

City of Encinitas Infrastructure Task Force
FINAL REPORT

DRAFT January 2024

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City of Encinitas Infrastructure Task Force Project Prioritization & Financing Plan

1. Introduction

1.1 Formation of the Infrastructure Task Force

At the November 16, 2022, City Council meeting, the Council approved the formation of the Infrastructure Task Force Committee (ITF) to address the gap between Capital Improvement Program (CIP) needs and estimated funding available over the next 10 years. Staff created an application for community member participation and performed community outreach to ensure a diverse mix of applicants.

At the January 25, 2023 City Council meeting, the Council appointed seven applicants to serve on the ITF. The appointees comprise members of the community from a variety of backgrounds, with interest and expertise in Capital Infrastructure Projects. This group advises and works with the City Engineer and City staff to meet the objectives of the Task Force.

The establishment of the ITF reflects the goals of the Organizational Effectiveness & Efficiency Focus Area of the Strategic Plan through the allocation of resources and appropriate staff levels.

1.2 CIP Background

The (CIP) represents any project that is over \$100,000 and has a useful life of five years or more. Examples include roads and sidewalks, trails, buffered bike lanes, buildings such as the library, marine safety center, city hall, and fire stations. All of these affect the quality of life in Encinitas. The city is tasked with upgrading older infrastructure and ensuring that there is adequate infrastructure added where needed .

The City typically adopts a six-year CIP that is funded with the General Fund and multiple restricted funding sources. Unlike the City’s operating budget, capital projects have assigned budget amounts that are not tied to a single fiscal year. Some projects may take several years of funding to complete.

The City has routinely transferred General Fund dollars to supplement the CIP to address and fund critical infrastructure needs in the City. Unfortunately, as is true for most cities across the nation, the amount available each year is insufficient to cover the costs of new infrastructure projects and updates to older, failing infrastructure (roads, bridges, facilities, etc.). The Council discussed this issue during budget deliberations and identified Council Members Mosca and Lyndes to serve on a subcommittee tasked with outlining a meeting structure for a Task Force to address the gap between CIP needs and estimated funding available over the next 10 years.

1.3 ITF Purpose

The purpose of the ITF is to develop a systematic method to quantify the City’s infrastructure backlog and future needs, rank infrastructure projects according to a consistent set of scoring criteria that reflects the values of the City of Encinitas, and explore potential new revenue

sources. The ranking system will help inform funding and staff resource allocation decisions to align with the infrastructure projects that best match City priorities.

1.3.1 ITF Mission and Goals

The Council Subcommittee identified a draft mission and overarching goals for the ITF:

1. Identify the City's capital improvement backlog and future needs for the 2025 to 2035 timeframe.
2. Define criteria and clarify processes for identifying and prioritizing future city CIP needs, projects, and funding opportunities.
3. Ensure that the CIP program and prioritization is linked to the City's policies and planning priorities.
4. Ensure transparency in communications about infrastructure needs, challenges, and the work of the ITF.
5. Make recommendations regarding funding the City's infrastructure backlog at the conclusion of the task force work.

1.3.2 ITF Scope of Work

The ITF has determined six key action items which encompass the scope of work required to fulfill its purpose:

1. Identify the City's infrastructure backlog and future needs.
2. Develop a project scoring rubric that reflects the City's values and priorities.
3. Estimate total cost of the infrastructure backlog including likely escalation in City project construction estimates and budgets, as well as increases in the cost of labor, equipment, and materials due to continuing price changes over time.
4. Estimate cost of a ten-year infrastructure future forecast (beyond the backlog) including likely escalation in City project construction estimates and budgets, as well as increases in the cost of labor, equipment, and materials due to continuing price changes over time.
5. Make recommendations that address funding the infrastructure backlog and 10-year future forecast at the conclusion of the ITF meetings in early 2024 considering:
 - a. Public/private development partners.
 - b. Public agency partners (State, Federal, Regional grant funding).
 - c. Potential financing measures.
 - d. Optimizing and leveraging existing city and partner investments for matching funds, and/or
 - e. Other funding mechanism (assessment district, etc.).
6. Determine if the City's infrastructure needs can be prioritized, financed, and effectively implemented given current staff resources.

1.4 Purpose of this Document

The purpose of this document is to provide a summary of the task force's findings, including infrastructure needs, the ranking framework for City infrastructure projects, and to provide ITF's recommendations for City Council on planning, staffing, and funding decisions.

The process to develop the scoring rubric, project rankings, and recommended funding sources is intended to be repeated and revised periodically to reflect evolving City priorities and

initiatives. This document summarizes recommended modifications for future prioritization exercises based on the ITF committee members' experience with the initial process.

