

## City of Encinitas - Infrastructure Funding Options

### (Requires 2/3 Voter Approval)

	<b>Special District</b>	<b>Community Facilities District (CFD)</b>	<b>Public Bond Measures</b>
Description	Parcel tax for a specific purpose	Special tax district to fund public improvements and services	Long-term borrowing that governments frequently use to raise money
Authority	Laws passed by the State Legislature, Principal Acts	Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et. seq.)	Laws passed by the State Legislature
Eligible for Funding	Specific or particular purpose only	Public services and capital projects, including maintenance	Primarily used for long-lived infrastructure assets, Bond will identify eligible projects
Rate and Methodology	Apportioned out to each parcel within the special district	Not subject to strict principles of benefit assessment, tax formula must be reasonable, allows for defined tax exemptions	Bond amount is set - duration of loan established (~ 30 years) and repaid by taxable property within the jurisdiction over length of the bond
Assessment	Fixed rate per property parcel based on either square footage or flat charge for a specified length of time	Maximum Annual Special Tax Rate, may run in perpetuity	Payback of loan is dispersed through collection of taxes
Concerns	Requires ballot measure, costly, requires 2/3 registered voter approval	Higher taxes and can be complex to administer when funding public improvements through bonding, requires 2/3 registered voter approval  If less than 12 registered voters, may be a landowner vote, requires 2/3 of all acreage within district boundary in favor for approval	Requires ballot measure, costly, requires 2/3 registered voter approval
Why use this approach?	Can be used for specific or particular purpose, not subject to Prop 13 limitations	Broadest range of eligible funding, may fund 100% of costs, allows for expedited future annexations – best used in developing areas	Can be used for specific or particular purpose, not subject to Prop 13 limitations
Primary steps to complete	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Proposal filed with Attorney General for ballot title</li> <li>3. Signature gathering</li> <li>4. Legislative hearings on proposal</li> <li>5. Submission of signatures</li> <li>6. Ballot Measure (2/3 supermajority vote for approval)</li> </ol>	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Initiation of CFD</li> <li>3. Adoption of Local Goals and Policies, Proposal of Resolution of Intention</li> <li>4. Public Hearing, Adoption of Resolution of Formation</li> <li>5. Election (2/3 supermajority vote when &gt;12 voters)</li> </ol>	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Proposal filed with Attorney General for ballot title</li> <li>3. Signature gathering</li> <li>4. Legislative hearings on proposal</li> <li>5. Submission of signatures</li> <li>6. Ballot Measure (2/3 supermajority vote for approval)</li> </ol>
Timeframe	Estimate 12 to 24 months	Estimate 9 to 12 months	Estimate 18 to 24 months
Potential Funding	Requires additional information to determine Sample Range: \$9/parcel to \$1500/parcel County PRD	Requires additional information to determine Sample Range: Encinitas Ranch = \$541/parcel to \$2,770/parcel	Varies – No limit Currently maxed out on bond capacity

## City of Encinitas - Infrastructure Funding Options

### (Requires 1/2 Voter Approval)

	<b>Assessment District (AD)</b>	<b>General Sales Tax Increase</b>	<b>Transient Occupancy Tax (TOT) Increase</b>
Description	Benefit assessment to fund certain public improvements and services	General Local Sales Tax (percentage increase range 0.125%-2%)	TOTs are imposed on rooms or living spaces at hotels, inns, rental houses, homes, motels, or campsites
Authority	Improvement Act of 1911 Municipal Improvement Act of 1913	Laws passed by the State Legislature	Revenue & Taxation Code Sec. 7280
Eligible for Funding	Public services and capital projects	General Services (goes to General Fund)	General Services (goes to General Fund)
Rate and Methodology	Mathematical formula based on how much each property will benefit, if a property benefits it must be assessed	Sales Tax revenue generated from increased sales tax apportioned to the City from County	In CA, the TOT rate varies by locality, typical ranges from 8% to 15.5% of the room rate
Assessment	Fixed percentage of total district debt assigned to each parcel, requires annual public hearing process	Fixed rate increase on sales of goods and services	The TOT is collected by the lodging establishment, then remitted to the agency
Concerns	Cannot assess for general benefit (defined as benefit to the public at large or benefits that are not property related, for example, through traffic on arterial roadway, traffic signals, protection of life).  5-year limitation on funding capital improvements for streets, roads or highways.  Unless narrowly crafted, unable to fund 100% of a program due to general benefits.	Requires ballot measure, costly to campaign for, requires 1/2 registered voter approval	Requires ballot measure, requires 1/2 registered voter approval
Why use this approach?	Can be used in undeveloped areas and/or established areas to fund public infrastructure and services	Can be used for specific or particular purpose, not subject to Prop 13 limitations	Does not typically produce financial hardship on residents. No cap.
Primary steps to complete	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Resolution of Intention</li> <li>3. Prop 218 ballots mailed to each property owner in the district</li> <li>4. Public Hearing</li> <li>5. Adoption of Resolution of Formation</li> <li>6. Protest Hearing (majority protest, weighted, of ballots returned)</li> </ol>	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Proposal filed with Attorney General for ballot title</li> <li>3. Signature gathering</li> <li>4. Legislative hearings on proposal</li> <li>5. Submission of signatures</li> <li>6. Ballot Measure (1/2 majority vote for approval)</li> </ol>	<ol style="list-style-type: none"> <li>1. Public Outreach</li> <li>2. Proposal filed with Attorney General for ballot title</li> <li>3. Signature gathering</li> <li>4. Legislative hearings on proposal</li> <li>5. Submission of signatures</li> <li>6. Ballot Measure (1/2 majority vote for approval)</li> </ol>
Timeframe	Estimate 6 to 12 months	Estimate 18 to 24 months	Estimate 6-12 months
Potential Funding	Requires additional information to determine Sample Encinitas tax rate = 1.09437 Sample Oceanside tax rate = 1.11051	Current Sales Tax = 7.75% 0.5% increase = ~ \$8.5 Million 1.0% increase = ~\$17 Million (Data from ITF Q&A Matrix)	Current TOT = 10% 1% increase in TOT = ~\$44,000 annually (based on FY 21-22) (Data from ITF Q&A Matrix)

