

City of Encinitas Infrastructure Task Force
FINAL REPORT

DRAFT February 2024

Style Definition: TOC 1

Style Definition: TOC 3

Commented [lc1]: Please spend some time figuring out the appendices and reference them in order. Is Backlog and Future in separate appendices? Is there a master list of all projects ranked that should go before any separate backlog/future appendix? And there's a polling appendix, correct? Lastly, should the final list be shown in the table of contents? could we run thru these at our Feb 20 meeting?

Commented [ca2R1]: Discuss during the ITF meeting.

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City of Encinitas Infrastructure Task Force Project Prioritization & Funding Plan

1. Introduction

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.

CIP Background

A capital project 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, and civic 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 adequate new infrastructure is added where needed.

The City typically adopts a six-year CIP funded by a combination of 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 as 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 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.

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

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.

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 districts, new General Funds, etc.).
6. Determine if the City's infrastructure needs can be effectively implemented given current staff resources.

Purpose of this Document

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

Commented [lc5]: I had previously suggested a paragraph addressing this, could that or something similar be added?

Commented [ca6R5]: What section would this fit in? Do you envision this would essentially be a description of the Brown Act?

Commented [BL7R5]: Introduction transparency subheader - public notice of meetings, public comment

Commented [lc8]: have we adequately addressed escalation?

Commented [ca9R8]: We need to discuss this. Originally we were going to address escalation after the projects were chosen for funding. Now that we know the ITF will not be choosing the specific projects and the phasing is also not up to this group, we question the value of going through this effort.

Perhaps a general escalation in revenue based on CPI and a general escalation based on construction cost increases would be appropriate/relevant.

Commented [BL10R8]: Use CPI and apply to each of the 3 funding approach options

Commented [ca11]: Are we able to edit the scope of work? This was established by Council.

Commented [rp12]: change district to districts

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

1 Infrastructure Backlog and Future Needs

Projects List Development Methodology

In the spring and summer of 2023, 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
- Public Works Department
- Information and Technology Department
- Utilities Department

The ITF also reviewed projects that 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 ITF project list includes a description of each project, the department and division it is associated with, the source that identified the project (such as planning documents, presentations, or City Council feedback), estimated recurring and non-recurring costs, total estimated cost during the 10-year program, whether the City department had identified it as a priority (see Glossary: "City Department Priority"), and whether it was on a corridor with demonstrated safety concerns as identified in the Local Road Safety Plan (LRSP).

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.

The project list was refined to remove duplicates, projects that were already 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. Infrastructure such as water, sewer, and other utilities must be fully funded by user fees and are not eligible to receive supplemental funding from other sources of revenue.

Commented [rp13]: Remove period from the sentence ending in funds. two periods are there now.

Of the initial list of projects provided, 98 projects met these eligibility criteria. At the November 15, 2023 Joint City Council Infrastructure Task Force Meeting, the Council requested an additional 16 projects be added to the list, for a new total of 114 projects at a total cost of \$1,324,000,000.

Project Classification

Each project was assigned a classification as backlog or future needs based on the following definitions.

1.1.1.1 Backlog

Backlog projects are associated with existing assets or commitments. They are projects that maintain, repair and rehabilitate, or modernize existing assets to conform with an accepted industry standard or state of good repair. These projects may help the City meet existing local, regional, or state performance targets or mandates.

Examples of backlog projects include (but are not limited to) facility renovations and replacements, roadway safety projects, and drainage improvement projects.

The ranked list of Backlog Projects can be found in **Appendix XX**. The unfunded cost for the 35 projects on the list is estimated at \$271 million. Detailed information on the ranking rubric can be found in Section 3 of this report. To implement all projects on the backlog list within 10 years, an annual budget of \$27 million per year would be required.

1.1.1.1.1 Annual Backlog

Annual backlog projects are a subset of backlog projects. Annual backlog projects meet the definition of backlog and have an annual funding component, or set aside funds for a general project category. They address a general category of infrastructure to support existing infrastructure conformance with an accepted industry standard or state of good repair. The City sets aside annual funding to address these needs, which are typically incremental or citywide improvements. The precise project locations are generally unknown during the budgeting process.

Examples of annual backlog projects include (but are not limited to) curb ramp improvements to comply with current Americans with Disabilities Act (ADA) standards, storm drain repair, and traffic signal modification.

