

**OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT
PUBLIC FINANCING AUTHORITY
Meeting of June 22, 2023**

DATE ISSUED: June 15, 2023

SUBJECT:

Otay Mesa Enhanced Infrastructure Financing District (District) Budget for Fiscal Year (FY) 2024

CONTACT/PHONE NUMBER:

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DESCRIPTIVE SUMMARY OF ITEM:

This item includes the FY 2024 Proposed Budget for the District.

STAFF RECOMMENDATION:

Adopt a resolution approving the District's FY 2024 Budget

EXECUTIVE SUMMARY OF ITEM:

The District's FY 2024 Proposed Budget is \$7,214,435. The budget is funded by \$5,567,860 in projected Tax Increment (TI) revenue for FY 2024 and from \$1,646,575 of fund balance from the prior year.

The District's proposed FY 2024 budget has operating and Capital Improvement Projects (CIPs) components as follows:

Budget Category	Fund	Description	Amount
Operating	200803	<ul style="list-style-type: none">• Staff services to the District• Contractual services for independent financial audit• Consultant costs related to bond issuance analysis• Public Noticing and County Fees	\$185,010

Operating	200803	<ul style="list-style-type: none"> Contingency for Bond Debt Service 	\$950,000
CIP	400870	<ul style="list-style-type: none"> S-15018 La Media Road Improvements RD22001 Dennerly Ranch Neighborhood Park 	\$3,984,989 \$2,094,436
		Total Proposed Budget	\$7,214,435

The proposed budget for FY 2024 includes an increase in operating costs of \$28,010 and CIP funding of \$3,279,425 from the FY 2023 budget as well as a \$950,000 contingency for a potential bond debt service payment carried over from FY 2023.

Additionally, \$100,000 in prior year fund balance has been set aside in the operating fund for any unanticipated loss in revenue.

Operating Budget

The operating budget functions to reimburse the City for projected expenses of providing operational staff services to the District, in accordance with the adopted Memorandum of Understanding (MOU). The proposed operating budget of \$185,010 is based on estimated staff services to be provided to the District, including operating and CIP budget development and monitoring; financial review, support and reporting for District operations and bond issuances; coordination of bond authorization and issuance; monitoring of TI allocation and bonding capacity; as needed consultation with the Planning Department; and legal counsel. Details of the proposed operating budget are provided in Attachment 1 of this report.

Contingency for Bond Debt Service

Department of Finance is preparing for the District’s first bond issuance which could close in FY 2024. As presented to the Public Financing Authority (Authority) in August 2022, the bond issuance of Tax Allocation Bonds the District, in one or more series, is expected to provide funding for up to approximately \$57 million for CIPs. The proposed budget includes a contingency to cover the first debt service payment of \$950,000 should the bonds close within the fiscal year. Staff continues to monitor CIPs within the District and will bring a bond issuance when the need and ability to spend proceeds in a timely fashion is met.

CIP Budget

The CIP budget line represents the District’s investment in Otay Mesa infrastructure projects. As noted in the MOU, the City and District acknowledge that all projects are City projects, and as such, will be prioritized by the City pursuant to Council Policy 800-14: *Prioritizing Capital Improvement Program*.

The proposed FY 2024 CIP budget is \$6,079,425. These funds are proposed to be

appropriated to two projects with immediate funding needs, as follows:

La Media Road Improvements (S-15018), \$3,984,989: 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. Funding for this project by the District began in 2020. Funding for this project comes from multiple sources including state grants, and Otay Mesa Facilities Benefit Administration (FBA) funds, Development impact fees, grants, and District funding.

Dennery Ranch Neighborhood Park (RD22001), \$2,094,436: The project consists of the design and construction of a nine usable acre Dennery Ranch Neighborhood Park. The park may include a multi-purpose court, multi-purpose sports fields, comfort station, children's play area, picnic area and facilities, open turf area, staging area, and trail with connectivity to the Otay Valley Regional Park. In addition to District funding, this project is also funded by Otay Mesa FBA funds.

CIP Updates

CIP within the District, as identified in the Infrastructure Financing Plan, is continuously monitored for changes in funding needs. The following priority CIPs are or have been considered for immediate District funding. The following provides a brief update on their status:

- Fire Station 49 (S-00784); Fire Department has requested \$250,000 in FY 2024 which will be funded with FBA funding. Future unfunded costs of \$28 million including construction costs will likely require funding from District revenues and/or bond proceeds.
- Hidden Trails NP (S-00955): Completion of this park will be funded with a combination FBA funds and District funding appropriated in FY 2023. The Parks and Recreation Department requested \$6 million of FBA funding in FY 2024 to fully fund the project based on current cost estimates.
- Palm/805 Interchange (S-00869) has received \$24 million in grant funding from the Federal Highway Administration. It has been determined that District funding will likely not be required to complete this project.
- Airway Road Improvements (P-19007): Transportation Department has indicated this project is still in the preliminary stages and not ready to receive funding.

Staff will continue to monitor priority CIP needs and provide regular updates to the Authority at least annually through the budget process.

ENVIRONMENTAL IMPACT:

This activity, approval of the District's FY 2024 Budget, is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and CEQA Guidelines Section 15378(b)(4) as it is a government fiscal activity which does not involve any

commitment to a specific project which may result in a potentially significant physical impact on the environment. Thus, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

Additionally, the proposed allocation of funds to the La Media Road Improvements project (S-15018) and the Dennery Ranch Neighborhood Park project (RD22001) is covered by the Final Environmental Impact Report (FEIR) prepared for the Otay Mesa Community Plan Update (Project Nos. 30330 and 304032/SCH No. 2004651076) which was certified by the San Diego City Council on March 25, 2014 (Resolution R-308809), the Addendum to the Otay Mesa Community Plan Update FEIR for the La Media Road Improvements Project (Project No. 667298/SCH No. 2004651076) which was adopted by the City of San Diego Development Services Department on April 19, 2021 (Resolution CM-7026-1), and the FEIR for the Dennery Ranch Project (DEP No. 88-0785/SCH No. 1988113034) which was certified by the San Diego City Council on November 9, 1993 (Resolution R-282970). This activity is a subsequent discretionary action and is not considered to be a separate project for the purposes of CEQA review pursuant to CEQA Guidelines Sections 15378(c) and 15060(c)(3). Pursuant to Public Resources Code Section 21166 and CEQA Guidelines Section 15162, there is no change in circumstance, additional information, or project changes to warrant additional environmental review for this action.

CONCLUSION:

It is recommended that the Authority adopt the resolution approving the District's FY 2024 Proposed Budget.

Respectfully submitted,

Richard Eyre
Financial Operations Manager
City of San Diego
Department of Finance – Debt Management

Attachment:

Attachment 1: Otay Mesa EIFD Fiscal Year 2024 Proposed Budget