

**City of Encinitas  
Infrastructure Task Force  
Q & A from March 27, 2023 ITF Meeting  
Updated July 2023**

**Primary Topic:** Municipal Finance & Budget Overview: Revenue, Expenditures,  
Long Range Forecast, Enterprise Funds, Annual CIP Funding

| #   | QUESTION   | ANSWER   | SOURCE  | RESOURCES   | COMMENTS   |
|---|--|--|---|---|--|
| <b>MELLO-ROOS COMMUNITY FACILITIES DISTRICT TAX</b> |  |  |   |   |  |
| 1   | <p><b>MELLO ROOS:</b></p> <p>Why doesn't the City have Mello-Roos for new development - to fund roadway/mobility improvements?</p> | <p>Mello Roos taxes can be established for City required infrastructure improvements (conditioned improvements) by the formation of a community facilities district on a 2/3 vote of the residents of the proposed district. This is most often done in connection with new developments rather than for existing neighborhoods. State law allows cities to condition developers to improve their frontage (ie. Sidewalks) or the transportation network (signals, turn pockets, etc) based on the impact from the new development - not for existing impacts.</p> <p>When a developer is required to make improvements, they either pass that cost onto the new property owners in the form of an increased purchase price. Or they can establish a Mellos Roos community facilities district which spreads out the cost to the homeowner over many years in the form of an annual tax assessment. The City cannot condition By Right projects to make infrastructure improvements.</p> | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p><a href="#">Community Facilities District, otherwise known as Mello-Roos District is special tax for real property owners within a community facilities district</a></p> <p><a href="#">California Legislative Information SB 1445 Info-SB 1445 Mello-Roos Community Facilities Act of 1982</a></p> <p><a href="#">California State Treasurer Mello-Roos Community Facilities District</a></p> | <p>Two-thirds (2/3) voter approval is required under <a href="#">California Proposition 218 (1996)</a> to approve the formation of; increase or extend a Mello-Roos Community Facilities District Tax.</p> |

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|---|---|--|---|---|----------|
| <b>DEVELOPMENT IMPACT &amp; MITIGATION FEES</b> |   |  |   |   |          |
| 2a  | <p><b>DEVELOPMENT IMPACT FEES:</b></p> <p>Do certain types of housing not pay standard developer fees?<br/>By-right?<br/>Density Bonus?<br/>100% Affordable?</p>  | <p>All new units are required to pay development permit and impact fees except Accessory Dwelling Units (ADUs).</p> <p>Impact fee credits are provided for existing homes being demolished and replaced.</p> <p>City Council waived all fees for Accessory Dwelling Units (ADUs.)</p>  | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p>COE: <a href="#">Establishment of Inclusionary /Affordable Housing In-Lieu Fee (Oct. 2021)</a></p> <p>COE: <a href="#">ADU Policies &amp; Information page</a></p> <p>COE: <a href="#">ADU FAQ Sheet</a></p> |          |
| 2b  | <p>Are there any State imposed limits on development fees that the city can charge on “by right” and/or “affordable housing” development projects?</p> <p>Are there any limits or restrictions on what those funds can be used for?</p> | <p>Development permit and impact fees are charged for “by right” and “affordable housing” development projects.</p> <p>Fees are restricted depending on the type of fee being collected. There must be a reasonable relationship between the use of the fee and development type on which it is imposed. Refer to “Use of Fee” information in the 2015 Development Impact Fee Study.</p> <p>The California Mitigation Fee Act (Govt. Code Sec. 66000 et seq.) mandates procedures for administration of impact fee programs.</p> | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p>COE: <a href="#">Impact Fee Study Report (Aug. 2015)</a></p> <p><a href="#">The California Mitigation Fee Act (Govt. Code Sec. 66000 et seq.)</a></p>  |          |