1.1.1.2 Future Needs

Future needs projects would provide community betterments through new or improved infrastructure. The ranked list of Future Needs Projects can be found in **Appendix XX**. The unfunded cost for the 79 projects on the list is estimated at \$1.05 billion. To implement all projects on the future needs list within 10 years, an annual budget of \$105 million per year would be required.

Commented [rp14]: suggest adding the words 'or mandates'

2 Project Prioritization Rubric

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.



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.

2.1.1 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 to align with the City's stated goals and priorities. 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 criterion. Finally, the proposed rubric was presented to the Encinitas City Council for feedback and approval on November 15, 2023.

The selected criteria, maximum scores, and scoring guidelines were developed to align with the City of Encinitas FY 23/24 Strategic Plan. The goal of the rubric is to create a repeatable and refinable process for the city to identify priority projects in the future. For future project prioritization exercises, the rubric should be evaluated and updated if necessary to align with evolving City priorities.

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:

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Criterion 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 is paramount, as is remaining in compliance with legal mandates. Scoring this category highly was supported by the observed trends in peer agency rating systems.

Criterion 2, **Identified Infrastructure Need and Asset Longevity**, has a maximum score of 28 points. This criterion was determined to be a close second to Criterion 1 in terms of importance. This criterion 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.

Criterion 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 its community, lifestyle, and businesses from natural hazards.

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

Criterion 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.

Prioritization Rubric

The ITF members rated each project with a "high," "medium," or "low" score for each criterion based on the project description and supporting information available. Projects given a "high" rating receive all of that criterion'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 rankings.

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

Commented [lc15]: Shouldn't this be Appendix C?

Commented [ca16R15]: Appendices will be re-labeled when they have been finalized.

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 satisfies one or more of the following statements: <ul style="list-style-type: none"> Project provides an essential service infrastructure to correct, maintain, or <u>improve-address</u> an existing deficiency that <u>may</u> directly affects health/safety. Project deferral may impact future risk to health/safety. 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 <u>not</u> identified as a priority by a City department <u>or</u> maintains assets nearing the end of their useful lives.	Project is identified as a City department priority <u>or</u> 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 <u>or</u> equity for underserved communities/users of all ages and abilities by addressing disparities in infrastructure.	Project improves livability <u>and</u> 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			

Commented [JC17]: Discuss in ITF meeting if we should reformat all the "and/or/but" statements like this.

Ranked List of Projects

Based on the average total score for each project, the comprehensive list of projects was ranked with the highest score corresponding with the highest ranking. Each project has an overall ranking, as well as a ranking within its project classification (either backlog or future need).

See **Appendix XX** for the full integrated list of ranked infrastructure projects.

3 Funding Infrastructure Needs

Existing CIP Funding Sources

The existing CIP budget is comprised of the unrestricted General Fund and restricted funding sources such as Special Revenue funds, grants, and other restricted funds as outlined below.

Unrestricted Funds

The General Fund is an unrestricted fund, used to account for revenues which are not required to be accounted for in a separate fund, including: sales tax, property tax, 80% of transient occupancy tax, licenses and permits, fines, and forfeitures. Data on the City's annual budget was provided to the ITF in March 2023. -The following information is reflective of the FY 2023/24 budget.- General Fund revenues were projected to total \$100.3 million in fiscal year (FY) 2023-2024, of which approximately \$3.9 million was available for new CIP project implementation.

See **Figure XX** for a breakdown of FY 23/24 General Fund expenditures.

Restricted Funds

Restricted funds are funds that are set aside for specific purposes. Restricted funds that contribute to the CIP budget include the following:

- Special Revenue
 - Gas Tax/Senate Bill 1 (SB1)
 - reserved for annual paving
 - TransNet: ½ cent sales tax
 - reserved for annual paving
- State Grants (project-specific funds)
 - Department of Transportation
 - Coastal Conservancy
- Federal Grants (project-specific funds)
 - 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

Commented [lc18]: What project lists are we including in the report and then referencing the full list in the appendix?

Commented [ca19R18]: Discuss this in the meeting.

Commented [ni20]: Include Project Description column in project lists in Appendices?

