

**MOTION**

**BUDGET & FINANCE**

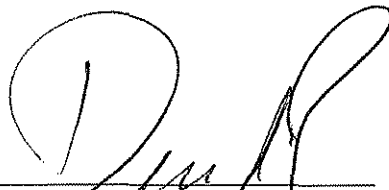
The impact of the sub-prime mortgage crisis has been farther-reaching than even the most skilled economic forecasters could have envisioned. Various economic pressures around the world, including in large part the fallout of mortgage-backed securities, have created a global credit crunch. This pressure on borrowers has hit state and local governments in addition to consumers. Investors have begun to demand higher interest rates for bonds as perceived risk has increased. As a result, auction- and variable-rate bonds have become more expensive for local governments to issue.

The City of Los Angeles, as an issuer of municipal bonds, has likely been or will soon be impacted by the drastically changing nature of borrowing in today's financial marketplace. Many private bond insurers have recently lost investor confidence due to losses in sub-prime mortgage-based securities. Despite the City's excellent bond rating, broader conditions in the overall credit market could negatively impact the cost of financing bonds.

It is imperative that the City Council be fully informed of any potential risks posed by rising bond rates to the City's general fund. At all times, but especially in instances of economic uncertainty, City leaders must be prepared to respond immediately to any threat to taxpayer dollars.

I THEREFORE MOVE that the City Administrative Officer, the City Treasurer, and any other related City Departments report to the City Council with a detailed analysis of the City's exposure to the current credit crisis as it relates to municipal bonds, including the proportion of City-issued bonds that are fixed-rate and auction-rate, a discussion of any relationships between the City and private bond insurers, and the overall impact of changes in the bond market to the City's debt financing costs.

PRESENTED BY:

  
Dennis P. Zine  
Councilmember, 3<sup>rd</sup> District

SECONDED BY:





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