## City of Encinitas - Infrastructure Funding Options

### (Requires Studies and Fee Calculations)

	<b>Development Impact Fees (DIF) Update &amp;/or Additional DIFs</b>	<b>Transportation Utility Fee (TUF)</b>
Description	One-time charges assessed on new development for public facilities needed to serve new development	Fee to fund transportation services
Authority	Assembly Bill 1600 (Mitigation Fee Act)	Laws passed by the State Legislature
Eligible for Funding	Capital Costs for new improvements only and must be tied to new development	In CA, TUFs can only be levied as a fee for a service (i.e., to fund transit service) and cannot be linked to larger health and safety purposes
Rate and Methodology	Fair share based on a rational nexus test	Typically assess the fee using a per trip methodology
Assessment	One-time fee on new development to mitigate impacts	TUF is usually paid monthly as part of the utility bill or along with the property tax payments
Concerns	Cannot fund existing deficiencies, ongoing maintenance, or salaries. Limited large scale new development growth in the City.	CA cities have not implemented TUFs yet – may have liability issues or face extreme backlash
Why use this approach?	Tried and true method of funding new development's share of capital facility costs. Does not impact property taxes.	Jurisdictions have typically tried to levy TUF as a fee rather than as a tax to avoid voting
Primary steps to complete	<ol style="list-style-type: none"> <li>1. Public outreach</li> <li>2. Public Hearing</li> <li>3. Adoption of ordinance &amp; resolution</li> </ol>	<ol style="list-style-type: none"> <li>1. Identify Fee Type (Fee, Special Fee, Assessment, general tax, or special tax)</li> <li>2. TUF as a special tax is likely the most defensible option legally</li> <li>3. (See Special District Parcel Tax)</li> </ol>
Timeframe	Estimate 6 to 9 months	Estimate 18 to 24 months
Potential Funding	Varies – depends on new development numbers and fee update FY 22/23 Traffic Fees were \$276K 20% Traffic Fee increase = +\$56K FY 22/23 Flood Control was \$81K 20% Flood Control Fee increase = +\$16K	Varies

## City of Encinitas - Infrastructure Funding Options

### Requires Special Conditions/Agreements

	<b>Enhanced Infrastructure Financing District (EIFDs)</b>	<b>Private Loans/Borrowing</b>	<b>Public Private Partnerships</b>	<b>Grants</b>
Description	Special financing district that utilizes a portion of tax increment revenue to finance projects within the EIFD	Private loans (private placements) /borrowing from accredited banking institutions	Collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects	Funding awarded by an entity for a particular purpose
Authority	Laws passed by the State Legislature	General Police Power (California Constitution Article XI, Section 7)	City and Private Entity	Grantee organization
Eligible for Funding	Public infrastructure projects, infrastructure maintenance, affordable housing development, economic development, etc.	Generally, anything the entity would like to spend funds on, as long as they can pay back the loan to bank	Depends on partnership agreement terms, common projects: public transportation networks, parks, and convention centers	Depends on grant terms
Rate and Methodology	Increment increase in property tax is diverted into a separate pool of money, which can be used to pay for improvements or pay back bonds	Lump Sum	Could be lump sum, earmarked for specific use, matching funds, reimbursement	Could be lump sum, earmarked for specific use, matching funds, reimbursement
Assessment	Tax increment over the base amount; uses the growth from existing tax revenues	Likely general fund will pay back loan	Varies	Grantee may require phased delivery of funds
Concerns	Cumbersome administrative process and increase public engagement requirements; need to form Public Financing Authority for oversight	Financial Risk – Poor terms (higher interest rates), potential for accelerated/immediate repayments	Few big businesses within City Limits that would be viable partners	Unpredictable, Competitive pool of applicants, many grants are for lower income communities
Why use this approach?	No voter requirement for formation or bond issuance (Assembly Bill 116 - 2019)	Lower issuance costs, fewer disclosure requirements	Often times free money	Often times free money
Primary steps to complete	<ol style="list-style-type: none"> <li>1. Form team</li> <li>2. Evaluate EIFD feasibility</li> <li>3. Conduct outreach</li> <li>4. Initiate formal process</li> <li>5. Prepare Infrastructure Financing Plan</li> <li>6. Pre-adoption / Public Hearings</li> <li>7. Approval and Formation</li> </ol>	<ol style="list-style-type: none"> <li>1. Request private placement terms from multiple accredited banking institutions</li> <li>2. Identify which has best terms for City's interest</li> <li>3. Execute agreement between bank and City</li> </ol>	<ol style="list-style-type: none"> <li>1. Coordinate with Economic Development Team</li> <li>2. Identify viable private partnership opportunities</li> <li>3. Secure agreement</li> </ol>	<ol style="list-style-type: none"> <li>1. Identify grant opportunities</li> <li>2. Submit grant application (typically involves heavy staff involvement)</li> </ol>
Timeframe	Estimate 12-18 months	Estimate 3-6 months	Varies	Varies
Potential Funding	Dependent upon tax revenue growth	Varies Currently maxed out on loan capacity	Varies	Varies