Commented [ca21R20]: Discuss this in the meeting. I think the descriptions would belong in the comprehensive citywide list

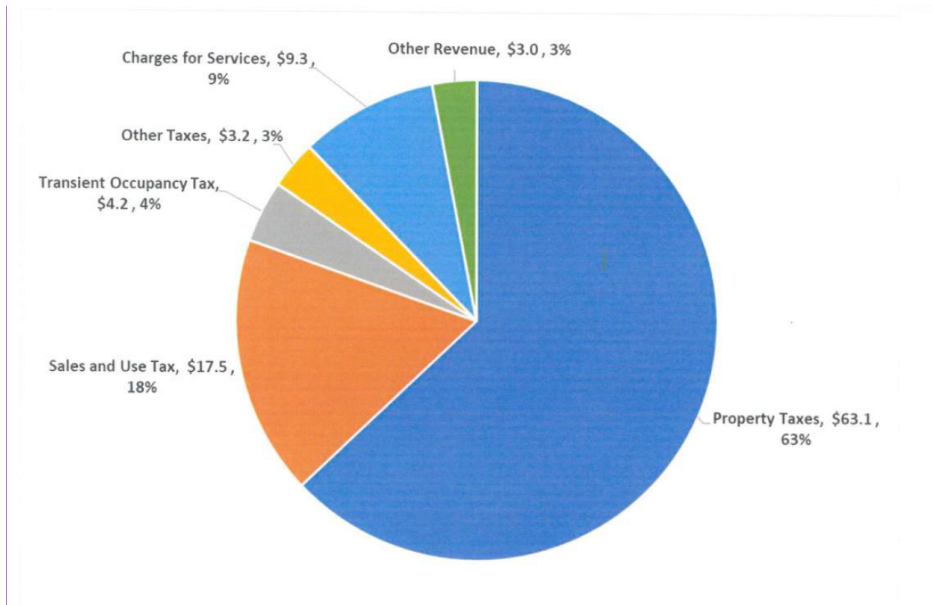
Commented [ni22]: I made a comment in the previous draft about removing the word "contain" to clarify whether this amount is budgeted expenditure, revenue, or something else. Based on section 4.1.3, I'm guessing it's projected revenue, but please re-edit if that's not correct.

Commented [ca23R22]: Need clarification from Jill on this. My understanding is that it is budgeted expenditure. Last round, I changed all references of "revenue" to "budget" in this paragraph.

- o Reserved for projects that mitigate development impacts
- Enterprise Funds
 - o Reserved for utility projects
- Transient Occupancy Tax (TOT)
 - o Encinitas currently has a TOT tax of 10%.
 - o 80% of the revenue goes to the General Fund for unrestricted use, and 20% funds sand replenishment and stabilization projects.
 - o 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
 - o Reserved for building maintenance/enhancement

Existing General Fund Revenue Sources and Expenditures

Property taxes are the primary revenue source for the City of Encinitas General Fund. Because the City is already largely developed, property tax revenue is expected to remain relatively steady. FY 23/24 General Fund revenues were projected to total \$100.3 million. The graph below shows General Fund revenue by source, in millions of dollars (2023 unescalated dollars).



The graph below shows FY 23/24 budgeted General Fund operating expenditures by function (in millions of dollars), totaling \$90.9 million for FY 2023-2024.

Commented [BL24]: Organize unrestricted fund together

Commented [ni25]: These edits are based on the same assumption that the \$100.3 million is projected revenue. If it's actually budgeted expenditures or something else, please re-edit. In any case, please avoid the word "contain."

Commented [ca26R25]: Need confirmation from Jill.

Commented [ca27]: Add figure #s throughout. Also add a label that says something like "Dollar amounts are in millions."

