Otay Mesa Enhanced Infrastructure Financing District

District Bonding Capacity & Revenue Projections for Public Capital Improvements

Public Financing Authority Board Meeting
*Item 4 - Informational*
February 14, 2022
Bond Authority Background

- In November 2018, District voters approved Measure O authorizing the District to issue bonds.
- In October 2019, the State passed AB 116 removing voter approval requirement EIFD’s to issue bonds.
  - Bonds may now be issued via majority approval of the Board.
- Debt Management (DM) staff has been monitoring tax increment (TI) revenue.
  - DM staff projects TI revenue will reach a level sufficient to issue bonds in FY 2023.
- Eligible projects to receive bond funding are included in the District Infrastructure Financing Plan (IFP).
Diversion of major revenues component of Proposition H expires at the end of FY 2022

Then, 100% of the TI revenue collected within the District will be committed to the District.

District’s TI Revenue

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Assessed Value (AV) Growth Rate</th>
<th>Annual TI Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6%</td>
<td>$571,445</td>
</tr>
<tr>
<td>2020</td>
<td>8%</td>
<td>$928,114</td>
</tr>
<tr>
<td>2021</td>
<td>7%</td>
<td>$1,191,348</td>
</tr>
<tr>
<td>2022</td>
<td>7%</td>
<td>$1,536,000</td>
</tr>
<tr>
<td>2023</td>
<td>6.75%</td>
<td>$3,782,000</td>
</tr>
<tr>
<td>2024</td>
<td>6.50%</td>
<td>$4,511,000</td>
</tr>
<tr>
<td>2025</td>
<td>6.25%</td>
<td>$5,258,000</td>
</tr>
<tr>
<td>2026</td>
<td>6.00%</td>
<td>$6,020,000</td>
</tr>
<tr>
<td>2027</td>
<td>2%</td>
<td>$6,289,000</td>
</tr>
</tbody>
</table>

FY 2019-2021 are actuals; FY 2022 TI based on AV of the District as of January 1, 2021; FY 2023-2027 are projected based on a 5-year historical average.

Actual TI revenue is subject to change.
## Estimated First Bond Issuance for the District

### Fiscal Year 2023

<table>
<thead>
<tr>
<th>Term (Years)</th>
<th>Projected Revenue (in millions)</th>
<th>Gross Bond Amount (in millions)</th>
<th>Net Bond Proceeds (in millions)</th>
<th>Annual Debt Service (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$3.7</td>
<td>$39.6</td>
<td>$36.5</td>
<td>$2.5</td>
</tr>
</tbody>
</table>

- Based on projected revenue, a FY 2023 bond issuance is estimated to generate $36 million in proceeds for capital improvements within the District
  - After debt service ($2.5 million/year) approximately $1 million available for District operation and pay go uses
- Net Bond Proceeds represents Gross Bond Proceeds less financing costs and the debt service reserve fund

*Note: Bonds rates, structure and other assumptions are subject to change*
Alternative Scenario for First Bond Issuance

Fiscal Year 2024

<table>
<thead>
<tr>
<th>Term (Years)</th>
<th>Projected Revenue (in millions)</th>
<th>Gross Bond Amount (in millions)</th>
<th>Net Bond Proceeds (in millions)</th>
<th>Annual Debt Service (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$4.5</td>
<td>$47.9</td>
<td>$44.2</td>
<td>$3.0</td>
</tr>
</tbody>
</table>

- Based on projected revenue, a FY 2024 bond issuance is estimated to generate $44 million in proceeds for capital improvements within the District
  - After debt service ($3 million/year) approximately $1.5 million available for District operation and pay go uses

- Net Bond Proceeds represents Gross Bond Proceeds less financing costs and the debt service reserve fund

*Note: Bonds rates, structure and other assumptions are subject to change*
Eligible Capital Improvements

• Currently, the only City CIP budgeted to receive District TI revenue is S-15018 (La Media Road)

• Based on the City’s FY 2022 Adopted CIP Budget, staff have identified existing capital projects eligible for bond proceeds

• Eligible Projects must:
  • Be on the project list contained in the District IFP
  • Meet timely spend-down expectations and other tax-exempt bond requirements
  • The final list will be included in the bond authorization prior to issuance.
Eligible Capital Improvements

Existing City projects from the IFP

- P-19007, Airway Road Improvements
- S-00752, Beyer Park Development
- S-00636, Dennery Ranch MP
- S-00784, Fire Station 49
- S-00995, Hidden Trails NP
- S-15018, La Media Road
- S-00869, Palm/I-805 Interchange
- S-00999, Riviera del Sol NP
- P-19006, Siempre Viva Road (La Media Rd to Harvest Rd)
Next Steps

FY 2022 Quarter 4:

- Board approval of consultant agreements and Financing Resolution including financing documents and preliminary official statement

FY 2023 Quarter 1/Quarter 2:

- Bond Pricing and Closing, Receipt of bond proceeds for projects

FY 2023 Quarter 3:

- Debt service payments anticipated to begin