

**OTAY MESA ENHANCED INFRASTRUCTURE FINANCING DISTRICT
PUBLIC FINANCING AUTHORITY
Meeting of June 13, 2022**

DATE ISSUED: June 6, 2022

SUBJECT:

Otay Mesa Enhanced Infrastructure Financing District (District) Operating and Capital Improvement Program budgets for Fiscal Year 2023, and annual review of the District's Infrastructure Financing Plan (IFP).

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DESCRIPTIVE SUMMARY OF ITEM:

This item includes:

1. The proposed District Operating Budget for Fiscal Year 2023;
2. The proposed District Capital Improvement Program (CIP) Budget for Fiscal Year 2023; and,
3. Annual review of the District's IFP.

STAFF RECOMMENDATION:

Adopt a resolution approving the District's Fiscal Year 2023 operating and capital improvement program budgets and confirming the annual review of the District's IFP.

EXECUTIVE SUMMARY OF ITEM:

Fiscal Year 2023 Proposed Budget

The District's Fiscal Year 2023 Proposed Budget is \$3,907,000. The budget is funded from \$3,782,000 in projected Tax Increment (TI) revenue for Fiscal Year 2023 and

from \$125,000 of fund balance of prior year revenue. An estimated \$83,000 will be held in fund balance as a reserve for unanticipated expenditures.

The District’s proposed budget has operating and CIP components as follows:

Budget Category	Fund	Description	FY 2023 Amount
Operating	200803	<ul style="list-style-type: none"> • Staff services to the District. • Contractual services for independent financial audit. • Consultant costs in FY23 related to bond issuance analysis. • Public Noticing and County Fees 	\$157,000
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 • S-00752 Beyer Community Park 	\$1,650,000
		Total Fiscal Year 2023 Proposed Budget	\$3,907,000

The proposed budget for Fiscal Year 2023 reflects an increase in operating costs of \$57,000 from the Fiscal Year 2022 budget, an operating budget contingency of \$950,000 for the first projected debt service payment for tax increment bonds, and an increase of \$1,365,000 to support capital improvement projects.

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 City-EIFD Memorandum of Understanding (MOU). The proposed operating budget of \$157,000 is based on estimated staff services to be provided to the District for annual CIP preparation and approvals, legal counsel, meetings, financial reporting, and contractual services for an independent financial audit and fiscal consultant. Details of the proposed operating budget are provided in Attachment 1 to this report. Work on a potential bond issuance is expected to occur during Fiscal Year 2023, and the proposed budget reflects the associated increased use of City staff resources.

Contingency for Bond Debt Service

Debt Management is preparing for the District’s first tax increment bond issuance which is anticipated to close during Fiscal Year 2023. As described in the February 2022 informational item presented to the Public Financing Authority (PFA), the bond issuance is expected to generate between \$35-40 million in bond proceeds for eligible capital improvement projects outlined in the IFP. The proposed budget

includes a contingency to cover the first anticipated debt service payment of \$950,000 should the bonds close within the fiscal year. Debt Management staff expects to return to the PFA in the next few months to present a financing plan and to seek formal bonding authorization.

Capital Improvement Program Budget

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

The proposed Fiscal Year 2023 CIP program budget is \$2,800,000. These funds are proposed to be appropriated to two projects, as follows:

La Media Road Improvements S-15018, \$1,650,000: 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.

Beyer Park S-00752, \$1,150,000: This project provides for the design and construction of approximately eight usable acres of a community park on Beyer Boulevard. Phase I will include a children's play area with rock climbing wall, skate park, community gathering space, sports courts, and amphitheater seating. Phase II will include a pedestrian walkway, dog park, comfort station, parking lot, exercise stations, and athletic fields.

It should be noted that the anticipated bond issuance referenced above is anticipated to generate between \$35-\$40 million for eligible capital improvement projects.

Once this occurs, tax increment revenues will be used primarily for debt service and operating expenditures, and capital improvement projects will be funded primarily from bond proceeds.

Review of District's Infrastructure Financing Plan

Pursuant to Government Code section 53398.66(j)(1), the Authority is required to review the District's IFP, at least annually, and make any amendments that are necessary and appropriate. For the current year, staff has no recommended amendments to the IFP for the Authority's consideration.

CONCLUSION:

It is recommended that the Authority adopt the resolution approving the District's Fiscal Year 2023 operating and capital improvement program budgets and confirming the annual review of District's IFP.

Respectfully submitted,

Heidi Vonblum
Planning Director
City of San Diego

Attachments:

Attachment 1: Otay Mesa EIFD FY 2023 Proposed Budget