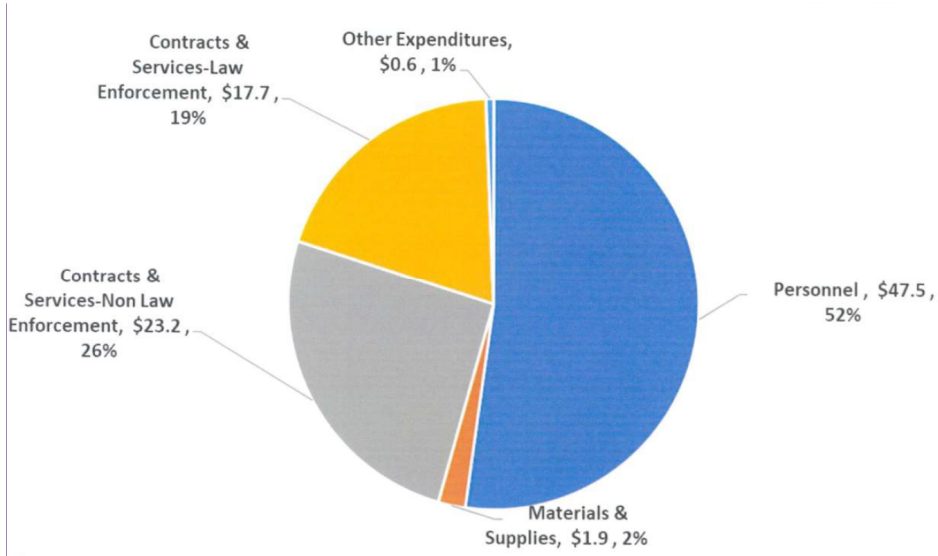
Commented [lc28]: The previous graph has a Figure xx associated w/ it. Please be consistent and label all or none. Also, if labeling, include the Figure xx with the specific graph.

Commented [ca29R28]: To be finalized at the next submittal

Commented [ni30]: Is \$90.9M the budgeted amount or the projected Actuals? I'm guessing the former, but please re-edit if that's not correct.

Commented [ca31R30]: Need confirmation from Jill.

Commented [BL32R30]: Add description of transfers out



Commented [ca33]: Add figure # and "millions" label

Existing 10-year CIP Revenue Projection

The FY 23/24 CIP budget consisted of approximately \$87.9 million. Approximately \$4 million per year is funded by HUTA, SB1, and TransNet and is reserved for citywide annual paving projects. The remaining \$3.9 million was funded by the General Fund, and was available for implementation of other CIP projects.

The existing 10-year CIP budget projection is approximately \$79 million (not including escalation), of which \$40 million would fund annual paving, and \$39 million would fund other CIP projects.

Bonding and Borrowing Capacity

The graph below showed the FY 23/24 projected payments due on the City's bonds and loans over the FY 2022-2045 timeframe. To maintain a AAA bond rating, the City cannot take on additional loans or bonds at this time. In the chart below, you can see that in 2031/32 the 2017 Park Bonds will be paid off and there will be some additional borrowing capacity.

Commented [JB34]: The available CIP funding varies widely from year to year. This year we're looking at closer to \$1.5M.

Commented [BL35R34]: Add an explanation of variability in revenue

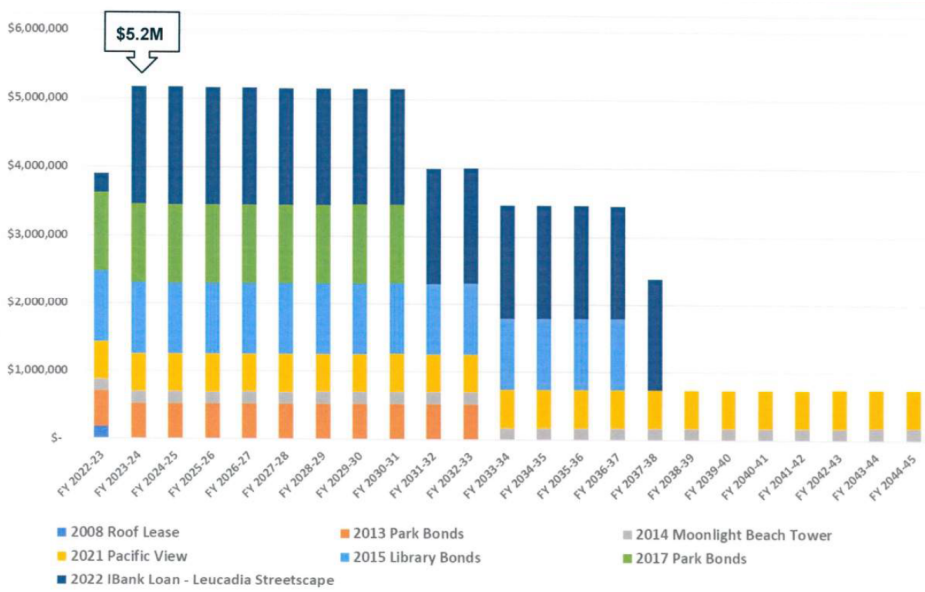
Commented [BL36R34]: Add an explanation of variability in the CIP budget

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Commented [lc37]: Could there be a sentence added here for some context that compliments the chart?

