

**Office of
The City Attorney
City of San Diego**

**MEMORANDUM
MS 59**

(619) 236-6220

DATE: August 20, 2018
TO: Elizabeth Maland, City Clerk
FROM: City Attorney
SUBJECT: Title, Summary, and City Attorney Impartial Analysis for Ballot Measure –
Bond Authorization for Otay Mesa Enhanced Infrastructure Financing District –
(Measure O)

The Public Financing Authority (Authority) of the Otay Mesa Enhanced Infrastructure Financing District (District) has requested the City Attorney prepare a ballot title, summary and impartial analysis for a measure that would authorize the District to issue tax increment bonds to fund the public facilities authorized in the Infrastructure Financing Plan (IFP) adopted by the Authority.

On July 16, 2018, the Authority adopted resolution OMPFA-7 calling a special election in the District for November 6, 2018, submitting the measure to the qualified voters of the District, and requesting the consolidation of the District special election with the California statewide General Election to be held on the same date.

BALLOT TITLE

Bond Authorization for Otay Mesa Enhanced Infrastructure Financing District

BALLOT SUMMARY

This measure authorizes the Otay Mesa Enhanced Infrastructure Financing District to issue tax increment bonds in an amount up to \$230 million. The proceeds of the bonds may only be used to fund public improvements such as street and highway projects, parks, library, police

and fire facilities, and water and sewer projects. All projects funded are in the Otay Mesa Community Plan area.

CITY ATTORNEY'S IMPARTIAL ANALYSIS

This measure was placed on the ballot by the Public Financing Authority (Authority) of the Otay Mesa Enhanced Infrastructure Financing District (District). The District was formed by the City of San Diego pursuant to state law and the District is governed by the Authority.

If approved by fifty-five percent (55%) of qualified voters voting on the measure, this measure will authorize the District to issue up to \$230 million in tax increment bonds to fund projects in the Otay Mesa area. The District covers the same area as the Otay Mesa Community Plan area.

Under state law, the District already receives tax increment revenue, which is the incremental growth in property tax revenue over the base year (2017). This measure does not raise taxes or change the purpose for which tax increment revenue may be used. Rather, it authorizes the District to borrow money and to use its existing tax increment revenue to pay that money back over time and with interest. The borrowed money is in the form of bonds sold to generate immediate revenue. Under existing law, the maximum interest rate on the bonds is 12%. The actual interest rate will be determined by market rates at the time that bonds are issued and may be lower than 12%.

The measure allows the District to sell bonds from time to time as funding for projects is needed. This means the bonds will likely be sold in a series of separate transactions over a number of years. The estimated cost of each bond issuance is four percent (4%) of the principal amount, or face value, of the bonds sold, such that the cost could be approximately \$400,000 for each \$10 million in bonds issued.

If bonds are issued, the District will receive a lump sum of money that may only be used to fund projects already approved by the Authority.

The District's Infrastructure Financing Plan contains a list of the approved projects, which includes streets, parks, libraries, police and fire facilities, and water and sewer facilities, and identifies the approximate cost of each. This measure will allow the District to borrow money by selling bonds, providing the District with an up-front funding source to complete approved projects earlier than if the District waited to initiate projects until after receiving tax increment revenue. The District will repay its bond debt as its tax increment revenue grows over time. A portion of the District's tax increment revenue will be used to pay the cost of issuing and paying interest on the bonds, and will not be directly used to fund projects.

A "Yes" vote on the measure is a vote to approve the issuance of bonds by the District.

A "No" vote on the measure is a vote against approving the issuance of bonds by the District.