2 Comprehensive Infrastructure Projects List

2.1 Projects List Development Methodology

The Infrastructure Task Force received a list of projects from each of the following groups:

- Engineering Department., Traffic Division
- Engineering Department, Capital Improvements Division
- Development Services Department, Climate Action Division
- Development Services Department, Coastal Management Division
- Public Safety Department, Fire and Marine Safety Divisions
- Parks, Recreation, and Cultural Arts Department
- Utilities Department
- Public Works Department
- Information and Technology Department

Projects were also reviewed by the ITF if they were included in City planning documents such as the Modal Alternatives Project (MAP), the City of Encinitas Active Transportation Plan (ATP), the Climate Action Plan (CAP), the Capital Improvement Program (CIP), the Cross-Connect Implementation Plan, or any Department work plans.

The project list included information about each project including a description, the department and division they were associated with, the source that identified the project (such as planning documents, presentations, City Council feedback), estimated recurring and non-recurring costs, total estimated cost during the 10-year program, whether the City departments had identified them as a priority, and whether they were located on a corridor that had been identified in the Local Road Safety Plan (LRSP).

2.1.1 Eligible Projects

In total, over 300 projects were presented to the ITF. To be eligible for inclusion in the 10-year CIP, projects must meet the following requirements:

- The project must focus on physical infrastructure;
- The project must have a cost estimate over \$100,000;
- The asset or infrastructure must have a useful life of at least 5 years; and
- The project cannot be funded by user fees/enterprise funds.

In coordination with City staff, the project list was refined to remove duplicates, projects that were fully funded, already in construction, scheduled to be completed by the end of 2023, were not focused on physical infrastructure, did not have a cost estimate over \$100,000, did not have a useful life over 5 years, or were funded by user fees/enterprise funds (such as utility projects).

Of the initial list of projects provided, 98 projects met this definition of eligibility. At the November 15, 2023 Joint City Council Infrastructure Task Force Meeting, 16 additional projects were added to the list for a new total of 114 projects.

2.1.2 Backlog

The ranked list of Backlog Projects can be found in **Appendix A**. The unfunded cost for the 33 projects on the list is estimated at \$263 million. To implement all projects on the backlog list within 10 years, an annual budget of \$26 million per year would be required.

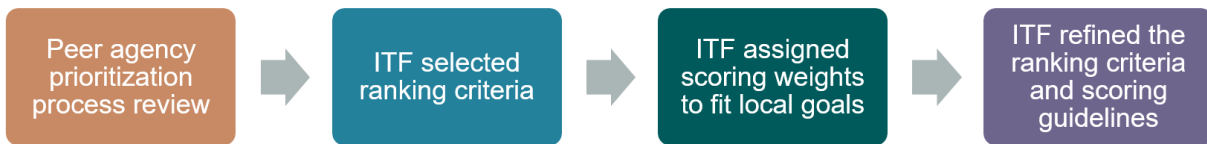
2.1.3 Future Needs

The ranked list of Future Needs Projects can be found in **Appendix B**. The unfunded cost for the 81 projects on the list is estimated at \$1.1 billion. To implement all projects on the future needs list within 10 years, an annual budget of \$110 million per year would be required.

3 Project Prioritization Rubric

3.1 Rubric Development Process

The ITF considered many factors to develop a rubric that could be consistently used to rank the City’s diverse array of infrastructure project needs. They considered the types of information available about each project, the opinions of subject matter experts within City staff, previous planning efforts and policies, and dozens of objective and subjective criteria. The process to develop the rubric is outlined below.



3.1.1 Peer Agency Review

The process began with a peer agency review of score-based ranking systems across the country. This step provided an overview of approaches from other peer agencies regarding the criteria, scoring weights, and the extent to which quantitative and qualitative information was utilized. Each project ranking system resulted in a numerical score based on several individual categories, which allowed for objective ranking of projects after scores were completed.

In general, public health, safety, and state of good repair were consistently assigned high priority and scoring weight among all peer agencies. Other criteria varied across agencies, which underscores the importance of taking local priorities into close consideration to align the project prioritization system with the City’s unique challenges and values.

3.1.1 Criteria Selection

With the peer agency review as a starting point, the ITF began reviewing local priorities as outlined in the City of Encinitas Strategic Plan and ultimately selected a set of scoring criteria. Each criterion was assigned a maximum score based on the ITF’s perception of importance through an iterative refinement process. Scoring guidelines were developed to help clarify the types of projects that would receive a high, medium, or low score for a given criteria. Finally, the proposed rubric was presented to the Encinitas City Council for feedback and approval.

