

BUDGET AND FINANCE COMMITTEE REPORT relative to the status of the Municipal Improvement Corporation of Los Angeles' (MICLA) Commercial Paper Programs and reauthorization of expired MICLA projects.

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

1. AUTHORIZE the Controller to disencumber up to \$962,562.07 and reduce \$49,973,542.57 in appropriations in Fund No. 298 as specified in Attachment A of the City Administrative Officer (CAO) report dated January 13, 2020 (attached to Council file No. 20-0036).
2. REAUTHORIZE the use of up to \$79,368,039 in MICLA financing for projects listed in Attachment B of said CAO report until the end of Fiscal Year (FY) 2021-22 to allow for continued use of these funds beyond the City's MICLA Three-Year Policy.
3. AUTHORIZE the Controller to reduce \$19,870,334.73 in appropriations and disencumber \$4,540,004.65 in Fund No. 26X and appropriate \$19,860,138.64 and encumber \$4,540,004.65 in Fund No. 298 as specified in Attachment C of said CAO report.
4. AUTHORIZE the CAO to make technical corrections, as necessary, to the transactions authorized through this report, as required, to implement the Mayor and Council's intentions.

Fiscal Impact Statement: The CAO reports that there is no impact to the General Fund as a result of the recommendations in this report as funds are budgeted in the FY 2019-20 Adopted Budget for the payment of interest on commercial paper notes issued for the reauthorized projects. The transfers recommended are based on existing appropriations between MICLA Bond Fund No. 26X to the MICLA Commercial Paper Fund No. 298.

Debt Impact Statement: The issuance of MICLA debt is a General Fund obligation. The issuance of MICLA debt for the reauthorized projects included in this report would cause the City to borrow approximately \$79,369,000 at an approximate 5.5 percent interest rate over 20 years. The total estimated debt service is \$132,830,000, including interest of approximately \$53,461,000. During the life of the bonds, the estimated average annual debt service is \$6,642,000 over 20 years. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. It cannot fully be predicted 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 3.92 percent for 2019-20. The issuance of the debt for this project will not impact the City's debt capacity for non-voted approved debt as the issuance of debt for the projects is already included in the debt ratio.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on January 27, 2020, the Budget and Finance Committee considered a CAO report dated January 13, 2020, attached to the Council file, relative to the status of the MICLA Commercial Paper Programs and reauthorization of expired MICLA projects. The CAO reports updates on the MICLA Commercial Paper Programs, including the total amount of outstanding notes and recent interest rates. Also included are recommendations meant to keep the City compliant with the Internal Revenue Services bond proceeds expenditure time limitations and the City's Financial Policies, namely the Three-Year Spending Policy. The City's Three-Year Spending Policy states that MICLA funds that remain unspent for a period longer than three years from the date of availability shall be subject to reversion to pay debt service and/or to offset new MICLA projects. The City Policies also state that MICLA funds remaining unencumbered after 18 months from the availability of the bond proceeds shall be subject to reversion.

After providing an opportunity for public comment, the Budget and Finance Committee approved the recommendations in said 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
PRICE:	YES
KORETZ:	YES
BLUMENFIELD:	YES
BONIN:	ABSENT



MM 1-27-20 Council file No. 20-0036

-NOT OFFICIAL UNTIL COUNCIL ACTS-