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| 3a | <p><b>MITIGATION FEES:</b></p> <p>What current Mitigation Fees do/can we charge for development?</p> <p>How are all the mitigation fees calculated?</p> | <p>Park Development, Parkland Acquisition, Open Space, Recreational Trails, Community Facilities, Traffic, Sewer and School Fees, CAP</p> <p>Fees are identified in Chapter 23 of the Encinitas Municipal Code.</p>  | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p>COE: <a href="#">Title 23 BUILDING AND CONSTRUCTION (qcode.us)</a></p> <p>COE: <a href="#">Mitigation Fee Schedule</a></p>  |          |
| 3b | <p>What are the maximum allowable limits on Development Fees?</p>   | <p>Maximum assessed cost in providing service. The City adopted 80% cost recovery.</p>   | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p><a href="#">Impact Fee Schedule &amp; Information</a></p> <p><b>*Land Development Engineering/Traffic Mitigation Fee Schedules updated in 2023</b></p> <p>HCD: <a href="#">California Dept. of Housing &amp; Community Development- Plans &amp; Reports</a></p> <p>HCD: <a href="#">Residential Impact Fees in California 2019 (PDF) Current Practices &amp; Policy</a></p> |          |
| 3c | <p>When were the fees last evaluated or updated?</p> <p>Can we show over time how the fees have changed?</p>  | <p>FY 22-23 User Fee Adjustments were made in June 2022.</p> <p>Cost of Services Fee Schedule Update was done in August 2021.</p> <p>Studies are updated periodically. Refer to Mitigation (Impact) Fee Studies from 2000, 2005 and 2015 and annual fee reports for changes.</p> | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of</p>                      | <p>COE: <b>*Cost of Service (user/Application Fees) were updated in June, 2023 to maintain 80% cost recovery. Mitigation Fees were not changed as part of that fee update.</b> <a href="#">06.21.23-CC Agenda Report</a></p>   |          |

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|    |   |  | Development Services  | <p>COE: <a href="#">FY 22-23 User Fee Adjustments (June 2022)</a></p> <p>COE: <a href="#">Cost of Services Fee Schedule Update (August 2021)</a></p> <p>COE: <a href="#">City Financial Studies</a></p> <p>COE: <a href="#">Prior Development Impact Fee Studies (2000, 2005, 2015)</a></p> |          |
| 3d | How do we capture fees on high impact development projects? | During development permit process. Permit application fees are due at permit application submittal and impact fees are due prior to issuance of construction (building/grading) permits. | <p><b>Roy Sapa'u,</b><br/>Director of Development Services</p> <p><b>Anna Colamussi,</b><br/>Assistant Director of Development Services</p> | <p><b>*Land Development Engineering/Traffic Mitigation Fee Schedules updated in 2023</b></p>  |          |

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|--------------------------------------|--|---|--|--|---|
| 3e                                   | How much revenue should the City expect to bring in if all the approved/ anticipated development occurs? | Estimated property tax (General Fund) revenue from major developments (within five years):<br>Fox Point Farms (\$3.1M)<br>Sunshine Gardens (\$5.8M)<br>Marea Village (TBD) Spring 2025. | Tom Gallup,<br>Assistant<br>Director of<br>Finance<br><br>Roy Sapa'u,<br>Director of<br>Development<br>Services<br><br>Anna<br>Colamussi,<br>Assistant<br>Director of<br>Development<br>Services | COE: <a href="#">List of 6<sup>th</sup> Cycle Housing Element Sites Development Summary matrix</a><br><br>COE: <a href="#">Planning Mitigation Fee worksheet for Housing Element Submittals</a>  |   |
| <b>TRANSIENT OCCUPANCY TAX (TOT)</b> |  |   |  |  |   |
| 4a                                   | <b>TRANSIENT OCCUPANCY TAX (TOT):</b><br><br>What is the current TOT Tax Rate in Encinitas?              | Tax on lodging for 30 days or less.<br><br>10% (8% General Fund and 2% Coastal Zone Fund for sand replenishment).   | Teresa<br>McBroome,<br>Director of<br>Finance<br><br>Tom Gallup,<br>Assistant<br>Director of<br>Finance  | COE: <a href="#">Transient Occupancy Tax</a><br><br>COE: <a href="#">Short Term Rentals</a><br><br>COE: <a href="#">Muni Code Chapter 9.38 REGULATING SHORT-TERM RENTALS (qcode.us)</a><br><br>COE: <a href="#">Muni Code Chapter 3.12 Transient Occupancy Tax</a> | Calculated as a percentage of the rent for the occupancy<br><br>Ballot Measure with 2/3 Voter Approval required to increase TOT % |

