

Otay Mesa Enhanced Infrastructure Financing District

Authorization for Issuance of Tax Allocation Bonds and Related Actions

Public Financing Authority Board Meeting
Item 2
August 8, 2022

Order of Presentation

- **Background & Plan of Finance**
 - Richard Eyre, Financial Operations Manager
- **Legal Documents**
 - David Powell, Deputy City Attorney
- **Requested Actions**
 - David Powell, Deputy City Attorney

Background

- **Otay Mesa EIFD Infrastructure Financing Plan (IFP)**
 - Primary formation document
 - Contains exclusive list of eligible capital improvement projects
 - Projects revenues and bonds issued over life of District; total \$172 million via several issuances
- **Current Capital Improvement Needs**
 - Staff have preliminarily identified projects for the bond issuance
- **Tax Increment**
 - District began receiving Tax Increment (“TI”) revenue in Fiscal Year (“FY”) 2019
 - District now receives 100% of TI generated within the District’s boundaries
 - FY24 Projected Revenue is \$4.9 million, used for sizing projection



Plan of Finance



Financing Plan

Issuer:	The District
Initial Series of Bonds:	The first issuance of Tax Allocation Bonds (“TABs”) by the District, in one or more series, is expected to fund approximately \$57 million in CIP and have average annual debt service of \$3.9 million
Repayment Source:	District Revenues Only
Final Maturity:	30 years; Level Debt Service
Debt Service Reserve Fund:	Cash funded (bond proceeds) or Surety bond;
Tax Status:	Taxable and/or Tax-Exempt
Method of Sale:	Negotiated (likely) or Competitive sale, or a Private Placement

Bond Sizing

- Initial Series of Bonds estimated size based on projected \$4.9 million in FY24
- 30-year term is structured with level debt service \$3.9 million (TIC 4.87%)
- Debt Service Coverage
 - Provides cushion for investors against volatile revenues
 - Currently sized using 125% revenues/debt service; higher coverage = lower proceeds
 - Excess revenue can be used on pay-go basis; CIP and admin
- Additional Bonds Test (ABT)
 - In order to issue future bonds on parity lien must meet the ABT test (125%)
- IFP Sizing
 - Bond projections used 150% DSC
 - Recent projections with input from MA use 125%

Estimated Project List

Otay Mesa CIP Summary

(Preliminary, subject to change)
(in thousands)

Project	Total Project Cost ²	Future Funding Needs
Airway Road Improvement ¹	\$16,500	\$16,490
Beyer Park Development	\$33,636	\$17,130
Dennerly Ranch NP	\$22,000	\$9,108
Fire Station 49	\$22,586	\$22,500
Hidden Trails NP	\$9,150	\$7,137
La Media Road (SR 905 to Airway, Airway to Siempre Viva)	\$54,317	\$27,180
Palm / I-805 Interchnge	\$29,921	\$29,814
Playa del Sol Parkway	\$3,120	\$0
Riviera del Sol NP	\$9,571	\$0
Siempre Viva Road (La Media Road to Harvest Road) ¹	\$5,600	\$5,590
La Media Imprv-Siempre Viva to Truck Rte	\$17,602	\$16,482
Otay Mesa Truck Route Phase 4	\$30,360	\$8,485
	\$254,363	\$159,916

¹These projects reflect total project cost from the FY14 Otay Mesa PFFP, and appropriations per the FY22 Adopted CIP project pages.

²Total Project Costs are consistent with the FY23 Adopted Budget.

Financing Resolution

- Authorization for Initial Series of Bonds with the ability to issue additional TABs from time to time with Public Financing Authority (“PFA”) Board approval
- Authorization for negotiated, competitive sale, or private placement
- Tax Exempt and/or Taxable
- Not-to-exceed \$70 million Par Amount
- Maximum True Interest Cost (TIC) of 7.00%
- Max Bond Term will not exceed life of the District (Expires in FY 2063)
- Debt Policy of the District- The District is adopting the City’s Debt Policy to the extent applicable to the District



Sources & Uses¹

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources:

Bond Proceeds: ¹	\$62,481,153.25
Total Sources of Funds	\$62,481,153.25

Estimated Uses

Project Fund:	\$56,905,869.29
Cost of Issuance: ²	\$350,000.00
Reserve Fund: ³	\$3,884,550.00
Underwriter's Discount: ⁴	\$294,325.00
Bond Insurance: ⁵	\$1,046,408.96
Total Uses of Funds	\$62,481,153.25

¹Preliminary, subject to change. Original Issue Premium (or Discount) will be determined subject to market conditions at pricing.

²Includes fees for bond and disclosure counsel, municipal advisor fees, credit rating fees, trustee fees, fiscal consultant fee, and disclosure document printing fees. The costs will be paid for from the bond proceeds, which is permitted under the bond offering guidelines.

³District may apply for reserve fund surety policy.

⁴Preliminary, subject to change.

⁵Preliminary, subject to change. Subject to proposal by municipal bond insurer, and confirmation by the underwriter that the interest cost savings are greater than the insurance premium.

Financing Team

Municipal Advisor:

CSG Advisors Incorporated

Bond and Disclosure Counsel:

Stradling Yocca Carlson & Rauth

Trustee/Escrow Agent:

RFP released; responses received on August 4th

Fiscal Consultant:

RFP released; responses received on August 4th

Underwriter(s)

TBD

Preliminary Financing Timeline*

August 2022

- PFA approval of TABs via financing resolution, including approval of Indenture and BPA

October 2022

- PFA approval of Preliminary Official Statement ("POS") for TABs

November/December 2022

- Print and distribute POS
- Bond Sale
- Bond Closing

*Subject to judicial validation conclusion

Legal Documents

Legal Documents

- The Financing Resolution approves the following financing documents:
 - **Form of Indenture of Trust (“Indenture”)**
 - Agreement between the District and Trustee that sets forth the terms, interest rates, use, and nature of security of the bonds
 - **Form of Bond Purchase Agreement (“BPA”)**
 - Agreement between the District and the Underwriters for the transaction pursuant to which the Authority agrees to sell, and the Underwriters agree to buy, the bonds

State Statute – Tax Increment Bonds

- **Government Code Section 53398.77**
 - Governs the issuance of bonds by an EIFD
- **Government Code Section 53398.88**
 - Independent financial and performance audit conducted every two years after issuance of debt

Requested PFA Board Actions

Actions for Consideration

- Authorize the Initial Series of Bonds, in one or more series, in an aggregate principal amount not-to-exceed \$70 million to finance certain capital improvements listed in the IFP.
- Approve the 'Forms of' and authorize the completion and execution of related financing documents which include the Indenture of Trust and the Bond Purchase Agreement.
- Adopt the City's Debt Policy, where applicable, for the District with exception of the appendices and sections specific to the City and other Related Entities.
- Authorize the District's General Counsel to prepare and file all proceedings required for the judicial validation of the District's TABs.
- Authorize additional series of TABs issued from time to time, on parity or subordinate lien basis, over the life of the District subject to approval of future resolutions establishing certain not to exceed parameters.
- Authorizing and directing the Authorized Officers of the PFA, and their respective written designees, to take any and all necessary actions for the issuance of the Initial Series of Bonds.