget process and other funding sources. The CAO further reports that the MICLA Commercial Paper notes will be financed into long-term debt, and as a component of lease revenue refinancing, the CAO will identify a City-Owned property valued at \$23.92 million that can be used as the leased asset for the refinancing through the "asset transfer" method, as recommended by the SGC.

The Municipal Facilities Analyst for the CAO addressed the Committee and provided an overview of the matter, and responded to related questions. During further discussion of the matter, the Committee Chair inquired about the function and purpose of the asset transfer. The CAO's Chief of Debt Management provided a detailed explanation about the asset transfer process and assured the Committee that this was common practice in order to use MICLA funding for eligible purposes determined as priorities by the Mayor and Council.

After consideration, and after providing an opportunity for public comment, the Committee approved the recommendations in the CAO report. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



| <u>MEMBER</u> | <u>VOTE</u> |
|---------------|-------------|
| KREKORIAN: | YES |
| ENGLANDER: | YES |
| KORETZ: | ABSENT |
| BLUMENFIELD: | YES |
| BONIN: | YES |

REW
10/5/15
FILE NO. 14-1510-S5

-NOT OFFICIAL UNTIL COUNCIL ACTS-