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|----|---|---|--|---|---|
| 4b | What is the Maximum Allowed TOT Tax Rate? | <p>Tax rate is set by voters (currently 10%)<br/>No cap imposed by State.</p> <p>TOT tax rates in other cities range from 3% to 17% statewide, with 41% of cities and counties having rates of 9-10%.</p>   | <p><b>Teresa McBroome,</b><br/>Director of Finance</p> <p><b>Tom Gallup,</b><br/>Assistant Director of Finance</p> | <p><a href="#">County of San Diego Transient Occupancy Tax (TOT)/Tourism Marketing District (TMD)</a></p> <p><a href="#">CA County Tax Collectors Reference Manual Chapter 13000: Transient Occupancy Tax</a></p> |   |
| 5c | Regional TOT Tax % Numbers                | <p><b>Current City of Encinitas TOT Rate is 10%</b></p> <p><b>Regional TOT Tax Rates:</b></p> <p>City of Imperial Beach 14%<br/>City of National City 14%</p> <p>City of Solana Beach 13%</p> <p>City of Del Mar 12.5%</p> <p>City of San Diego 12%<br/>(10.50 % TOT(+ 2.00% Special District Tourism &amp; Marketing (TMD)).</p> <p>City of Carlsbad 10%<br/>(+ 2.00% Tourism/Business Improvement District (CTBID) in 2 - districts).</p> <p>City of Coronado 10%<br/>City of El Cajon 10%<br/>City of Escondido 10%<br/>City of Oceanside 10%<br/>City of Poway 10%<br/>City of San Marcos 10%<br/>City of Vista 10%</p> |  | <p><a href="#">State of California FY 2020-21- TOT Tax Rates by City</a></p>  | <p>Ballot Measure with 2/3 Voter Approval required to increase TOT %</p> <p>In Nov. 2022 Imperial Beach went from 10% to 14% w/approval from Voters.</p> <p>TOT Tax rates in California range from 10- 15 %</p> |

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| 5d                                  | How much does a 1% increase in TOT Tax equate to?         | A 1% increase would generate approximately \$44,000 based on FY 21-22 activity.  | <b>Teresa McBroome,</b><br>Director of Finance<br><br><b>Tom Gallup,</b><br>Assistant Director of Finance |   |   |
| 5e                                  | Can we charge different TOT rates for Air B&B vs. Hotels? | This would require a ballot measure to amend Muni Code Chapter 3.12 to change the TOT rate for Short-Term Vacation Rentals.  | <b>Tarquin Preziosi, City Attorney</b>  | COE: <a href="#">Muni Code Chapter 3.12 Transient Occupancy Tax</a>                                     | Ballot Measure Requirement<br><br>Requires 2/3 Voter approval   |
| <b>SALES TAX &amp; PROPERTY TAX</b> |   |  |   |   |   |
| 6a                                  | City of Encinitas Sales Tax                               | <b>City of Encinitas Sales Tax Rate is 7.75% and includes:</b><br><br>California state sales tax 6%<br>San Diego County sales tax .25%<br>TransNet regional tax .50%<br>Local sales tax 1%<br><br><b>Encinitas 1% Annual Sales Tax Revenue:</b><br>FY 20-21: \$15.5 M<br>FY 21-22: \$17.5 M<br>FY 22-23: \$17.0M Est. <i>(Anticipated)</i> | <b>Teresa McBroome,</b><br>Director of Finance<br><br><b>Tom Gallup,</b><br>Assistant Director of Finance | COE: <a href="#">Sales Tax Reports (encinitasca.gov)</a><br><br><a href="#">SANDAG Transnet Program</a> | Our consultant does not provide us with “heat maps” but the information is available in other formats. For example, tables with sales tax and property tax revenue data by geographic area. |

