

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 9, 2022

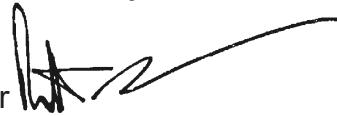
CAO File No. 0220-05291-1228

Council File No.

Council District: ALL

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference:

Subject: **RESOLUTION OF EXPECTATION TO ISSUE GENERAL OBLIGATION BONDS FOR PROPOSITION HHH**

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### RECOMMENDATION

That the Council approve the Resolution authorizing the City Administrative Officer (CAO) to take preliminary actions to consult and coordinate with the Office of the City Controller (Controller) with respect to the levy of ad valorem taxes in an amount sufficient to pay the portion of principal and interest on general obligation bonds that the City expects to issue for Proposition HHH in 2022-23.

### SUMMARY

The CAO expects to issue and sell general obligation bonds (Bonds) in an approximate principal amount of \$389,435,000 in 2022-23 pursuant to the Government Code and the Proposition HHH Authorization to finance permanent supportive housing projects. As the CAO plans to issue the Bonds after the City submits the Tax Rate Ordinance to the County of Los Angeles, which on behalf of the City will bill and collect the tax that will be used to pay debt service for outstanding general obligation bonds, the Controller has accounted for the estimated debt service for the Bonds in its tax rate computation, which covers the period of July 2022 through September 2023. The estimated debt service payment for the Bonds due on September 1, 2023 is approximately \$37.6 million.

The purpose of the attached Resolution is to satisfy the Government Code by memorializing the City's expectation to issue the Bonds. Section 5403 of the Government Code states that when bonds to be issued by or on behalf of a public body have been authorized by an election or other method provided by law, and where it is expected that all or any part of such bonds will be sold at such time that principal or interest on such bonds will become due before the proceeds of a tax or assessment levied after such sale would be available to pay such principal or interest, the governing body, at the time of fixing the annual tax or assessment levy, may levy a tax or assessment, as the case may be, in an amount clearly sufficient to pay that portion of the principal of and interest on said bonds which it is expected will become due before the proceeds of the next succeeding tax or assessment levy will be available.

The attached Resolution authorizes the CAO to take preliminary actions with regards to consulting and coordinating with the Controller with respect to the levy of ad valorem taxes in an amount sufficient to pay the portion of principal and interest on the Bonds expected to be due before the proceeds of the next succeeding tax levy will be available. This Office will report to the Council prior to the Bond issuance, which is anticipated to take place in September 2022.

### **FISCAL IMPACT STATEMENT**

There is no fiscal impact on the General Fund from approval of the recommendation in this report. The principal and interest on the Bonds will be paid from ad valorem taxes levied upon all of the taxable properties within the City.

### **DEBT IMPACT STATEMENT**

The issuance of the Bonds will result in estimated debt service payments that average \$29.7 million annually over 20 years. The actual amount of debt service will be determined at the time of issuance subject to market conditions. The principal and interest on the Bonds will be paid from ad valorem taxes levied upon all of the taxable properties within the City.

### **FINANCIAL POLICIES STATEMENT**

The recommendation in this report is in compliance with the City's Financial Policies. The Debt Management Policy requires that the ratio of annual debt service payments on voter-approved and non voter-approved debt to general revenues be no more than 15 percent. The 2022-23 debt ratio is 4.44 percent. As the first debt service payment on the Bonds is expected to take place in 2023-24, there is no projected impact to the 2022-23 debt ratio. After accounting for the issuance of the Bonds, the debt ratio is projected to increase to 4.53 percent in 2023-24.

Attachment

*MWS:ZMB:09230012*

**RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES,  
CALIFORNIA, OF EXPECTATION TO ISSUE ONE OR MORE SERIES  
OF ITS GENERAL OBLIGATION BONDS UNDER THE PROPOSITION  
HHH AUTHORIZATION AND OTHER MATTERS RELATING  
THERE TO**

WHEREAS, pursuant to a Resolution of Necessity adopted by the Council (the “Council”) of the City of Los Angeles, California (the “City”) on June 29, 2016 by a vote of not less than two-thirds of all of its members (the “Proposition HHH Resolution of Necessity”), a resolution adopting the ballot title and question presented, adopted by the Council on June 29, 2016 (the “Proposition HHH Ballot Resolution”), and Ordinance No. 184409 calling for a special election on November 8, 2016 (the “Proposition HHH Election Ordinance” and, together with the Proposition HHH Resolution of Necessity, the Proposition HHH Ballot Resolution and the affirmative vote of more than two-thirds of the electors mentioned below, the “Proposition HHH Authorization”), the City held an election on November 8, 2016, at which time it submitted to the qualified voters of the City the following proposition, to wit:

“HOMELESSNESS REDUCTION AND PREVENTION, HOUSING, AND FACILITIES BOND. PROPOSITION HHH.

To provide safe, clean affordable housing for the homeless and for those in danger of becoming homeless, such as battered women and their children, veterans, seniors, foster youth, and the disabled; and provide facilities to increase access to mental health care, drug and alcohol treatment, and other services, shall the City of Los Angeles issue \$1,200,000,000 in general obligation bonds, with citizen oversight and annual financial audits?”

WHEREAS, such proposition received the affirmative vote of more than two-thirds of all of the qualified voters voting on such proposition at the election;

WHEREAS, pursuant to Chapter 11 of Division 6 of Title 1 (commencing with Section 5900) of the Government Code of the State of California (the “Government Code”), the City is authorized to issue taxable bonds;

WHEREAS, Section 5403 of the Government Code (“Section 5403”) provides that when bonds to be issued by or on behalf of a public body have been authorized by an election or other method provided by law, and where it is expected that all or any part of such bonds will be sold at such time that principal or interest on such bonds will become due before the proceeds of a tax or assessment levied after such sale would be available to pay such principal or interest, the governing body, at the time of fixing the annual tax or assessment levy, may levy a tax or assessment, as the case may be, in an amount clearly sufficient to pay that portion of the principal of and interest on said bonds which it is expected will become due before the proceeds of the next succeeding tax or assessment levy will be available;

WHEREAS, the City expects to issue and sell one or more series of its general obligation bonds (collectively, the “Bonds”) in fiscal year 2022-23, such Bonds preliminarily to be designated the “City of Los Angeles General Obligation Bonds, Series 2022-A (Taxable) (Social Bonds), in

an approximate principal amount of \$389,435,000, pursuant to the Government Code and the Proposition HHH Authorization to finance the projects authorized under and described in the Proposition HHH Authorization;

WHEREAS, the City expects that the Bonds will be sold at a time such that principal of or interest on the Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal and interest;

WHEREAS, the City Administrative Officer has estimated that the principal of and interest on the Bonds which it expects will become due before the proceeds of the next succeeding tax levy will be available would be approximately \$37.6 million; and

WHEREAS, subsequent City Council authorization will be required prior to the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES, as follows:

**Section 1.** The recitals set forth above are true and correct.

**Section 2.** The City expects to issue Bonds in fiscal year 2022-23. Each of the City Administrative Officer, each Assistant City Administrative Officer and the Chief of Debt Management of the City is hereby authorized, empowered and directed to take such preliminary actions as each deems necessary and appropriate with regards to consulting and coordinating with the City Controller with respect to the levy of a tax pursuant to Section 5403 in an amount clearly sufficient to pay that portion of the principal of and interest on the Bonds expected to be due before the proceeds of the next succeeding tax levy will be available, and all such actions taken in connection therewith are hereby ratified and approved.

**Section 3.** This Resolution shall take effect immediately.