The selected criteria, maximum scores, and scoring guidelines were developed to align with established priorities in 2023. For future project prioritization exercises, these elements of the rubric will be updated to align with evolving City priorities.

3.1.2 Criteria Maximum Scores

The maximum scores of each of the five criteria, along with a brief description for the reason of behind them, are as follows.

Criteria 1, **Risk to Health, Safety, and Regulatory or Mandated Requirements**, has a maximum score of 30 points, the highest in the rubric. The ITF members felt that mitigating risk to health and safety are paramount, as is remaining in compliance with legal mandates. Scoring this category highly was supported by the observed trends in peer agency rating systems.

Criteria 2, **Identified Infrastructure Need and Asset Longevity**, has a maximum score of 28 points. This criteria was determined to be a close second to Criteria 1 in terms of importance. This criteria was intended to prioritize projects that keep the City's existing infrastructure in good repair or have been identified as a priority need by City staff subject matter experts.

Criteria 3, **Sustainability, Environmental Conservation, and Resilience**, has a maximum score of 16 points. Given that Encinitas is a coastal beach town, the City values projects that support the natural environment and protect their community, lifestyle, and businesses from natural hazards.

Criteria 4, **Livability and/or Equitable Community Investment**, has a maximum score of 14 points. This criteria supports projects that equitably improve quality of life for residents and creates a welcoming atmosphere for visitors.

Criteria 5, **Consistency with City Priorities**, has a maximum score of 12 points. This criterion is used to determine whether a project addresses local priorities based on the City of Encinitas Strategic Plan.

3.2 Prioritization Rubric

The ITF members rated each project with a "high," "medium," or "low" score for each criteria based on the project description and supporting information available. Projects given a "high" rating receive all of the criteria's available points, while a "medium" rating receives half of the available points, and a "low" rating receives zero points. All seven of the ITF members performed the exercise of ranking each project according to the prioritization rubric. The average score was calculated to determine the ultimate project ranks.

Table 1 below shows City of Encinitas Infrastructure Project Prioritization Rubric. See **Appendix D** for the complete scoring guidelines.

Table 1 - City of Encinitas Infrastructure Project Prioritization Rubric

Criteria	Maximum Score	Scores		
		Low – No Points	Medium – Half Points	High – Full Points
1. Risk to Health, Safety, and Regulatory or Mandated Requirements	30	Project does not address existing health/safety issues and is not legally mandated.	Project maintains or improves public health/safety. Project may be deferred without impacting existing health/safety and project is not legally mandated.	Project provides an essential service or infrastructure to correct, maintain, or improve an existing deficiency that may directly affect health/safety. Project deferral may impact future risk to health/safety; and/or project is legally mandated.
2. Identified Infrastructure Need and Asset Longevity	28	Project is not an identified infrastructure need and does not improve longevity or reliability of infrastructure.	Project is an identified infrastructure need in a City planning document but was not identified as a priority by a City department or maintains assets nearing the end of their useful lives.	Project is identified as a City department priority or corrects existing deficiencies to maintain critical functioning of the asset.
3. Sustainability, Environmental Conservation, and Resilience	16	Project does not improve sustainability, environmental conservation, or resilience (as defined in the scoring guidance).	Project improves one of the following: sustainability, environmental conservation, or resilience (as defined in the scoring guidance).	Project improves at least two of the following: sustainability, environmental conservation, or resilience (as defined in the scoring guidance).
4. Livability and/or Equitable Community Investment	14	Project does not improve livability, community equity, or existing disparities.	Project improves livability or equity for underserved communities/users of all ages and abilities by addressing disparities in infrastructure.	Project improves livability and equity for underserved communities/users of all ages and abilities by addressing disparities in infrastructure.
5. Consistency with City Priorities	12	Project does not address City priorities (as defined in the scoring guidance).	Project addresses one City priority (as defined in the scoring guidance).	Project addresses multiple City priorities (as defined in the scoring guidance).
Total	100			

3.3 Ranked List of Projects

Each member of the ITF reviewed and scored the 114 infrastructure projects based on the prioritization rubric. Their scores were averaged together to calculate the overall score for each project. Based on the overall scores, the comprehensive list of projects was ranked with the highest score corresponding with the highest rank. The comprehensive projects list was then separated into “backlog” projects and “future needs”.

Backlog projects are associated with existing assets and commitments. These are projects that maintain, repair & rehabilitate, or modernize existing assets to conform with an accepted industry standard or state of good repair. They could also be projects that would help the City meet existing local, regional, or state performance targets. Backlog projects also include those that have been on the project list repeatedly in the past but have been unable to move forward due to a lack of funding.

On the other hand, Future Need projects would expand the amount of infrastructure that the City would have to maintain, or would provide assets that exceed accepted industry standards or performance targets.