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|    |  | <i>amount is slightly less due to BMW moving to Carlsbad)</i>  |  |  |  |
| 6b | How much does a 1% increase in Sales Tax equate to?  | <p>The current local sales tax portion is 1%, therefore a 1% district tax increase would double our sales tax revenue; however, there are limits that may apply to maximum tax rates.</p> <p>Base/Current tax is 7.75% = 17M Annually.<br/> +.5% to 8.25% = +\$8.5 M/\$25.5M<br/> + 1% to 8.75% = +\$17 M/\$32M<br/> +1.5% to 9.25% = +\$25.5 M/\$42.5M<br/> + 2% to 9.75% = +\$32 M/\$49M (N/A)</p> <p>CDTFA indicated maximum allowable Local Sales Tax assessment for Encinitas would be .5% for a maximum total of 1.5%)</p> | <p><b>Teresa McBroome,</b><br/>Director of Finance</p> <p><b>Tom Gallup,</b><br/>Assistant Director of Finance</p> | <p><a href="#">CDTFA Information for Local Jurisdictions &amp; Districts</a></p> <p><a href="#">CDTFA Tax Limit Inquiry Response</a></p>   | <p>Per the California Department of Tax and Fee Administration (CDTFA) The Maximum Combined rate of all district taxes imposed in any county shall not exceed 2%. Generally, tax rates may be imposed at a minimum rate of 0.125% and in 0.125% increments up to the 2% cap in a county.</p> |
| 7  | <p><b>Regional Sales Tax Rates</b></p> <p>TransNet funding comes from Sales Tax Revenue.</p> | <p>TransNet Regional Sales Tax rate is .50% (sunsets in 2048)</p> <p><b>Current City of Encinitas Sales Tax Rate is 7.75%</b></p> <p><b>Regional City Sales Tax Rates:</b><br/> City of Chula Vista 8.75%<br/> City of Del Mar 8.75%<br/> City of Imperial Beach 8.75%<br/> City of National City 8.75%<br/> City of Solana Beach 8.75%</p>  | <p><b>Teresa McBroome,</b><br/>Director of Finance</p> <p><b>Tom Gallup,</b><br/>Assistant Director of Finance</p> | <p><a href="#">California Dept. of Tax and Fee Administration website</a></p> <p><a href="#">San Diego County Tax Allocation Chart FY 2021-22 (Link updated to FY 2022-23)</a></p> | <p>In most areas of California, local jurisdictions have added district taxes that increase the tax owed by a seller. Those district tax rates range from 0.10% to 1.00%. some areas may have more than</p>  |

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|  |   | <p>City of La Mesa 8.50%</p> <p>City of El Cajon 8.25%</p> <p>City of Oceanside 8.25%</p> <p>City of Vista 8.25%</p>   |   |  | one district tax in effect.  |
| 8  | <b>Property Taxes:</b>  | <p>The San Diego County Assessor determines the value for all homes which is the basis of property tax amounts, generally 1% of the net value of the home.</p> <p>Any Bonds or Special Assessments are also included.</p>  |   | <p><a href="#">San Diego County - list of Tax Rates by City</a><br/> Link is broken, relink</p>  |  |
| <b>ELECTRIC VEHICLE IMPACTS/TRANSNET</b> |   |  |   |  |  |
| 9a                                       | Are there any projections on future Electric Vehicle (EV) use/growth? | <p>Yes, there are EV Projections included in the recent Electric Vehicle Charging Station (EVCS) Master Plan</p> <p>The number of electric vehicles registered in the City of Encinitas currently represent 4.2% of all EVs in San Diego County, which is high compared to 2.0% Regionally.</p> <p>San Diego County expects an increase of EV adoption from today's level (about 69,700) to more than 110,000 by 2025.</p> | Crystal Najera, CAP Program Administrator | <p>COE: <a href="#">EVCS Master Plan - EV</a></p> <p>COE: <a href="#">EV Master Plan Report with projections (p11.)</a></p> <p><a href="#">SANDAG - Sustainable Growth &amp; Development</a></p> | Governor Newsom issued Executive Order N-79-20 in September 2020 which set mandates for electric vehicle adoption by 2035 across the state. Federally, the Bipartisan infrastructure |

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|    |   | Between 366,000 and 421,000 EVs are anticipated in San Diego County by 2030.   |                               | <a href="#">SANDAG Clean Transportation (EV/Zero Emission)</a>  | Law also known as the Infrastructure Investment and Jobs Act commits more than \$160 billion dollars for zero emission initiatives across the nation.    |
| 9b | What are the projected impacts on Gas Tax Revenue due to increased EV Use?  | <p>Gas Tax Revenues will likely be impacted by increasing EV Use.</p> <p>SANDAG's Regional Plan Revenue Estimate Model makes basic assumptions about EV adoptions; and from there they calculate revenues from gas tax and anticipate how they will change over time.</p> <p>A quick estimate of what the reduction looks like according to the SANDAG Regional Plan, (Approximations using 2020 as a base year) show a 21% reduction in revenues by 2025, a 38% reduction in revenues by 2030, and a 69% reduction by 2050.</p> | SANDAG Regional Planning Team | State of California is the lead agency in exploring options to address future revenue issues via the <a href="#">CA Road Charge Program</a>   |  |
|    | <p><b>MISC. RESOURCES:</b></p> <p>Institute for Local Government (ILG)</p> <p>California Taxes and Local Levies/revenue sources general information</p> |  |                               | <p>Institute for Local Government (ILG)</p> <p><a href="#">Economic Development</a></p> <p><a href="#">Budgeting &amp; Finance</a></p> <p><a href="#">Understanding the Basics of Municipal Revenues in California:</a></p> | <p>Voter approval is required prior to enacting, increasing or extending any type of local tax.</p> <p>Assessments to pay for public facilities that</p> |

