

Otay Mesa Enhanced Infrastructure Financing District
Fiscal Year 2019 Annual Report
June 8, 2020

INTRODUCTION

Pursuant to Government Code section 53398.66(j)(2)-(3), as amended by the approval of Assembly Bill 116 on October 9, 2019, the Public Financing Authority (PFA) of the Otay Mesa Enhanced Infrastructure Financing District (District) must adopt an annual report on or before June 30th of each year after holding a public hearing. This Annual Report serves as a summary of the operations and financial condition of the District for the Fiscal Year 2019.

GOALS

The PFA's goals for the District are to facilitate economic development and improve the quality of life of District residents through accelerated provision of needed infrastructure within the City of San Diego Otay Mesa Community Plan Area, specifically the public improvements and facilities identified in the District's Infrastructure Financing Plan (IFP), adopted in July 2017. The underlying objectives include economic development in the form of fiscal revenue generation for the District, improvement of quality of life, and promotion of environmental sustainability.

BACKGROUND

The District was formed by Resolution OMPFA-2017-2 of the associated PFA on July 24, 2017, for the purpose of financing infrastructure in the Otay Mesa community as authorized by Resolution R-310938 of the Council of the City of San Diego on February 7, 2017. As the District has no staff, it is reliant on the City to provide for its operational staff needs. To address this issue, a Memorandum of Understanding (MOU) was prepared by the City which outlined how the City would provide operational staff services to the District, and how the District in turn would reimburse the City for those services. The MOU also describes the process by which the City would propose eligible capital improvement projects for funding and approval by the District.

The District began receiving Tax Increment (TI) revenue in the fiscal year starting July 1, 2018 (Fiscal Year 2019). The District's IFP projected the initial year TI to be \$670,000. Accordingly, the District required the adoption of an Operating and Capital Budget for Fiscal Year 2019, which were approved by PFA Resolution. The Operating Budget functioned to reimburse the City for expenses related to providing operational staff services to the District in accordance with the MOU. The Capital Improvement Program (CIP) Budget reflected the District's investment in the District's infrastructure projects.

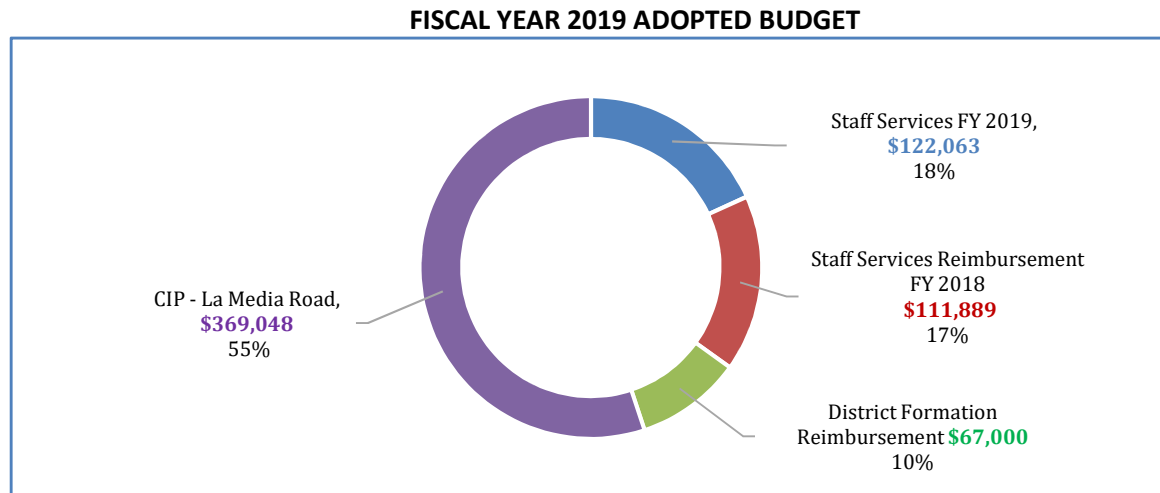
LEGISLATIVE CHANGES

Assembly Bill 116 was approved on October 9, 2019 which implemented several changes to the existing EIFD laws in the Government Code. These include administrative changes such as an annual review of the District's IFP, an annual independent financial audit of the District, procedural changes for bond issuances, and the removal of the 55% voter approval requirement to issue bonds. Additionally, the PFA is required to adopt an annual report containing the items enumerated in Government Code section 53398.66(j)(3), on or

before June 30 of each year, after holding a public hearing. This Fiscal Year 2019 Annual Report is intended to fulfill that requirement.

FISCAL YEAR 2019

The District’s adopted budget for Fiscal Year 2019 was \$670,000 and had three operating components and one CIP component, as follows:



OPERATING BUDGET

A breakdown of the operating budget is reflected below:

Operating Description	Amount
Staff services to the District during Fiscal Year 2019	\$122,063
Reimbursement to the City for staff services provided during Fiscal Year 2018	\$111,889
Reimbursement to the City for District formation costs, capped under EIFD law at 10% of the District’s initial two years of revenue	\$67,000

A significant portion of the budgeted operating costs for Fiscal Years 2018 and 2019 were for staff work on an anticipated District bond authorization election expected to be included as part of the November 2018 general election ballot. Other planned staff services to the District in Fiscal Years 2018 and 2019 related to annual CIP preparation and approvals, legal counsel, and financial reporting.