4 Financing Infrastructure Needs

4.1 Existing CIP Funding Sources

The existing CIP budget is comprised of the General Fund, Special Revenue funds, grants, and other restricted funds as outlined below:

4.1.1 Unrestricted Funds

The General Fund is used to account for resources which are not required to be accounted for in a separate funding, including: sales tax, property tax, transient occupancy tax, licenses and permits, fines, and forfeitures. The total General Fund is projected to contain \$100.3 million in fiscal year (FY) 2023-2024, of which approximately \$3 million per year are available for CIP project implementation.

4.1.2 Restricted Funds

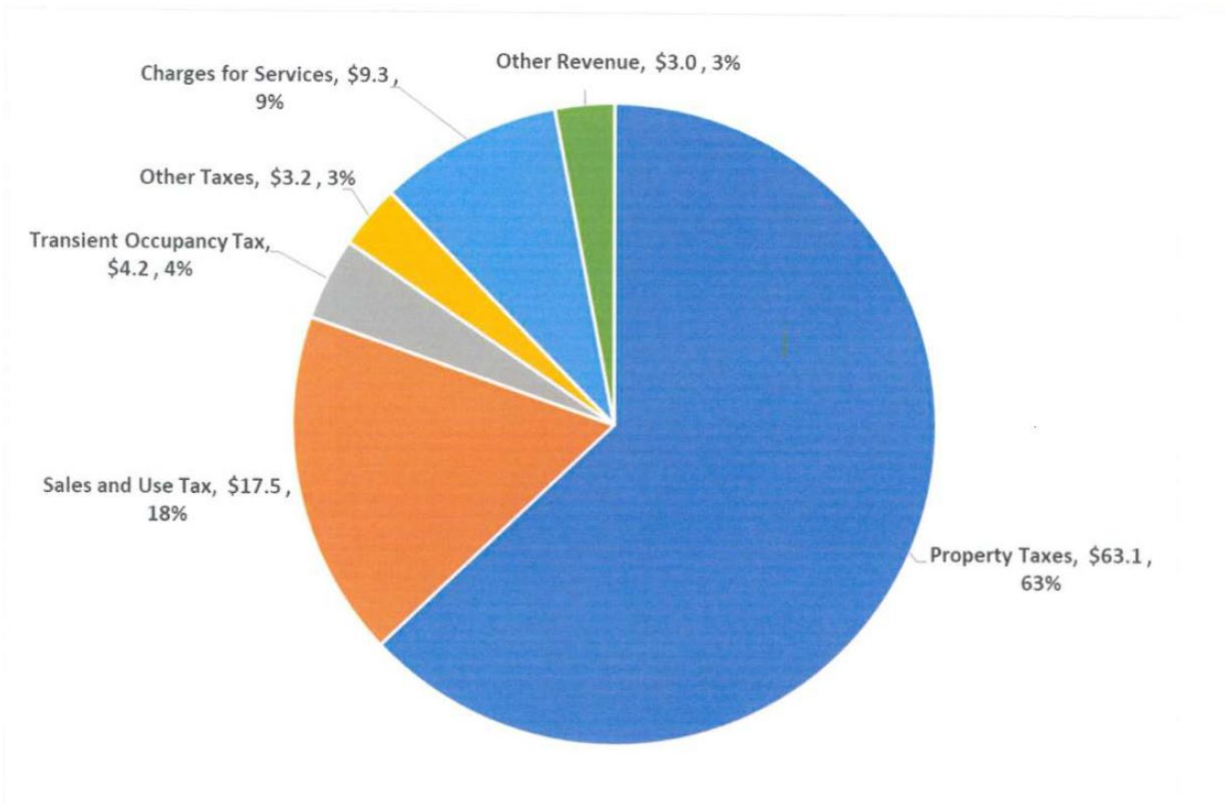
Restricted funds are funds that are set aside for specific purposes.

- Special Revenue
 - Gas Tax/SB1
 - reserved for annual paving
 - Transnet: ½ cent sales tax
 - reserved for annual paving
- State Grants
 - Department of Transportation
 - Coastal Conservancy
- Federal Grants
 - Highway Safety Improvement Program (HSIP)
 - Active Transportation Program (ATP)
 - RAISE Grants