Commented [ni38R37]: I agree. In the previous draft, I'd suggested describing the additional loans or bonds that could be accommodated, by year and \$ amount.

Commented [ca39R37]: Need confirmation and input from Jill on incorporating this comment.



Commented [ca40]: Add figure #

Commented [BL41]: 5.2M is the debt service payments

Potential Funding Sources

The following matrices summarize categories of new revenue available to a local agency under current law. The ITF received information about each of these funding sources, the potential revenue they could generate, pros and cons and how readily the new revenue could be implemented.

Funding Matrix – Requires 50% Voter Approval

These potential revenue sources require a ballot measure or election and would be successful with a simple majority approval.

Commented [ni42]: Same comments as in previous draft:
Several comments on this table...
Assessment District: The #s in the Potential Funding section are not self-explanatory. How do those rates translate to \$?
Sales Tax: The Rate & Methodology section is confusing/misleading. It makes it sound like the increase is due to an action by the County. Also, do the \$ amounts in Potential Funding need to be updated?
TOT: The amount should be \$440k, not \$44k. There was a typo in the original info from City Finance.

Commented [ca43R42]: Approach to editing the Harris deliverables to be confirmed by Jill.

	Assessment District (AD)	General Sales Tax Increase	Transient Occupancy Tax (TOT) 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)	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	Additional Sales Tax revenue generated by a local increase to the sales tax rate.	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	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. Protest Hearing (majority protest, weighted, of ballots returned)	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)	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)
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 = ~ \$7.6 Million 1.0% increase = ~\$15.2 Million (Data from ITF Q&A Matrix)	Current TOT = 10% 1% increase = ~\$440,000 annually 2% increase = ~\$880,000 annually (Data from ITF Q&A Matrix)

Source: Harris & Associates, 2023.

Funding / Financing 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 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, but can be used for other purposes. Must 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 10-20 years) and is repaid by taxpayers over the length of the loan
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

Commented [ni44]: Same comments as in previous draft:
 Several comments about this table...
 Table as a whole: I recommend separating lists into separate rows or bullets, rather than commas.
 Special District: spell out "PRD" (in Potential Funding section)
 CFD: Separate "Higher taxes" and "can be complex to administer" into 2 issues (Concerns section)
 Public Bond Measure: mention that this is financing (spreading payments out over time), not new funding/revenue. Also, in the Description section, I believe the City can use other revenue sources to repay bonds, not just property taxes. Also, in the Potential Funding section, I recommend adding that the City is maxed out "until fiscal year 2031-2032"

Commented [ca45R44]: Approach to editing the Harris deliverables to be confirmed by Jill.

These three potential revenue sources require a ballot measure or election and would be successful with 2/3 majority approval.

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Commented [BL46]: Change PRD: public road district

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	Special District	Community Facilities District (CFD)	Public Bond Measure Financing
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. 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"> 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 Public Road District (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 until 2031/32



Commented [di47]: Table 4.3.1 appears twice

Source: Harris & Associates, 2023.

4 Funding Matrix – Requires Studies and Fee Calculations

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	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	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)	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)	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)

—These potential revenue sources require Engineering studies to determine fees. New Development Impact Fees can be assessed after a public hearing and City Council adoption. Transportation Utility Fees require a ballot measure and 2/3 majority approval.

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	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

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Source: Harris & Associates, 2023.

Funding / Financing Matrix – Requires Special Conditions/Agreements

Commented [ni48]: Same comments as in previous draft:
 Two comments about this table...
 EIFD: Make it more clear that this does not increase revenue, but is a mechanism for earmarking existing revenue.
 Loans: In the Potential Funding section, add that the City is maxed out until FY 2031-2032.

	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

Specific information about each of these four potential revenue sources is shown in the table below.

