

BUDGET AND FINANCE COMMITTEE REPORT relative to the Fiscal Year (FY) 2025-26 Third Construction Projects Report.

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

CONCUR with the action taken by the Government Operations (GO) Committee, as detailed in the GO Committee report dated December 2, 2025, attached to the Council file.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that the recommendations stated in the November 13, 2025 CAO report, attached to the Council file, include transfers, appropriations, and authority for expenditures totaling \$7.4 million. This consists of \$2.3 million from various special funds, \$4.2 million in Municipal Improvement Corporation of Los Angeles (MICLA) funds, and \$0.86 million in Capital and Technology Improvement Expenditure Program (CTIEP) funds. All transfers and appropriations are based on existing funds, reimbursements, or revenues. There is an unanticipated General Fund impact in an amount not yet determined for operations and maintenance costs of two facilities currently not in operation, Barnsdall Art Park - Residence A and Engine Company 23 Youth Arts Center. These costs will be addressed through the City budget process at the time the facilities are scheduled for completion.

Financial Policies Statement: The CAO reports that the recommendations stated in said report comply with the City's Financial Policies in that appropriations for funds are limited to available cash balances needed to fund ongoing maintenance, programming, project shortfalls, and critical operational needs in the current budget year.

Debt Impact Statement: The CAO reports that the issuance of MICLA debt is a General Fund obligation. The proposed MICLA fund appropriation for the capital project described in the November 13, 2025 CAO report, attached to the Council file, (Item E - ITA Server Room Upgrade Phase II) would cause the City to borrow \$1.2 million at an approximate 5.5 percent interest rate over a period of 20 years. The total estimated debt service for the MICLA-funded projects is \$2.0 million, including interest of approximately \$0.8 million. The estimated average annual debt service is \$96,000 over a period of 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 the evaluation of the affordability for future debt. The debt ceiling for non-voted direct debt as a percentage of General Fund revenues is six percent. The 2025-26 Adopted Budget non-voter-approved debt service ratio is 2.40 percent. The issuance of MICLA debt for these projects will not cause the City to exceed the six percent non-voter-approved debt limit.

Community Impact Statement: None submitted

SUMMARY

At the meeting held on December 2, 2025, the GO Committee considered the CAO report, dated November 13, 2025, relative to the FY) 2025-26 Third Construction Projects Report. After an opportunity for public comment was held, the GO Committee moved to approve the recommendations contained in said CAO report as amended, as detailed in the GO Committee report dated December 2, 2025.

Subsequently on December 9, 2025, the Budget and Finance Committee also considered said CAO report. After an opportunity for public comment was held, the Budget and Finance Committee concurred with the taken by the GO Committee on December 2, 2025. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

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| <u>MEMBER</u> | <u>VOTE</u> |
| YAROSLAVSKY: | YES |

BLUMENFIELD: YES
HUTT: YES
McOSKER: YES
HERNANDEZ: YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-