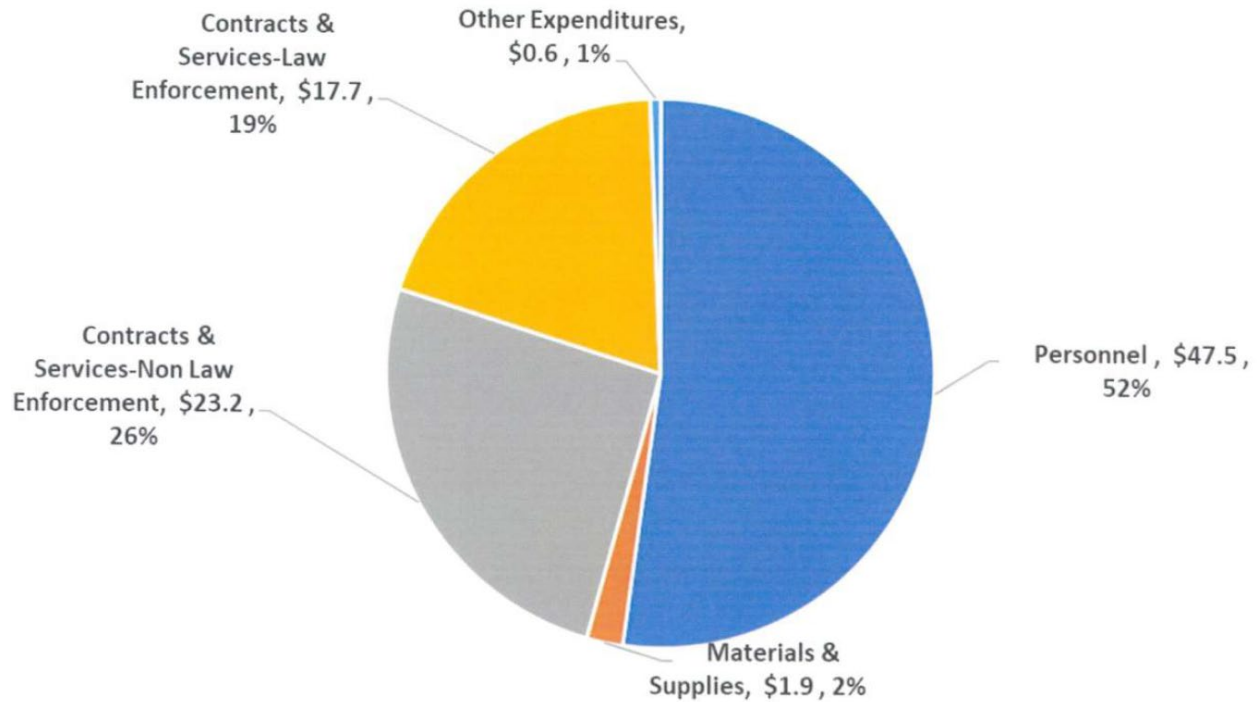
- Safe Streets & Roads for All (SS4A)
- Federal Railroad Administration (FRA)
- Community Development Block Grants (CDBG)
 - Reserved for projects in disadvantaged areas or projects that improve facilities in accordance with the Americans with Disabilities Act (ADA)
- Developer Impact Fees
- Enterprise Funds
 - reserved for utility projects
- Transient Occupancy Tax (TOT)
 - Encinitas currently has a TOT tax of 10%.
 - 8% goes to General, and 2% goes to sand replenishment and stabilization projects.
 - The TOT tax ranges from 10.5% to 14% in the neighboring cities of Imperial Beach, National City, Solana Beach, Del Mar, and San Diego.
- Facilities Fund
 - reserved for building maintenance/enhancement

4.2 Existing General Fund Revenue Sources and Expenditures

The City of Encinitas is a small beach town without large external revenue sources available. The graph below shows the General Fund revenue by source. The total General Fund is projected to contain \$100.3 million in fiscal year (FY) 2023-2024.



The graph below shows General Fund expenditures by function, which are estimated to be \$90.9 million projected in FY 2023-2024.

