

Otay Mesa Enhanced Infrastructure Financing District

Fiscal Year 2020 Annual Report

June 14, 2021

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 2020.

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). Accordingly, the District has required the adoption of an Operating and Capital Budget for every Fiscal Year since, each approved by PFA Resolution. The Operating Budget functions 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 reflects the District's investment in the District's infrastructure projects.

LEGISLATIVE REQUIREMENT

Assembly Bill 116 was approved on October 9, 2019, implemented several changes to the existing Enhanced Infrastructure Financing District laws in the Government Code. These amendments included a new requirement to adopt an annual report, on or before June 30 of each year, after

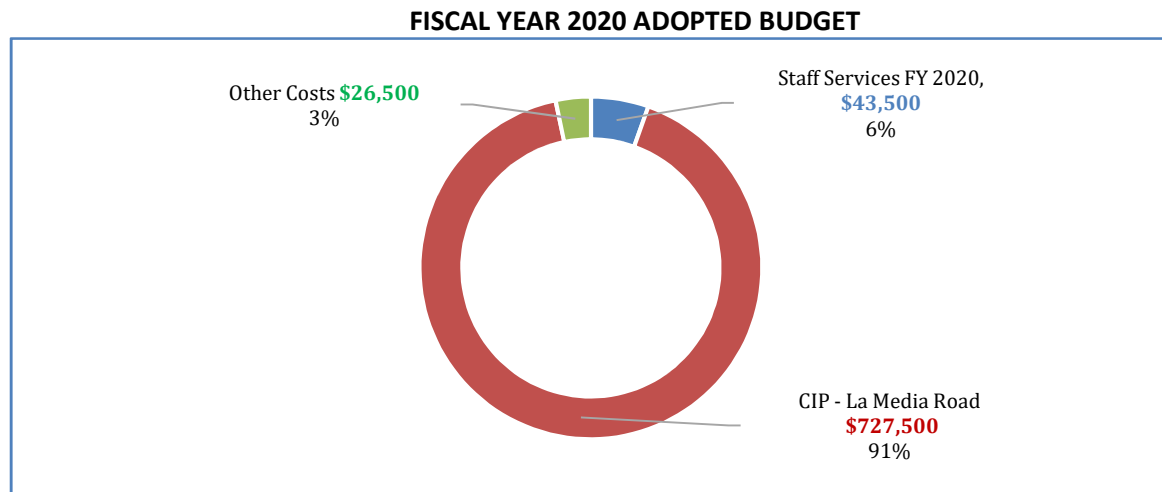
holding a public hearing. Per Government Code section 53398.66(j)(3), the annual report shall contain the following:

- A) A description of the projects undertaken in Fiscal Year 2020, including any rehabilitation structures, and a comparison of the progress expected to be made on those projects compared to the actual progress;
- B) A chart comparing the actual revenues and expenses, including administrative costs, of the PFA to the budgeted revenues and expenses;
- C) The amount of tax increment revenues received;
- D) An assessment of the status regarding completion of the Otay Mesa Enhanced Infrastructure Financing District (EIFD) projects;
- E) The amount of revenues expended to assist private businesses.

This Fiscal Year 2020 Annual Report is intended to fulfill this legislative requirement.

FISCAL YEAR 2020

The District’s total adopted budget for Fiscal Year 2020 was \$797,500, and has 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 2020	\$43,500
Other Costs (Independent Financial Audit, Public Notices and Contingency)	\$26,500

A significant portion of the budgeted operating costs for Fiscal Year 2020 entailed planned staff services to the District related to annual CIP preparation and approvals, legal counsel, financial reporting, and administrative support.

