

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Council File No. 15-1207-S3

Council District: 9

To: The Mayor
The Council

From: Matthew W. Szabo, City Administrative Officer



Subject: **SECOND ADDENDUM REPORT TO REQUEST AUTHORIZATION FOR THE ISSUANCE AND SALE IN A PRINCIPAL AMOUNT UP TO \$990 MILLION OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES (MICLA) LEASE REVENUE BONDS 2025-A (LOS ANGELES CONVENTION CENTER) AND MICLA LEASE REVENUE BONDS SERIES 2025-B (LOS ANGELES CONVENTION CENTER) (FEDERALLY TAXABLE)**

SUMMARY

This is a second addendum to the report released by the City Administrative Officer (CAO) on August 22, 2025 titled *Request Authorization for the Issuance and Sale in a Principal Amount up to \$990 Million of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds 2025-A (Los Angeles Convention Center) and MICLA Lease Revenue Bonds Series 2025-B (Los Angeles Convention Center) (Federally Taxable)* (August 22nd Bond Report) (C.F. 15-1207-S3). All recommendations from the August 22nd Bond Report and the First Addendum Report released on August 29, 2025 remain unchanged. The first bond issuance is expected in November 2025. The CAO expects to complete the second bond issuance in October 2026 and will return to Council with the necessary bond documents for the second bond issuance in a future report.

On September 18, 2025, AEG Plenary Conventions Los Angeles, LLC (APCLA) submitted an updated price with a cost reduction totaling \$83.13 million to their revised committed proposal dated August 28, 2025 in connection with the Project. As a result, the City retained costs reduced by \$13.30 million. This brings the total Project costs from \$2.72 billion to \$2.62 billion.

The August 22nd Bond Report assumed borrowing rates of 4.84 percent (tax-exempt, 30-year bonds) and 4.86 percent (taxable, 9-year bonds). These interest rates were based on market conditions as of August 15, 2025. Rates have moved lower by approximately 20 basis points (0.20 percent) over the past month. In mid-August 2025, the market was projecting that the Federal Reserve would lower the overnight federal funds in 2025 by 50 basis points (0.50 percent). On September 17, 2025, the Federal Reserve lowered the overnight rate by 25 basis points (0.25 percent), and the market is now projecting 50 basis points (0.50 percent) of additional cuts at the remaining Federal Reserve meetings in calendar year 2025. The Federal Reserve's dual mandate is to promote maximum employment and stable prices by keeping inflation low and stable over

time. Recent jobs reports have revealed that hiring had dramatically slowed, and policymakers have shifted their focus from managing inflation to supporting employment. Moving forward, rates are expected to remain volatile given the softness in the labor market and continued inflation including the unknown impact of tariffs.

As such, this addendum revises the financing information to reflect the reductions in Project costs and updated interest rates based on current market conditions. The Project, if approved, will cause the City, through MICLA, to borrow an estimated total of \$2.77 billion in lease revenue bonds. The total estimated debt service is \$5.55 billion of which \$421.37 million will be paid from capitalized interest (bond proceeds) and the remaining \$5.13 billion (net debt service) will be payable from lease payments to be made by the City to MICLA, which is an obligation of the General Fund.

This report contains the financing information for the issuance and sale of the Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2025-A (Los Angeles Convention Center) (the "Series 2025-A Bonds") and MICLA Lease Revenue Bonds, Series 2025-B (Los Angeles Convention Center) (Federally Taxable) (the "Series 2025-B Bonds") (together as the "Series 2025 Bonds") as required by Section 5852.1 of the California Government Code. By placing this report on the Council Agenda, the City fulfills the requirement to disclose the financing information in a meeting open to the public.

FISCAL IMPACT STATEMENT

The first lease payment from the issuance of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2025-A (Los Angeles Convention Center) and Lease Revenue Bonds, Series 2025-B (Los Angeles Convention Center) (Federally Taxable) (the "Series 2025 Bonds") will be due on April 15, 2026. There is no additional General Fund impact in 2025-26 as sufficient funding for the first lease payment will be paid from bond proceeds within the Capitalized Interest Fund. Lease payments due on April 15, 2026 through October 15, 2028 will be paid from the Capitalized Interest Fund. Lease payments beginning in April 15, 2029 through April 15, 2055 will require future budget appropriations.

Similarly, first lease payment from the second bond issuance (the "Series 2026 Bonds") is expected to be due on April 15, 2027. Expected lease payments due on April 15, 2027 through October 15, 2029 will be paid from the Capitalized Interest Fund. Lease payments beginning in April 15, 2030 through April 15, 2056 will require future budget appropriations.