In addition to annual operating costs, one-time reimbursable District planning costs for EIFD formation were also included in the budget. These formation activities included fiscal consultant costs, public outreach and mailing costs, required District map and legal description preparation costs, and state and county fees. Based on the projected District tax increment revenues in the IFP, and a 10% limit imposed per EIFD law, the reimbursement cap was expected to be \$67,000.

CAPITAL IMPROVEMENT PROGRAM BUDGET

The capital improvement project budget for Fiscal Year 2019 was appropriated to the La Media Road project:

Capital Description	FY 2019 Budget
La Media Road (S-15018)	\$369,048

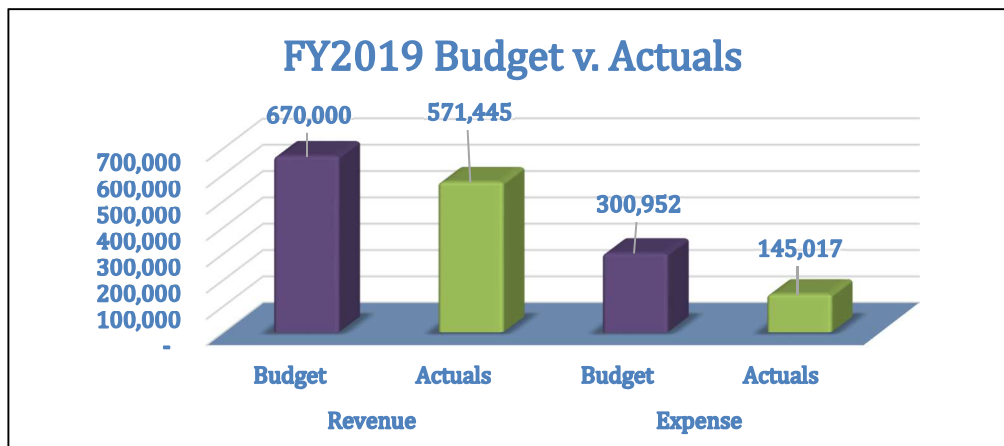
The capital improvement program (CIP) budget represents the District’s investment in Otay Mesa infrastructure projects. A budgeting process is identified in the MOU for annual budgeting of Otay Mesa EIFD funds for eligible public infrastructure. As noted in the MOU, the City and District agree that the EIFD projects are all City projects, and as such, will be prioritized by the City annually for implementation pursuant to Council Policy 800-14: Prioritizing Capital Improvement Program.

The purpose of the Otay Mesa EIFD is to provide dedicated, supplemental revenues to address a portion of the funding gap originally identified in the Fiscal Year 2014 Otay Mesa Public Facilities Financing Plan (PFFP). Public facilities eligible for Otay Mesa EIFD funding are the public improvements contained in the Otay Mesa PFFP – 75% are transportation related projects, and 25% are parks, library, fire, police, water, and sewer projects. These projects are listed in the IFP, the adoption of which is required under EIFD Law at the time of District formation.

FISCAL YEAR 2019 YEAR-END ACTIVITY

Fiscal Year 2019 concluded with revenues 14.7% less than the budget amount of \$670,000. Actual year-end revenues of \$571,445 do not include interest earnings. Operating expenditures of \$145,017 ended 51.8% under budget at year-end. This positive variance was based on actual expenditures posted for administrative activities from departments staffing the District being less than budgeted.

The Fiscal Year 2019 year-end expenditure activity also includes City reimbursements for formation costs. Reimbursement to the City for one-time District formation costs were capped under the Enhanced Infrastructure Financing District law at 10% of the District’s initial two years (Fiscal Years 2018-2019) of revenue. Formation reimbursement costs were \$57,145 and reimbursed to the City at the end of Fiscal Year 2019 based on actual revenues of \$571,445. A comparison bar chart is provided below reflecting Fiscal Year 2019 budget and actual fiscal activity.



In FY2019 the adopted budget included \$369,048 for Capital Improvements. This budget was appropriated to La Media Rd, S-15048. There were no expenditures recorded in FY2019 for this project.

PROJECT STATUS - LA MEDIA ROAD IMPROVEMENTS PROJECT (S-15018)

The District's estimated \$369,048 CIP budget was programmed for La Media Road. This road improvement is part of an integrated transportation network identified in the Otay Mesa Community Plan that will provide mobility and accessibility to the residents and businesses of the community. It is also part of the designated Truck Route for the Otay Mesa Port of Entry, and once completed will accommodate future development and commercial traffic. The project is identified in the Otay Mesa PFFP and is anticipated to be primarily, but not fully, funded by Facilities Benefit Assessment (FBA) fees. EIFD funding was identified as an appropriate funding source to leverage FBA fees toward full funding of the project.

During Fiscal Year 2019, staff continued working on the design and environmental phase. This included preparation of the design and construction documents (plans, specification and cost estimate) and obtaining necessary permits to proceed to the construction phase. During the design plan stage, the design team implements the Pre-Design Report using the information provided from survey and right-of-way maps, geotechnical studies, environmental documents, utility as-builts, etc. to produce a set of final construction plans and specifications.

Details of the La Media Road CIP S-15018 can be found in the City's Fiscal Year 2019 CIP Budget online at https://www.sandiego.gov/sites/default/files/fy19ab_v3tsw.pdf.

REVENUES EXPENDED TO ASSIST PRIVATE BUSINESSES

The primary purpose of the District is to fund capital improvements that always serve the community at-large. No Fiscal Year 2019 revenues were expended to assist private businesses. Furthermore, it is not anticipated that District revenues will be used to assist private businesses going forward.