Council file No. 26-1124

BUDGET AND FINANCE COMMITTEE REPORT relative to the First Construction Projects Report (CPR) for Fiscal Year (FY) 2026-27.

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

APPROVE the recommendations contained in the City Administrative Officer (CAO) report relative to the FY 2026-27 First CPR dated August 12, 2026, attached to the Council file, as amended to replace the first paragraph of Discussion Item E with the following:

E. Bureau of Engineering – CD 1; Ziegler Estate Childcare Improvement
   Community Development Block Grant
   Attachment No. 1

   A transfer of $2,006,190 from the Community Development Block Grant (CDBG) Trust Fund to General Services Department's (GSD) budgetary accounts is recommended to fund Phase II of the restoration activities at the Ziegler Estate building located at 4601 North Figueroa Street, Los Angeles, California 90065. The rehabilitation of the City-owned Ziegler Estate, a National Historic Landmark, is required for continued use as a childcare center. The Phase II scope of work includes termite mitigation, foundation system reinforcement, structural framing and architectural rehabilitation. The expenditure of this transferred $2,006,190 is contingent upon the written approval of the Community Investment Department (CID). As a CDBG project, this funding for the Ziegler Estate Childcare Improvement Project must obtain federally-regulated clearances, including but not limited to a completed National Environmental Policy Act (NEPA).

Fiscal Impact Statement: The CAO reports that the recommendations stated in the report include transfers, appropriations, and authority for expenditures totaling $33.4 million. This consists of $21.0 million from various special funds, $10.1 million in MICLA funds, and $2.3 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: Ziegler Estate Childcare Improvement and Barnsdall Art Park, Residence A. 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 the 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 funding for the capital improvement projects (Items V, W and AA) would cause the City to borrow $34,276,223 at an approximate 5.5 percent interest rate over a period of 20 years. The total estimated debt service for these MICLA-funded projects is $57.4 million, including interest of approximately $23.1 million. The estimated average annual debt service is $2.9 million over a period of 20 years. The proposed MICLA LACC funding for the capital improvement projects (Item X) would cause the City to borrow $26,028,000 at an approximate 5.5 percent interest rate over a period of 20 years. The total estimated debt service for these MICLA-funded projects is $43.6 million, including interest of approximately $17.5 million. The estimated average annual debt service is $2.2 million 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 FY 2026-27 Adopted Budget non-voter-approved debt service ratio is 2.41 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 its meeting held on September 1, 2026, your Budget and Finance Committee considered the CAO report, dated August 12, 2026, relative to the First CPR for FY 2026-27 with recommended transfers totaling $33.4 million to provide sufficient cash flow to offset funding shortfalls needed to complete approve projects, scheduled acquisitions, and construction activities. The sources of funding include CTIEP funding, various special funds, and MICLA funds. Councilmember Hernandez introduced a Motion, which was seconded by Councilmember Blumenfield, to replace the first paragraph of Discussion Item E in the CAO report with the paragraph noted above. After an opportunity for public comment was held, the Committee moved to approve the item as amended, as detailed above. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE

MEMBER	**VOTE**
YAROSLAVSKY:	ABSENT
BLUMENFIELD:	YES
HUTT:	YES
McOSKER:	YES
HERNANDEZ:	YES

AXB
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-NOT OFFICIAL UNTIL COUNCIL ACTS-