Total estimated debt service is \$5.55 billion of which \$421.37 million will be paid from capitalized interest (bond proceeds) and the remaining \$5.13 billion (net debt service) will be payable from lease payments to be made by the City to MICLA, which is an obligation of the General Fund. The lease payments will require future budget appropriations in the Capital Finance Administration Fund (Fund 100, Department 53).

CITY FINANCIAL POLICIES STATEMENT

The issuance of the Series 2025 Bonds and the Series 2026 Bonds will not cause the City's debt obligation payments to exceed six percent of General Revenues for non-voter approved debt as established in the City's Financial Policies. After the issuances of the Series 2025 Bonds and the Series 2026 Bonds, the projected non-voter approved debt ratio is the highest in 2030-31 at 4.03 percent (Attachment A).

DEBT IMPACT STATEMENT

The Series 2025 Bonds will be payable from lease payments made by the City which is a General Fund obligation. Lease payments due on April 15, 2026 through October 15, 2028 will be paid from the Capitalized Interest Fund. Lease payments due on April 15, 2029 through April 15, 2055 will be annually budgeted in the Capital Finance Administration Fund (Fund 100, Department 53). Based on current market rates, the estimated average annual debt service for the Series 2025 Bonds is \$61.69 million over 30 years, through May 1, 2055. The total estimated debt service, including total principal and interest, over the life of the Series 2025 Bonds is approximately \$1.85 billion. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance.

The Series 2026 Bonds will be payable from lease payments made by the City which is a General Fund obligation. Lease payments due on April 15, 2027 through October 15, 2029 will be paid from the Capitalized Interest Fund. Lease payments due on April 15, 2030 through April 15, 2056 will be annually budgeted in the Capital Finance Administration Fund (Fund 100, Department 53). Based on current market rates, the estimated average annual debt service for the Series 2026 Bonds is \$123.42 million over 30 years, through May 1, 2056. The total estimated debt service, including total principal and interest, over the life of the Series 2026 Bonds is approximately \$3.70 billion. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance.

FINDINGS

Estimated Sources and Uses of Funds

The Series 2025 Bonds will primarily (a) finance and refinance a portion of the Project costs (b) fund capitalized interest and (c) pay for costs of issuance as further described below.

- a) Provide approximately \$863.40 million to pay for project costs through October 2026. Also, the Series 2025 Bonds will be used to refinance a portion or all of the outstanding commercial paper notes which were used to finance the pre-construction costs of the Project.
- b) Fund a Capitalized Interest Fund to pay interest payments during the construction period totaling approximately \$138.24 million from May 1, 2026 through November 1, 2028.
- c) The estimated costs of issuance for this transaction is \$3.10 million which includes fees for bond counsel, disclosure counsel, municipal advisor, rating agencies, trustee, printing, investor outreach, and underwriters' discount, which is the compensation the underwriters receive for marketing the Bonds, and other associated costs.

The second bond issuance (the "Series 2026 Bonds") is expected to primarily (a) finance the remaining portion of the Project (b) fund capitalized interest and (c) pay for costs of issuance.

- a) Provide approximately \$1.76 billion to pay for project costs through project completion.
- b) Fund a Capitalized Interest Fund to pay interest payments during the construction period totaling approximately \$283.13 million from May 1, 2027 through November 1, 2029.
- c) The estimated costs of issuance for this transaction is \$5.36 million.

The table below provides the breakdown of the estimated sources and uses of funds relating to the bonds that will be issued for the Project. Actual interest rates may differ as rates are dependent on market conditions at the time of bond issuances and investment of bond proceeds.

	Series 2025 Bonds	Series 2026 Bonds	Grand Total
Source of Funds			
Bond Proceeds*	981,746,658	1,983,092,307	2,964,838,965
Investment Earnings	23,001,684	63,696,304	86,697,988
Total Sources	1,004,748,342	2,046,788,611	3,051,536,953
Uses of Funds			
Project Costs	863,403,909	1,758,303,418	2,621,707,327
Capitalized Interest	138,241,736	283,125,227	421,366,963
Costs of Issuance	3,102,697	5,359,966	8,462,663
Total Uses	1,004,748,342	2,046,788,611	3,051,536,953

*Bond proceeds include the bond par amount and bond premium.