	Enhanced Infrastructure Financing District (EIFDs)	Private Loans/Borrowing	Public Private Partnerships	Grants
Description	Special financing district to earmark existing 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"> 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. City is currently maxed out on loan capacity until 2031/32	Varies	Varies

Source: Harris & Associates, 2023.

Commented [BL49]: Drawback of PPP: Atypical funding mechanism for municipalities of this size

4.5 ITF Final Recommendations

Funding / Financing Recommendations

The City's existing revenue is insufficient to fund its identified infrastructure backlog and needs over the next ten years. This section explains the ITF's recommendations for potential new sources of funding and financing that could be implemented individually or collectively to fund infrastructure projects. Although the scope of this task force was limited to finding new revenue sources, the ITF also recommends that the City perform a review of annual expenditures, evaluate possible shared services with other agencies to reduce costs, and assess whether identifying efficiencies in the existing City budget/General Fund could increase funding available to the CIP.

The ITF reviewed the City's bond/loan capacity, amount of potential revenue generated and likelihood of successful implementation to evaluate the fifteen funding/financing mechanisms presented. The following recommendations are based on ITF deliberations made after data presented by Harris & Associates, True North Research, and TeamCivX.

One Percent General Sales Tax Increase

The most significant and achievable option available to the City to generate new revenue is implementation of a one percent (or one cent) sales tax increase. Nine other cities in San Diego County have previously approved a local sales tax increase. The City of Encinitas has not. A one-cent sales tax increase would bring the City's existing 7.75% sales tax to 8.75%, equal to the sales tax rate of nearby communities like Del Mar, Solana Beach, Chula Vista, Imperial Beach, and National City.

A sales tax increase requires a majority approval of registered voters on a general ballot measure. If approved by voters, a one percent sales tax increase would generate \$15.2M in new annual revenue, and \$152M over the 10-year CIP cycle. Putting forward a ballot measure gives residents the choice to vote for or against new funding that could be used to fund infrastructure improvements.

In November 2023, the City contracted with True North Research and TeamCivX to conduct a citywide survey of residents to gauge public support for a potential 10-year, one-cent general sales tax increase for infrastructure improvements. Polling results were presented to the ITF on January 22, 2024 and indicated that local voters who are likely to participate in the upcoming November 2024 election cycle would support funding the City's infrastructure needs with a one-cent general sales tax increase. See **Appendix XX** for the full polling survey results.

The polling 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 one-cent sales tax increase. These findings indicate that voter approval of the sales tax increase appears feasible if put forth on the November 2024 ballot. Therefore, the ITF recommends that City Council consider presenting residents with the choice in the upcoming election cycle to vote for or against a 10-year, one-cent sales tax increase.

Commented [sm50]: Is this sentence correct? We are recommending that the city re-allocate exiting revenue to increase the CIP? I don't remember that discussion.

Commented [ca51R50]: This modification came from your concern about finding efficiencies within the existing budget. Please advise on the phrasing that adequately captures your thought.

Commented [BL52]: Cross reference with the harris presentation - verify how many funding / financing mechanisms

Commented [JC53]: Add more data from the survey consultant or include as an appendix?

Commented [lc54]: Is it correct to say the City has never increased the general sales tax? If so, can we include in this section.

Commented [ca55R54]: Need confirmation from Jill

Commented [ni56]: Table 4.3.1 needs to be updated to match this amount.

Commented [lc57]: What about noting that additional local revenues could be used as grant match to leverage additional local, state, and federal opportunities.

Commented [ca58R57]: We talk about this as a possible approach in the implementation plan section.

Two Percent TOT Increase

An additional mechanism to generate new revenue is to increase the Transient Occupancy Tax (TOT). The City has not increased its TOT since 1998, over 25 years ago. The City's existing 10% TOT is 2% lower than the neighboring cities of Del Mar and San Diego, and 4% lower than Imperial Beach and National City. A 2% TOT increase would generate an additional \$880,000 in revenue per year and would bring Encinitas into alignment with some neighboring cities' TOT percentages. [The City could also consider the feasibility of a TOT increase of greater than 2% that applies specifically to short-term rentals.](#)

Therefore, the ITF recommends that City Council consider a future action to present residents with the choice to vote for or against a two percent TOT increase.

