

BUDGET AND FINANCE COMMITTEE REPORT relative to funding adjustments and implementing authorities for the Bridge Improvement Program (BIP) and the Sixth Street Viaduct Replacement Project.

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

1. CONCUR with Recommendation Nos. 1, 2a, 2b, 3, and 4 of the Public Works and Gang Reduction Committee report dated February 20, 2019 (attached to Council file No. 15-0411-S2).
2. INSTRUCT the City Administrative Officer (CAO) to report the current construction timeline and the budget status of the Six Street Viaduct Replacement project.

Fiscal Impact Statement: The CAO reports that there is no additional General Fund impact. Subject to a final determination by the Federal Highway Administration (FHWA), if the Public Works, Bureau of Engineering's (BOE) final appeal for the reimbursement of real estate costs incurred for the Sixth Street Project is denied, the Project would utilize up to \$7.29 million from the Capital Improvement Expenditure Program for the repayment of non-reimbursable real estate costs (Parcels 14F and 25F). In addition, a \$6 million Municipal Improvements Corporation of Los Angeles (MICLA) allocation would be repurposed and used to partially offset funds currently dedicated to the BIP's and Sixth Street Viaduct Project's construction activities. The balance (up to \$1,289,200) will be derived from an existing BIP contingency account. The real estate expenses for the acquisition of Parcel 16F will be funded from the Sixth Street Project's Fund No. 54W, Sixth Street Viaduct Improvements Fund, which receives Federal grant reimbursement funds.

Debt Impact Statement: The CAO reports that the issuance of MICLA bonds is a General Fund obligation. The issuance of \$6 million in MICLA bonds for Sixth Street Project approved by the Council and Mayor in the Fiscal Year 2018-19 Adopted Budget, and subsequently reauthorized in a CAO/Chief Legislative Analyst joint report (Council file No. 18-0600 S151), will cause the City to borrow a total of approximately \$10 million, including \$4 million in interest, over 20-years at an estimated 5.5 percent interest rate. During the life of the bonds the estimated average annual debt service is \$502,000 over the 20 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. The CAO cannot fully predict what interest rates will be in the future. 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 City is currently at 4.15 percent for 2018-19. The issuance of the debt from this re-authorization will not impact the City's debt capacity for non-voted approved debt as the issuance of debt for this project is already included in the debt ratio.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on March 18, 2019, the Budget and Finance Committee considered reports from the CAO and the Public Works and Gang Reduction Committee relative

to funding adjustments and implementing authorities for the BIP and the Sixth Street Viaduct Replacement Project. Representatives from the CAO and the BOE presented the report and answered the Committee's questions relative to the expected completion date of the project and the status of the project's funds.

The CAO reports that the Sixth Street Project received a total allocation of approximately \$396 million in funding through the Highway Bridge Program. The FHWA administers the Highway Bridge Program grant through Caltrans. Following a lengthy review process, Caltrans provided a determination that \$7.29 million in expenses incurred for the acquisition of two parcels acquired for the project (Parcels 14F and 25F) were considered non-reimbursable expenses because the City had combined payments for the associated acquisition and relocation costs. The City filed formal appeals to both Caltrans and the FHWA, and both were denied. Since the appeals have been denied, the CAO requested the Budget and Finance Committee consider only Recommendation Nos. 1, 2(a), 2(b), 4, and 5 of its report, inasmuch as the remaining recommendations were no longer applicable.

After providing an opportunity for public comment, the Budget and Finance Committee recommended that Council approve the recommendations as listed above; and, instruct the CAO to submit a report on the construction timeline and budget status of the Six Street Viaduct Replacement Project. This matter is now forwarded to Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN	YES
PRICE	ABSENT
KORETZ	YES
BONIN	YES
BLUMENFIELD	YES

AC 15-0411-S2 3-18-19

-NOT OFFICIAL UNTIL COUNCIL ACTS-