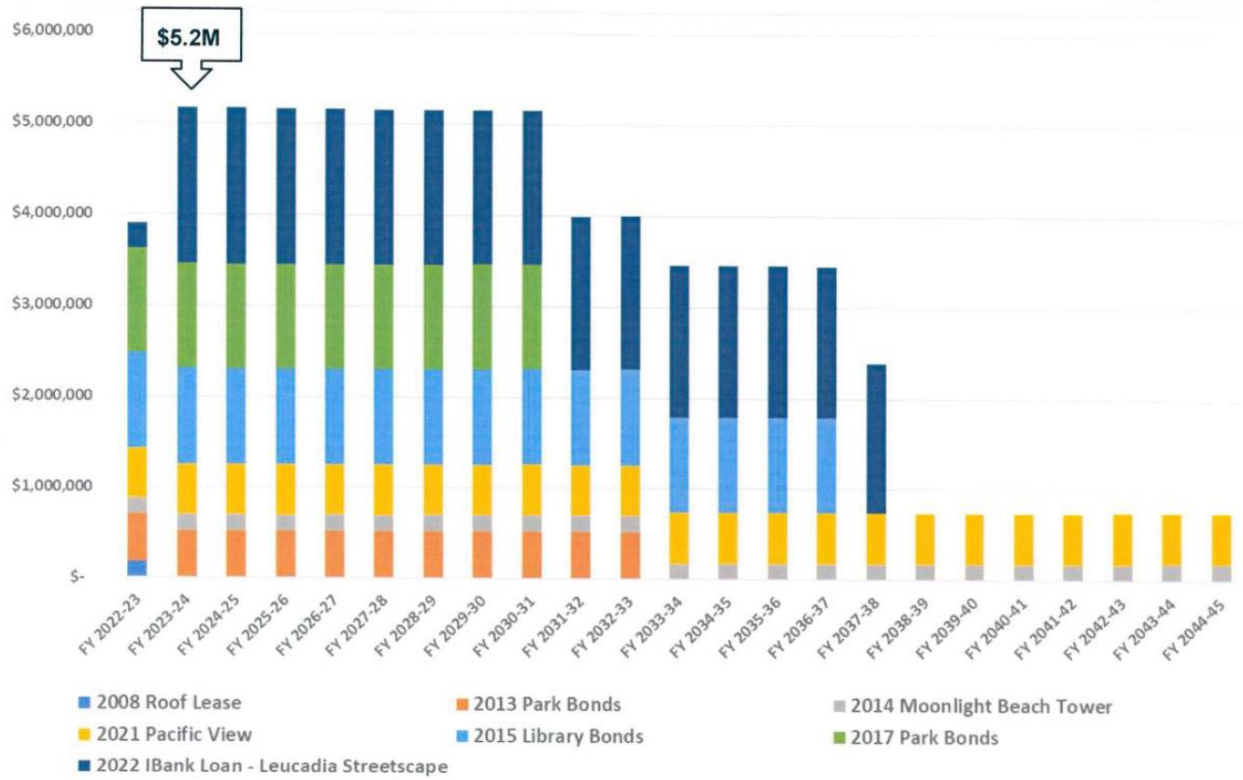


4.3 Existing 10-year CIP Revenue Projection

The existing CIP budget consists of approximately \$7 million per year. Approximately \$4 million per year is reserved for citywide annual paving projects. The remainder comes from the General Fund, which is available for CIP project implementation.

The existing 10-year CIP budget projection is approximately \$70 million, not accounting for year-over-year escalation.

The graph below shows the City's bonds and loans for FY 2022-2045.



4.4 Available Funding Sources

4.4.1 Funding Matrix – Requires 2/3 Voter Approval

	Special District	Community Facility District (CFD)	Public Bond Measure
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 - the loan repayment comes from a tax on all taxable property within that jurisdiction's boundaries
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 & 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 (usually 30 years) and is repaid by taxpayers over the 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?	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"> 1. Public outreach 2. Proposal filed with attorney general for ballot title 3. Signature gathering 4. Legislative hearings on proposal 5. Submission of signatures 6. Ballot Measure (2/3 supermajority vote for approval) 	<ol style="list-style-type: none"> 1. Public outreach 2. Initiation of CFD 3. Adoption of Local Goals and Policies, Proposal of Resolution of Intention 4. Public Hearing, Adoption of Resolution of Formation 5. Election (2/3 supermajority vote when >12 voters) 	<ol style="list-style-type: none"> 1. Public outreach 2. Proposal filed with attorney general for ballot title 3. Signature gathering 4. Legislative hearings on proposal 5. Submission of signatures 6. Ballot Measure (2/3 supermajority vote for approval)
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

Source: Harris & Associates, 2023.

4.4.2 Funding Matrix – Requires ½ Voter Approval

	Assessment District (AD)	General Sales Tax Increase	Transient Occupancy Tax Increase
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) - measure could be overseen by advisory committee directing funds to be earmarked to specific programs	General Services (goes to General Fund)
Rate & 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, but it typically 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 and then remitted to the local government
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?	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"> 1. Public outreach 2. Resolution of Intention 3. Prop 218 ballots mailed to each property owner in the district 4. Public Hearing 5. Adoption of Resolution of Formation 6. Election (majority protest, weighted, of ballots returned) 	<ol style="list-style-type: none"> 1. Public outreach 2. Proposal filed with attorney general for ballot title 3. Signature gathering 4. Legislative hearings on proposal 5. Submission of signatures 6. Ballot Measure (1/2 majority vote for approval) 	<ol style="list-style-type: none"> 1. Proposal filed with attorney general for ballot title 2. Signature gathering 3. Legislative hearings on proposal 4. Submission of signatures 5. Ballot Measure (1/2 majority vote for approval)
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	Current TOT = 10% 1% increase in TOT = ~\$44,000 annually (based on FY 21-22) (Data from ITF Q&A Matrix)

Source: Harris & Associates, 2023.

