

COMMUNICATION FROM THE CITY ADMINISTRATIVE OFFICER

DATE: October 17, 2016

REFERENCE: 2016-17 First Construction Projects Report

COUNCIL FILE NO.: 16-1114

Date: 10/17/16

Submitted in: Budget **Committee**

Council File No.: 16-1114

Item No.: 2

DEBT IMPACT STATEMENT

The issuance of Municipal Improvement Corporation of Los Angeles (MICLA) Bonds is a General Fund obligation. The re-authorization to use MICLA financing provided for in the Adopted Budget will cause the City to borrow approximately \$101.6 million at a 5.0 percent interest rate. The total estimated debt service is \$163.1 million which includes the borrowing amount and interest (\$61.5 million). During the life of the bonds, the estimated average annual debt service is \$8.2 million over 20 years.

Communication from the City Admin. Officer

Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. We 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 4.12 percent. 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 routine capital improvements is already included in the debt ratio.