Estimated Total Debt Service Schedule

The table below is a debt service schedule showing the estimated debt service costs per fiscal year. Total estimated debt service is \$5.55 billion of which \$421.37 million will be paid from capitalized interest (bond proceeds) and the remaining \$5.13 billion (net debt service) will be payable from lease payments to be made by the City to MICLA, which is an obligation of the General Fund. The lease payments will require future budget appropriations in the Capital Finance Administration Fund (Fund 100, Department 53). Starting in 2028-29, LACC revenues net of operational costs are expected to be a source of funds to the Capital Finance Administration Fund to reduce the impact on the General Fund. Please refer to the CAO Report titled *Final Direction on the Los Angeles Convention Center Expansion and Modernization Project*, dated August 22, 2025 and Addendum Reports dated August 29, 2025 and September 19, 2025 (CF No. 15-1207-S1) for more information about the net General Fund impact.

Fiscal Year	Series 2025 Bonds	Series 2026 Bonds	Total Debt Service
2025-26	20,422,074.62	-	20,422,074.62
2026-27	47,127,864.50	46,968,874.55	94,096,739.05
2027-28	47,127,864.50	94,462,541.00	141,590,405.50
2028-29	64,297,864.50	94,462,541.00	158,760,405.50
2029-30	64,296,120.50	128,392,541.00	192,688,661.50
2030-31	64,298,453.50	128,396,765.00	192,695,218.50
2031-32	64,296,800.96	128,393,200.00	192,690,000.96
2032-33	64,295,733.50	128,391,950.00	192,687,683.50
2033-34	64,295,902.00	128,393,200.00	192,689,102.00
2034-35	64,294,500.00	128,392,200.00	192,686,700.00
2035-36	64,297,750.00	128,389,200.00	192,686,950.00
2036-37	64,294,500.00	128,389,200.00	192,683,700.00
2037-38	64,297,250.00	128,391,700.00	192,688,950.00
2038-39	64,297,750.00	128,390,950.00	192,688,700.00
2039-40	64,293,000.00	128,391,200.00	192,684,200.00
2040-41	64,295,000.00	128,391,200.00	192,686,200.00
2041-42	64,295,000.00	128,389,450.00	192,684,450.00
2042-43	64,294,500.00	128,389,200.00	192,683,700.00
2043-44	64,294,750.00	128,393,200.00	192,687,950.00
2044-45	64,296,750.00	128,393,700.00	192,690,450.00
2045-46	64,296,250.00	128,392,950.00	192,689,200.00
2046-47	64,297,637.50	128,392,700.00	192,690,337.50
2047-48	64,292,712.50	128,391,775.00	192,684,487.50
2048-49	64,296,225.00	128,393,750.00	192,689,975.00
2049-50	64,296,875.00	128,392,337.50	192,689,212.50
2050-51	64,293,625.00	128,390,987.50	192,684,612.50
2051-52	64,295,175.00	128,392,362.50	192,687,537.50
2052-53	64,294,437.50	128,393,337.50	192,687,775.00
2053-54	64,294,325.00	128,390,262.50	192,684,587.50
2054-55	64,297,225.00	128,388,962.50	192,686,187.50
2055-56	-	128,389,212.50	128,389,212.50
	1,850,663,916.08	3,702,471,450.05	5,553,135,366.13

Certain Financing Information for the Bonds Pursuant to Section 5852.1 of the California Government Code

The table below contains the financing information related to only the first bond issuance (Series 2025-A Bonds and Series 2025-B Bonds) required by Section 5852.1 of the California Government Code. The amounts below, prepared by the Municipal Advisor, are good faith estimates and subject to change as rates are dependent on market conditions at the time of issuance.

- True interest cost of the bonds(TIC);
- Finance charge of the bonds (Costs of Issuance);

- Amount of proceeds received from the sale of the bonds less Costs of Issuance (Proceeds Amount); and
- Total payment amount (Total Debt Service)

Series	TIC	Costs of Issuance	Proceeds Amount	Total Debt Service
2025-A	4.66%	\$2,728,938	\$870,206,658	\$1,707,672,729
2025-B	4.74%	373,759	111,540,000	142,991,187
		<u>\$3,102,697</u>	<u>\$981,746,658</u>	<u>\$1,850,663,916</u>