4.4.3 Funding Matrix – Requires Studies and Fee Calculations

	Development Impact Fee Update / Additional DIFs	Transportation Utility Fee
Description	One-time charges applied to new developments for facilities	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	In CA, TUFs can only be levied as a fee for a service—i.e., to fund transit service. It cannot be linked to larger health and safety purposes
Rate & 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	CA cities have not implemented TUFs yet – may have liability issues or face extreme backlash
Why use this?	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"> 1. Public outreach 2. Public Hearing 3. Adoption of ordinance & resolution 	<ol style="list-style-type: none"> 1. Identify Fee Type (Fee, Special Fee, Assessment, general tax, or special tax) 2. TUF as a special tax is likely the most defensible option legally. 3. (See Special District Parcel Tax)
Timeframe	Estimate 4 to 5 months	Estimate 18 to 24 months
Potential Funding	Varies – depends on new development 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

Source: Harris & Associates, 2023.

4.4.4 Funding Matrix – Requires Special Conditions/Agreements

	Enhanced Infrastructure Financing District	Loans / Borrowing	Public Private Partnerships	Grants
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 given by a government or other organization 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 & 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?	No voter requirement for formation or bond issuance (Assembly Bill 116 - 2019)	Lower issuance costs, fewer disclosure requirements, faster execution process	Often times free money	Often times free money, typically requires a 20% match.
Primary Steps to Complete	<ol style="list-style-type: none"> 1. Form team 2. Evaluate EIFD feasibility 3. Conduct outreach 4. Initiate formal process 5. Prepare Infrastructure Financing Plan 6. Pre-adoption / Public Hearings 7. Approval and Formation 	<ol style="list-style-type: none"> 1. Request private placement terms from multiple accredited banking institutions 2. Identify which has best terms for City's interest 3. Execute agreement between bank and City 	<ol style="list-style-type: none"> 1. Coordinate with Economic Development Team 2. Identify viable private partnership opportunities 3. Secure agreement 	<ol style="list-style-type: none"> 1. Identify grant opportunities 2. Submit grant application (typically involves heavy staff involvement)
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

Source: Harris & Associates, 2023.

5 ITF Final Recommendations

5.1 Financing Recommendations

To help fund the infrastructure needs of the City, the ITF recommends pursuing grants, a one-cent sales tax increase, a two-percent transient occupancy tax increase, and exploring public-private partnerships.

5.1.1 One Percent General Sales Tax Increase

Based on the results of the polling survey presented to the ITF on January 22, 2024 by True North Research and CivX, the ITF recommends that City Council put a 1 cent general sales tax initiative on the November 2024 ballot. Putting forward a ballot measure gives residents the choice to vote for or against new funding for infrastructure improvements.

According to True North Research, the ballot test results were well above the simple majority required for passage of the general tax, even after the respondents were presented with potential opposition arguments, with 58% of respondents indicating they would probably or definitely vote yes on the 1 cent sales tax increase if the vote were held that day. Therefore, the effort to put the sales tax increase on the ballot is appears to be worth the investment to improve the quality of life and services the City can provide to residents.

5.1.2 Two Percent TOT Increase

The ITF recommends pursuing a 2% TOT increase, which would generate an additional \$88,000 in revenue per year. However, due to the smaller increase in yearly funding the TOT increase would yield compared to the sales tax increase, the ITF recommends including this option to voters in a future voting cycle.

5.1.3 Grants

The ITF recommends investigating opportunities for state and federal grants for any eligible project on the projects list, regardless of their rank on the prioritized list. Many of the City's desired projects could be eligible for grant programs. The ITF recommends prioritizing grant applications for programs that do not place a strong emphasis on low income or disadvantaged communities, such as the Highway Safety Improvement Program (HSIP), the Active Transportation Program (ATP), and the Bridge Investment Program (BIP).

Grant applications can increase their chances of success by committing a larger share of local funding to the project. The ITF recommends that the City consider committing a 20% - 30% match for eligible projects while the sales tax increase is in effect. By strengthening the grant applications and maximizing the chances of success, the taxpayer dollar can go even further.

5.1.4 Public-Private Partnerships

The ITF recommends investigating opportunities for public-private partnerships, such as:

- Private building development on leased public property with leaseback options to City for all or a portion of the developed facility (such as City Hall). Agreements could require that all maintenance be performed by the private development entity.
- Private facilities on public lands.