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|   | California Local Government Finance Almanac |        |        | <a href="#">Cities, Counties, Special Districts (2016)</a><br><br><a href="#">California Tax Foundation General Tax Information</a><br><br><a href="#">The California Local Government Finance Almanac (californiacityfinance.com)</a> | benefit real property require property owner approval. |

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| <b>ADDITIONAL ITF QUESTIONS &amp; RESOURCES RELATED TO PROJECTS &amp; FUNDING REQUESTS COASTAL PROGRAM</b><br>(Added via staff correspondence) |   |   |  |   |          |
| 1  | In May 2023, there was an announcement by Representative Mike Levin indicating that \$30.5 million in federal funding for a sand replenishment project had been awarded to Encinitas and SB. Is it correct to assume that these funds are to be used for the USACE 50 year project? | Those funds announced by Levin's Office were for this first initial nourishment phase that is currently funded and moving forward for both Encinitas and Solana Beach. Basically, the City's match is 50 percent unless we can get grant funding or other subsidies for the second nourishment cycle. | <b>Todd Mierau</b><br><b>Coastal Program Administrator</b><br>Development Services Dept. | <a href="#">Coastal Zone Management   City of Encinitas (encinitasca.gov)</a><br><br><a href="#">US Army Corps San Diego County Storm Damage Reduction Project – Project Fact Sheet</a> |          |

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|   | <p>What is the City's match at 5 year increments for 50 years?</p> <p>Are these COE matching funds already identified for the first 5 years?</p> <p>As far as jurisdiction/management, what are the northern and southern boundaries of the Coastline in Encinitas?</p> <p>In light of the tragic bluff failure south of Ponto, are there any active sand replenishments or restorative programs/projects scheduled north of Beacons? And if so, how are the programs funded?</p> <p>Does the USACE Project cover this region north of Beacons?</p> | <p>The match changes at cycle three because the City of Solana Beach participates again. They are on a 10-year cycle.</p> <p>We have started to budget five years out. We won't know the exact amounts needed for our local cost share until USACE has identified the costs and allocations for the second nourishment cycle.</p> <p>Northern would be at Batiquitos Beach just south of Ponto State Beach in Carlsbad (adjacent to the Alila Marea Beach Resort on the beach). Southern border would be at Tabletops Beach, just south of S. Cardiff State Beach (Seaside Reef).</p> <p>Currently, there is not a storm damage reduction project (similar to the USACE 50-year project) scheduled to be installed in this location. This would likely be studied in the SANDAG RBSP III effort moving forward.</p> <p>We currently are processing a SCoup permit to be placed at Batiquitos Beach. Both the City and the private developer are currently paying for this sand nourishment option. This is about 80,000 cubic yards of potential sediment that will be placed in and around this area. We are limited to the quantity of sediment and placement</p> |        |           |          |

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|   | <p>The Public Beach Counter information presented does not include counts in Cardiff. Is that data available?</p> <p>Is Ponto Beach considered to be in Carlsbad and if so, is there counter information for this beach that is accessible from Carlsbad?</p> | <p>of sediment at specific locations though.</p> <p>The other part of permitting relates to jurisdiction. There are Local, State and Federal jurisdictions in these areas (Coastal Commission, State Lands Commission, Fish and Wildlife, Regional Quality Control Board, etc.). It isn't as simple as placing sand compatible sediment on the beach. Those technical studies I referred in my presentation have extensive monitoring requirements for both pre- and post-permit installation.</p> <p>We do have some counts for Cardiff-by-the-Sea. The reason is that about half of the city is in California State Parks jurisdiction. This would include everything south of Swami's to the Encinitas/Solana Beach border at Tabletops reef. So basically, all of Cardiff-by-the-Sea. The counters in this area are limited.</p> <p>Ponto is in the City of Carlsbad. I am not aware of counters there.</p> |        |           |          |

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|   | When was the Batiquitos Lagoon last dredged and when is the next dredging scheduled? | Batiquitos Lagoon was last dredged in 2019. The current schedule is likely in FY 24-25 according to California Fish and Wildlife. |        |           |          |