FISCAL IMPACT ANALYSIS

Formed in July 2017, the Otay Mesa Enhanced Infrastructure Financing District (District) currently receives a portion of the City of San Diego's allocation of property tax revenue generated from existing property taxes to pay for public infrastructure identified in the District Infrastructure Financing Plan ("Plan"). A yes vote will allow the District to issue up to $230 million in bonds in one or more bond series over the 45-year life of the District to finance the cost of public infrastructure.

Bonds are debt. When the District issues bonds, the bonds are sold and the bond investors are repaid over time, with interest. The money received by the District from the sale of the bonds, known as bond proceeds, is used to pay for public infrastructure according to the Plan. The ballot measure does not increase the existing property tax rate. The bonds would be repaid with existing revenues of the District, thereby restricting the use of a portion of District revenues while any bonds remain outstanding.

The purpose of issuing bonds is to allow the District to receive cash up front to be able to fund infrastructure projects sooner. Without bonds, the public infrastructure can still be funded on a pay-as-you-go basis, but construction of the public improvements would take much longer as needed funds accumulate over time.

There are costs associated with the issuance of bonds such as payments to necessary finance professionals: bond underwriters, bond and disclosure attorneys, fiscal consultants and municipal advisors, as well as staff costs, and, if necessary, municipal bond insurance premiums, all of which are expected to be paid from bond proceeds at the time of bond issuance. These costs are estimated not to exceed 4% of the principal value of the bonds. In addition, interest costs on the bonds issued are paid annually. The interest rate on the bonds will be set based on market rates at the time of issuance. The interest rate will not exceed the maximum legal rate at the time of the bond issuance. It is not possible to project the future interest costs of the bonds when the interest rate is unknown. In addition to the costs described above, there are on-going costs related to reporting and compliance requirements while the bonds remain outstanding.