CAPITAL IMPROVEMENT PROGRAM BUDGET

The capital improvement project budget for Fiscal Year 2020 was designated for the La Media Road project:

Capital Description	FY 2020 Budget
La Media Road (S-15018)	\$727,500

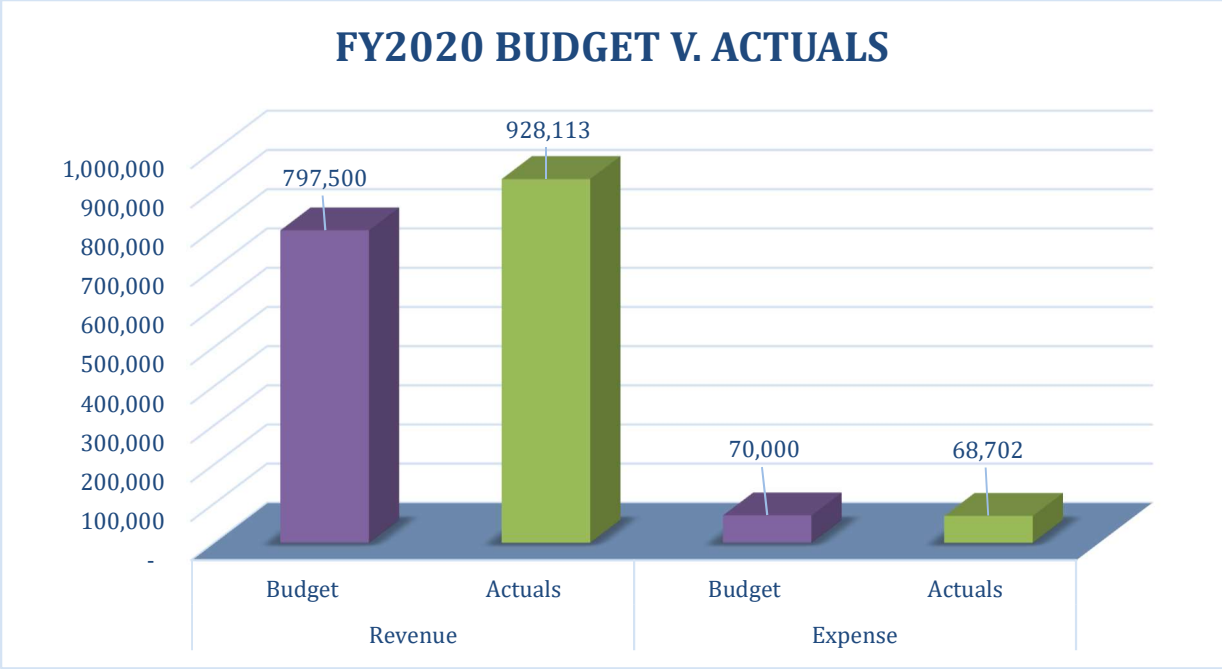
The capital improvement program (CIP) budget represents the District’s investment in Otay Mesa infrastructure projects. A budgeting process is identified in the MOU for annual budgeting of Otay Mesa EIFD funds for eligible public infrastructure. As noted in the MOU, the City and District agree that the 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 2020 YEAR-END ACTIVITY

Fiscal Year 2020 concluded with revenues of \$928,113, 16.4% over the budget amount of \$797,500. This amount does not include interest earnings. Operating expenditures of \$68,702 ended 1.9% 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. Additional administrative charges exceeded the available budget and therefore, will be reimbursed from the Fiscal Year 2021 budget.

The Fiscal Year 2020 year-end expenditure activity also includes County of San Diego fees in the amount of \$10,629. A comparison bar chart is provided below reflecting Fiscal Year 2020 budget and actual fiscal activity.



In Fiscal Year 2020, the adopted budget included \$727,500 for Capital Improvements with no expenditure activity recorded.

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

The District’s estimated \$727,500 CIP budget was recommended for La Media Road in Fiscal Year 2020. As sufficient EIFD proceeds are collected by County of San Diego and deposited at the City, staff pursues the necessary actions to appropriate the funds to the designated CIP. 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 2020, staff continued working on the environmental and Right-of-Way phases which is anticipated to be completed in Fiscal Year 2021. This includes preparation of construction documents (plans, specification and cost estimate), right-of-way acquisition, environmental mitigation, and obtaining necessary permits to proceed to the construction phase. The 100% design phase was completed, and staff is working toward final plans, specification and estimate. During the design stage, the design team implemented 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. Staff anticipates advertising for construction in early calendar year 2022.

Details of the La Media Road CIP S-15018 can be found in the City's online Capital Improvements Program (CIP) project information at <https://cipapp.sandiego.gov/CIPDetail.aspx?ID=S15018>.

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 2020 revenues were expended to assist private businesses. Furthermore, it is not anticipated that District revenues will be used to assist private businesses going forward.