

BUDGET AND FINANCE COMMITTEE REPORT, RESOLUTION and ORDINANCES FIRST CONSIDERATION relative to the issuance and sale of Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds (Bonds), lease and leaseback of real property between the City and MICLA, and, creation of a special fund to record accounting transactions.

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

1. ADOPT the accompanying Authorizing RESOLUTION, attached to the City Administrative Officer (CAO) report dated January 8, 2026, attached to the Council file, which authorizes the issuance and sale in a principal amount up to \$255 million of MICLA Bonds, Series 2026-A (Capital Equipment and Real Property), to be sold on a negotiated basis; and, authorizes the execution and delivery of related bond documents in connection with the issuance and sale of the Bonds.
2. PRESENT and ADOPT the accompanying ORDINANCE, dated January 9, 2026, approving the lease and leaseback of certain real properties by and between the City and MICLA in connection with the issuance of Bonds by MICLA, to be issued to retire certain maturities of commercial paper notes issued by MICLA.
3. PRESENT and ADOPT the accompanying ORDINANCE, dated January 9, 2026, adding Section 5.162.57 to Article 2.5, Chapter 9, Division 5 of the Los Angeles Administrative Code (LAAC) to create a special fund related to the Bonds to be issued by MICLA, in one or more series, preliminarily named the Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2026-A (Capital Equipment and Real Property), with such additional series and subseries designations as determined by the City, to record certain accounting transactions related to the Bonds.
4. INSTRUCT the Controller to create an account in the Capital Finance Administration Fund (Fund No. 100/53) that will be used to pay for future lease payments entitled "MICLA 2026-A (Capital Equipment & Real Property)".
5. AUTHORIZE the CAO to make technical corrections and adjustments as necessary to those transactions included in said CAO report to implement the Mayor and Council intentions.

Fiscal Impact Statement: The CAO reports that the issuance of the Bonds in an aggregate principal amount up to \$255 million will be payable from lease payments to be made by the City to MICLA pursuant to the Lease Agreement, which is an obligation of the General Fund, subject to annual appropriations in the Adopted Budget within the Capital Finance Administration Fund (Fund No. 100/53). The resulting semi-annual lease payments will be due on April 15 and October 15 in sufficient amounts to pay semi-annual debt service payments for the Bonds. There is no additional General Fund impact as the first lease payment will occur in Fiscal Year (FY) 2026-27.

Financial Policies Statement: The CAO reports that the issuance of the Bonds in an aggregate principal amount up to \$255 million, along with the associated lease payments, will not cause the City's debt service obligations to exceed six percent of General Fund revenues for non-voter-approved debt, as required by the City's Financial Policies. After the issuance of the Bonds, the projected non-voter approved debt ratio is estimated to be 2.40 percent in FY 2025-26 and 2.73 percent in FY 2026-27, as detailed in Attachment B of said CAO report.

Debt Impact Statement: The CAO reports that the Bonds will be payable from lease payments to be made by the City pursuant to the Lease Agreement, which is a General Fund obligation. These lease payments to MICLA will be annually budgeted in the Capital Finance Administration Fund (Fund No. 100/53). The average annual debt service for the Bonds is estimated to be \$15.9 million over 20 years, through May 1, 2046. The total debt service, including total principal and interest, over the life of the Bonds is estimated to be approximately \$318.8 million. Actual interest rates may differ as rates are dependent on market conditions at the time of issuance. After the issuance of the Bonds, the projected non-voter approved debt ratio is estimated to be 2.40 percent in FY 2025-26 and 2.73 percent in FY 2026-27, as detailed in Attachment B of said CAO report.

Community Impact Statement: None submitted

SUMMARY

At its meeting held on January 20, 2026, your Budget and Finance Committee considered the CAO report and Authorizing Resolution, dated January 8, 2026, relative to the issuance and sale of Bonds in a principal amount of to \$255 million to be sold on a negotiated basis, and execution and delivery of related bond documents; and, City Attorney report and draft Ordinances, dated January 9, 2026, approving the lease and leaseback of certain real properties between the City and MICLA (Lease/Leaseback Ordinance), and amending the LAAC for the creation of a new special fund to record accounting transactions (Fund Ordinance) related to the Bonds. The Bonds will be issued to refinance up to \$255 million of outstanding MICLA Commercial Paper notes used to finance the acquisition of capital equipment and the acquisition and improvement of real property.

After an opportunity for public comment was held, the Committee recommended approval of the recommendations and Authorizing Resolution contained in said CAO report, City Attorney report and draft Lease/Leaseback and Fund Ordinances, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
YAROSLAVSKY:	YES
BLUMENFIELD:	ABSENT
HUTT:	YES
McOSKER:	YES
HERNANDEZ:	YES

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-NOT OFFICIAL UNTIL COUNCIL ACTS-