

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-03994-0047

Date: March 8, 2016

To: The Mayor
The CouncilFrom: Miguel A. Santana, City Administrative Officer Subject: **SB 165 ANNUAL REPORT REQUIREMENTS FOR FISCAL YEAR 2014-15
PROPOSITION O PROGRAM**

Under California Government Code Section 53411, enacted as part of the Local Agency Special Tax and Bond Accountability Act of 2000 (SB 165), which applies to any local bond measure placed on the ballot on or after January 1, 2001, the chief fiscal officer of the issuing local agency is required to file an annual report with its governing body concerning the use of local bond measure proceeds. Section 53411 requires the annual report to include: (a) the amount of funds collected and expended; and (b) the status of any project required or authorized to be funded as identified in the statement indicating the specific purposes of the bond authorization. At this time, the requirements of SB 165 apply only to the Proposition Q – Citywide Public Safety General Obligation Bond, which was approved by the voters in March 2002, and to the Proposition O – Clean Water, Ocean, River, Beach, Bay Storm Water Cleanup General Obligation Bond approved by the voters in November 2004. This annual report concerns Proposition O bond proceeds for Fiscal Year 2014-15.

Proposition O authorized \$500 million in general obligation bonds to finance projects that assist in bringing the City into compliance with the Federal Clean Water Act. The Proposition O Program consists of projects designed to remove trash, bacteria and stormwater pollution from the City's rivers, lakes, beaches and the ocean, as well as reduce flooding and increase water conservation in order to meet Total Maximum Daily Load (TMDL) requirements for trash and bacteria. A TMDL is a calculation of the maximum amount of a pollutant that a water body can receive and still safely meet water quality standards.

General obligation bonds for Proposition O are issued as needed to meet anticipated expenditures for the coming fiscal year. To date, \$439.5 million has been issued, with \$60.5 million in bond authority remaining. In Fiscal Year 2005-06, the City issued \$37 million in general obligation bonds to fund pre-design and design activities, and other direct project costs including, but not limited to, environmental, survey and geotechnical services and construction. In Fiscal Years 2006-07, 2008-09, 2009-10, and 2011-12 the City issued an additional \$8 million, \$101 million, \$176.5 million and \$117 million in general obligation bonds, respectively, to continue these services. No general obligation bonds were issued in Fiscal Year 2007-08 and 2010-11.

The City generally identifies the needs of all the active bond-funded construction programs before issuing general obligation bonds in any given fiscal year. Bond proceeds from issuances equal the sum of a bond's par value, any premium or discount, and interest earnings.

The Office of the Controller prepares the City's Comprehensive Annual Financial Report (CAFR), which reports the tax revenue collected to pay debt service on outstanding general obligation bonds. The CAFR to be published in 2016 will be for Fiscal Year 2014-15. Because the tax revenue and debt service payment information in the CAFR pertains to the various bond programs under the General Obligation Bonds Series 2005-A, Series 2006-A, Series 2008-A, Series 2009-A&B and Series 2011-A the Office of the Controller has prepared a Schedule of Receipts and Expenditures (Attachment A), which provides the pertinent information relative to Proposition O. Total debt service payments in Fiscal Year 2014-15 for the five bond issuances were \$37.1 million (September 2014 and March 2015) while the total receipts from the same fiscal year were \$38.2 million (\$36.9 million from property tax assessments, \$256,862 from interest earnings, \$958,281 from reimbursements and \$49,266 in transfers from other funds). Because the actual tax assessment remittance from the County (starting in December) and the debt service payments (March and September) are at different time periods, the tax levy is structured to address this timing difference. As presented in Attachment A, cash forwarded from the previous fiscal year (\$36.0 million) covers the September 2014 debt service payment (\$29.7 million). Fiscal Year 2014-15 assessments (\$36.9 million) cover debt service payments for March 2015 (\$7.4 million). The fiscal year end cash balance (\$37.0 million) will cover the debt service payment for September 2015 of the following fiscal year (\$30.6 million). Excess receipts/assessments, which are mainly due to interest earnings, bond premiums and the difference between actual and projected payment delinquencies, are carried forward to the next fiscal year with a corresponding reduction in the assessment amount for that year.

Proposition O bond funds are used to front-fund water quality, Proposition O eligible, Federal and State grants, as shown in the 2015 Annual Report (Attachment B). Reimbursements from these grants are deposited into the Proposition O fund from which they were expended, and are reallocated to Proposition O projects within the budgets approved by the Mayor and the Council. The front-funding process increases the Proposition O budget appropriations by the amount of the grant reimbursement. The combination of bond proceeds from interest earnings and grant reimbursements increases the Proposition O budget beyond the \$500 million bond authorization. This is reflected in the \$554.2 million approved budget shown in the Planned Use of Bond Proceeds (Attachment C) and summarized in the following table:

Budget Category	Budget Amount
Land Acquisition	\$ 42.4 million
Pre-Design/Design	\$ 57.0 million
Construction	\$ 355.2 million
Construction Management	\$ 41.3 million
Consultants	\$ 1.0 million
City Staff	\$ 33.6 million
Program Contingency	\$ 20.1 million
Total	\$ 554.2 million

SB 165 further requires a status of the project(s) as identified in the statement of the specific purposes of the bond authorization. The 2015 Monthly Report includes the status of all Proposition O projects. As of June 2015, the status of the 42 approved projects is as follows:

1	Land Acquisition
2	Pre-Design
2	Design
2	Bid & Award
6	Construction
29	Completed
42	TOTAL

The CAFR is published approximately six months after the closeout of each fiscal year. More current construction program information is available in the program status reports transmitted to the Mayor and City Council on a monthly basis. Additionally, the Proposition O Administrative Oversight Committee and Citizens Oversight Advisory Committee hold monthly public meetings with notices given as required by the Brown Act. All of the program status reports are available on the Bureau of Engineering Proposition O Clean Water Bond Program website at http://eng.lacity.org/projects/prop_o/index.htm.

In accordance with SB 165, we will report annually on the receipts and expenditures of Proposition O and on the status of the projects.

RECOMMENDATION

That the Mayor and Council note and file the report inasmuch as it is for informational purposes only and no action is required.

FISCAL IMPACT STATEMENT

The costs associated with the construction of facilities under the Proposition O Program will be paid through the issuance of \$500 million in general obligation bonds, interest earnings, and grant reimbursements. There is no anticipated cost to the General Fund for design and construction. It is anticipated that operation and maintenance costs for the completed facilities will be programmed into the City's annual budget process.

Attachments: Schedule of Receipts and Expenditures (Attachment A)
 2014 Annual Report (Attachment B)
 Planned Use of Bond Proceeds (Attachment C)