

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)

## District's TI Revenue

- 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

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

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

<i>Term (Years)</i>	<i>Projected Revenue (in millions)</i>	<i>Gross Bond Amount (in millions)</i>	<i>Net Bond Proceeds (in millions)</i>	<i>Annual Debt Service (in millions)</i>
30	\$3.7	\$39.6	\$36.5	\$2.5

- 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

<i>Term (Years)</i>	<i>Projected Revenue (in millions)</i>	<i>Gross Bond Amount (in millions)</i>	<i>Net Bond Proceeds (in millions)</i>	<i>Annual Debt Service (in millions)</i>
30	\$4.5	\$47.9	\$44.2	\$3.0

- 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