- Public use of EV charging stations.
- Communications fiber in unused or underutilized City conduits.
- Private capital construction of solar photovoltaics on City property. Note, this may be less attractive with new public utility commission rules implemented in April 2023.
- Microtransit, such as neighborhood electric vehicles.
- Railroad rack safety partnerships for pedestrian and bicycle crossings

5.2 Future CIP Revenue Projection

Assuming that voters approve the 1% sales tax increase in November 2024, the future CIP budget would increase by up to \$17,000,000 per year. Combined with the existing \$3 million annual budget, this would result in an overall annual budget of up to \$20,000,000 and a 10-year revenue projection of \$200 million.

5.3 Project Implementation Recommendation

In general, the ITF recommends that the City prioritize implementing the list of backlog projects before moving on to the future needs. This approach allows the City to maintain its existing infrastructure before building new infrastructure that will take additional resources to maintain. The ultimate decision to allocate funds is at the discretion of City Council. **Appendix C** contains a list of projects that could be included in the 10-year plan.

5.4 Staffing Recommendations

If the sales tax increase is approved by voters, the City could have more than double current volume of capital improvements to execute over the next 10 years. The ITF recommends that the City develop a staffing plan to implement the influx of new capital projects in a timely manner. The staffing plan should consider all phases of the project, from securing grant funding, planning, design, construction, operations, and maintenance.

The staffing plan would depend on the types of projects that are funded and the associated resources they require. For example, the plan could include hiring expert grant writing staff to increase the success rate. If a new fire station is constructed, new fire personnel may be needed to staff the facility. If the size of the CIP budget is doubled, new engineers may be needed to execute capital projects in a timely manner.

In addition to hiring new staff, the ITF recommends that the City consider any necessary adjustments to how projects are assigned to staff to keep the increased volume of projects moving forward.

5.5 Infrastructure Project Ranking Exercise Recommendations

The ITF recommends that City staff perform a prioritization and funding allocation exercise on a yearly basis to ensure that new projects that are added to the queue are given the same considerations. This yearly exercise should include revisions to the scoring rubric criteria, maximum scores per criteria, and scoring guidelines as City priorities change.

During the process of developing the rubric and considering aspects of each project, the ITF noted some opportunities to support a fair, objective, data-driven comparison of projects.

- Provide City departments with guidelines on identifying priority projects

- For example, asking them to select their top 25% of projects based on number of projects or based on funding
- Providing a rubric for departments to consider which projects best fit the City's stated priorities
- Collect quantitative data about each project, such as:
 - Asset management program output
 - Poll residents to obtain data on which types of projects have the most public support
 - GIS demographics information about housing density, income, seniors, schools, etc
 - GIS information to quantify the distribution of infrastructure funding throughout the City districts
 - Safety improvement factors tied to specific safety countermeasures
- Consider adding more qualitative information, such as:
 - More complete project descriptions that explain the need for the project, what the project will fix, what risks the project may mitigate, what the consequences could be if the project is deferred
- Consider adding new criteria, such as:
 - Funding availability
 - Public support
- Add recommended reference documents to use during the ranking process
- Determine an income threshold or demographic characteristics that defines "underserved communities," as there are no communities that are classified as Low Income Communities or Disadvantaged Communities within the City of Encinitas.

6 Glossary

Asset Longevity: How long an asset can reasonably be expected to be used for the benefit of the City. Projects that extend asset longevity include repairs and preventative maintenance, such as resurfacing roadways or fixing a leaky roof.

Backlog: Backlog projects are associated with existing assets and commitments. Projects that maintain, repair & rehabilitate, or modernize existing assets to conform with an accepted industry standard or state of good repair. Projects that would help the City meet existing local, regional, or state performance targets. Projects that have been on the projects list repeatedly in the past but have been unable to move forward due to a lack of funding.

City Department Priority: Project was identified as a priority by a City department. It is assumed that the City departments applied their subject matter expertise, local knowledge, and good faith judgment to identify priority projects. The ITF may recommend a formal process for identifying priority projects in future applications of the scoring rubric.

Critical Function: A function that is necessary to effectively utilize an infrastructure asset. Failure to maintain critical function would prevent the asset from being effectively utilized.

Future Need: Projects that would provide assets that exceed accepted industry standards or performance targets. Projects that would expand the amount of infrastructure that the City would have to maintain.

Identified Infrastructure Need: Project was identified in a City planning document or City budget.

Infrastructure: Physical improvements, assets, and facilities under the jurisdiction of the City of Encinitas

- Excluding projects under \$100,000 or useful life under 5 years
- Excluding projects that are funded purely by user fees/enterprise funds (all utility projects)