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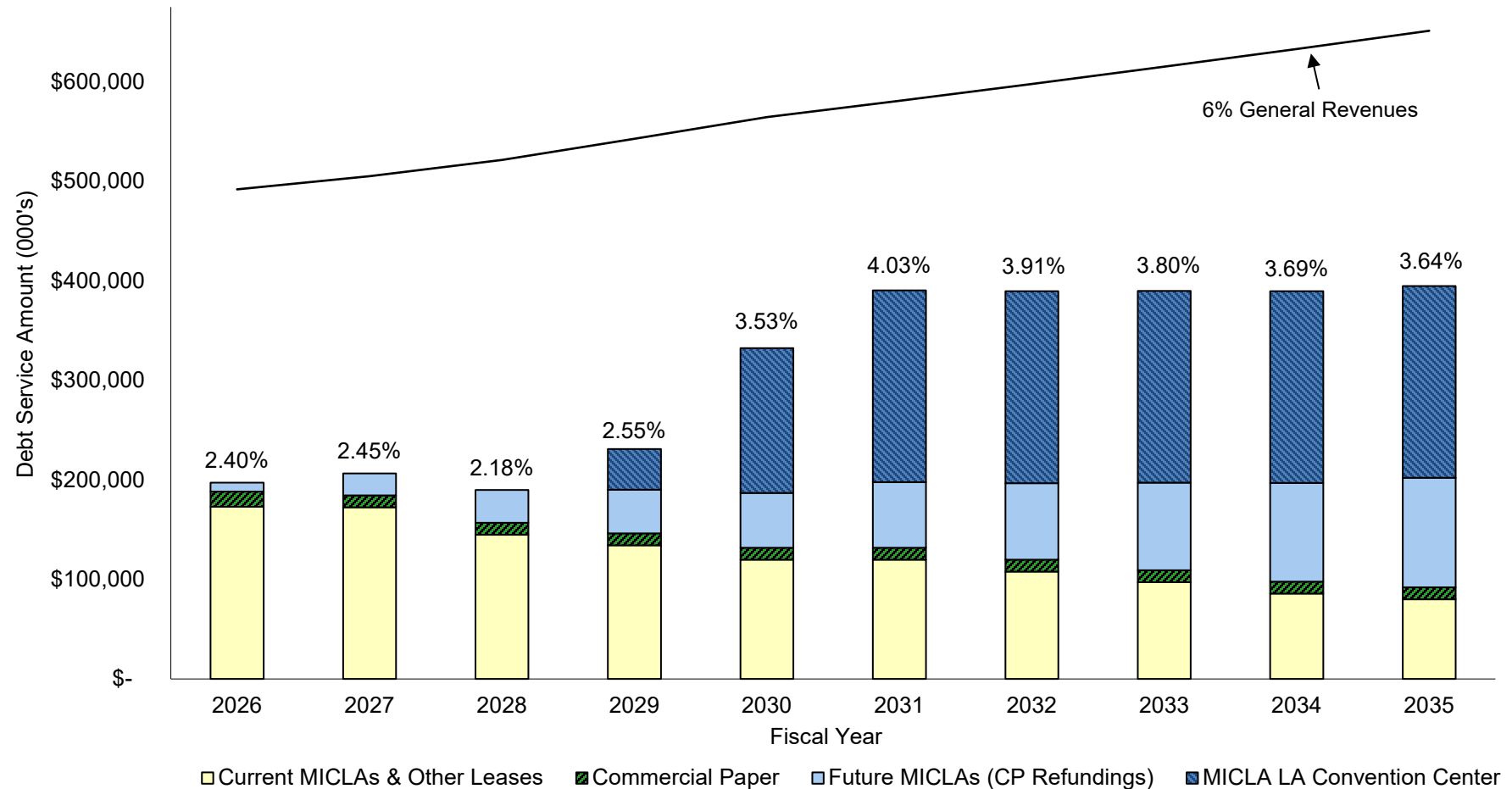
Attachment

Attachment A – Non-Voter Approved Debt Chart

**2025-26 ADOPTED BUDGET
NON VOTER-APPROVED DEBT
September 2025**
Debt Service to General Revenues*

DEBT MANAGEMENT POLICY

Pursuant to the Debt Management Policy, the Debt Affordability Ceiling for debt service on non voter-approved debt shall be no more than 6 percent of General Revenues. The 6 percent ceiling may be exceeded only in the following situations: (1) if there is a guaranteed new revenue stream for the debt payments and the additional debt will not cause the ratio to exceed 7.5 percent or, (2) if there is not a generated revenue stream but the 6 percent ceiling will only be exceeded for one year.



*Projected revenue growth in Fiscal Years 2025-26 to 2029-30 is 1.8%, 2.7%, 3.3%, 4.1%, and 4.1%, respectively. Projected revenue growth in 2030-31 through 2034-35 is 2.9%.