To reduce voter confusion, the polling consultant recommended to put forth only one tax initiative per election. Due to the smaller increase in yearly funding the TOT increase would yield compared to the sales tax increase, the ITF recommends that the Council consider putting forth the sales tax measure first and that the City conduct a polling survey to gauge public support for a future TOT increase, possibly in the 2026 election cycle.

Citizens Oversight Committee

[The ITF recommends that City Council establish a citizens' oversight committee to review tax increase expenditures and ensure they are spent in accordance with the intended usage.](#)

Grants

The ITF recommends increasing efforts to investigate opportunities for state and federal grants for [any eligible projects on the projects list, regardless of their rank on the prioritized list. A project's competitiveness, rank on the project list, required match funding, and staffing capacity should be considered when deciding to pursue grant funding.](#) Many of the City's desired projects could be eligible for grant programs.

Due to the City's demographic composition and absence of census tracts that meet state and federal metrics for disadvantaged and low-income communities, the ITF recommends prioritizing grant applications for existing programs like the Highway Safety Improvement Program (HSIP), the Active Transportation Program (ATP), and the Bridge Investment Program (BIP), where Encinitas may see a greater chance of success.

[The City could improve the chances that grant applications will be successful by committing a larger share of local funding to the project or by hiring expert grant writers or consultant support to assess grant opportunities and assemble competitive applications. A possible funding approach could include setting aside a dedicated portion of the new revenue to commit a strong match \(20% or more\) 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.](#)

Commented [BL59]: Link these sentences better

Public-Private Partnership Financing

Public Private Partnerships (P3) are increasingly popular as an alternative means to finance municipal infrastructure. A successfully structured P3 could help the City leverage and maximize new sources of revenue for larger capital projects like a new civic center or public safety facilities.

The ITF recommends the City Council procure P3 consulting services to determine which, if any, city infrastructure projects would be attractive to the P3 marketplace, including but not limited to:

- 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 on city-owned lots.
- 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 track crossing safety partnerships with NCTD for pedestrians and bicycle crossings

Future CIP Budget Projection

If voters approve a one percent sales tax increase in November 2024 and a two percent TOT increase in 2026, the existing \$3.9 million CIP budget is estimated to increase by \$16.2 million per year, for a total of \$\$. Excluding the existing HUTA/SB1/TransNet funds that are set aside for citywide paving, the future 10-year CIP budget projection is estimated to be \$199,640,000. When combined with the \$4 million annual HUTA/SB1/TransNet funds, the projected 10-year CIP budget is estimated to be \$241 million.

Project Implementation Recommendation

The ITF recommends that Council allocate the majority of the new revenue to address backlog projects to keep the existing infrastructure in good repair, while also implementing some of the high priority future need projects.

Appendix XX contains a variety of three possible approaches to the 10-year funding plan. These include:

- Funding all annual backlog projects, the top 3 future need projects, and devoting the remaining budget to backlog projects.
- Dedicating 80% of the CIP budget to backlog projects and 20% to future need projects, in order of rank.
- Funding all backlog projects in order of rank, before funding any future need projects
 - Due to the high volume of backlog projects, this approach would not fund any future need projects.
- Dedicating 80% of the CIP budget to backlog projects and 20% to future need projects, in order of rank.

Commented [sm60]: P3's are technically a financing strategy, not a funding strategy. Should we have a separate header?

Commented [ca61R60]: Discuss the appropriate use of financing/funding during the meeting. It was edited to say funding during the last round.

Commented [sm62]: It strikes me as highly unlikely that voters would approve tax measures for infrastructure on back-to-back ballots. Consider calculating only the estimated sales tax revenue, so ~\$15.4M/yr. Can add footnote that if separate TOT tax is approved then budget would increase by an additional ~\$880,000/yr

Commented [ca63R62]: Discuss during the ITF meeting.

Commented [BL64]: All new revenue supports physical infrastructure and supporting costs

Commented [JC65]: Describe the different approaches, pros and cons

Commented [BL66]: Add an explanation that the ITF created the funding recommendations based on an application of the rubric. ITF assumes that City Council will address emergent issues.

Commented [BL67R66]: Council to provide staff with direction on which projects are selected to move forward. Staff will propose a project phasing plan that considers project development timelines

Commented [lc68]: The last bullet seems overall complicated and we've already listed several potential alternatives for consideration. Is the main point to fund emergency projects potentially not on any existing list?

- ~~Funding all annual backlog projects, the top 3 future need projects, and devoting the remaining 65% of the budget to backlog projects.~~

Commented [lc69]: The last bullet seems overall complicated and we've already listed several potential alternatives for consideration. Is the main point to fund emergency projects potentially not on any existing list?

Staffing Recommendations

Assuming the sales tax increase is approved by voters ~~and is fully allocated to the CIP budget~~, the City could have more than double the 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 or consultant support to increase the success rate. If a new fire station is constructed, new fire personnel will be needed to staff the facility. If the size of the CIP budget is doubled, new engineers and support staff will be needed to execute capital projects in a timely manner. If new assets are built, additional maintenance staff may be needed once the assets are operational.

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.

Infrastructure Project Ranking Recommendations

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.

- Periodically perform the project ranking exercise and revise the scoring rubric.
 - The ITF recommends that City staff rank all projects on a yearly basis to ensure that projects that are funded in the annual update to the CIP are consistent with City priorities.
 - Revise the scoring rubric and guidelines at least every five years, or if there are significant changes to the City priorities stated in the Strategic Plan.
- ~~Provide~~ City departments ~~to develop with~~ guidelines ~~on to~~ identifying priority projects.
 - Provide a maximum number of projects or a percentage of the total number of projects each department is allowed to identify as a Department priority.
 - Provide a standard rubric for departments to consider which projects best fit the City's stated priorities
 - ~~Consider eliminating the City Department priority aspect of the rubric and allow each department to create its own rubric scoring guidelines specific to the project types in that department.~~
- Collect quantitative data about each project, such as:
 - Asset management program output;
 - Polling data on which types of projects have the most public support;
 - Geographic Information Systems (GIS) demographics information (such as housing density, income, seniors, schools);
 - GIS information to quantify the distribution of infrastructure funding throughout the City districts; and
 - ~~Tie safety improvement factors to project features~~ Safety data.

Commented [ni70]: These bullets are a list of data to be collected, but it's not clear what data is being collected in this bullet. Please clarify.

- Add more qualitative information, such as:
 - More complete project descriptions, such as:
 - ~~More detail on project scope, project limits, explain the why the project is needed for the project~~, what issues the project will address, what risks the project may mitigate, possible consequences of project deferral;
 - Provide more context for risk to public health and safety on all project types, not just mobility projects.
 - Provide more context for how projects are tied to compliance with legal requirements.
 - Public support data, provided by a polling specialist.
- Add recommended reference documents to use during the ranking process.
 - Documents could include the Strategic Plan, ATP, MAP, CAP, Cross Connect, LRSP, and City department presentations.
- Define “underserved communities,” as there were no census tracts classified as Low Income Communities or Disadvantaged Communities within the City of Encinitas in the 2020 census. For example, an income threshold, demographic characteristics, or infrastructure gap analysis.]
- ~~Consider performing a similar exercise for ranking utility projects. While utility projects are funded by enterprise funds, the ITF heard throughout the prioritization process that there is a need for a systematic approach to implementing utility projects.~~

Commented [di71]: Complete project descriptions should include specificity regarding the project's scope; geographical location and boundaries and projected costs (including recurring costs).

Commented [ni72]: Please fill in the year

Commented [di73]: Consider the definition of "underserved communities" to include, those communities in which basic infrastructure is absent.

56 Glossary

Annual Backlog: Annual backlog projects meet the definition of backlog and have an annual funding component, or set aside funds for a general project category.

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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 or commitments. Projects that maintain, repair and 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~~ or mandates.

Commented [di74]: Should this be stated OR projects that would help the City meet existing local, regional or state performance targets.

City Department Priority: ~~Project was identified as a priority by a City department. It is assumed that the City departments applied based on~~ their subject matter expertise, local knowledge, and good faith judgment to identify priority projects.

Commented [di75]: Is this definition of City Department Priority consistent with the recommendations made in 5.4 (second bullet)?

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.

Commented [ca76R75]: This definition reflects the definition from the 2023/2024 project ranking exercise.

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Future Need: Projects that would provide community betterments through new infrastructure.

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)