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BOARD OF DIRECTORS POLICY AGENDA

Friday, January 12, 2007

10 a.m. to 12 noon

SANDAG Board Room

401 B Street, 7th Floor

San Diego

AGENDA HIGHLIGHTS

- **INTEGRATED REGIONAL INFRASTRUCTURE STRATEGY OF THE REGIONAL COMPREHENSIVE PLAN**
- **FUTURE REGIONAL FUNDING FOR HABITAT PRESERVATION, BEACH SAND REPLENISHMENT, AND REGIONAL STORMWATER MANAGEMENT**

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MISSION STATEMENT

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus, makes strategic plans, obtains and allocates resources, plans, engineers, and builds public transit, and provides information on a broad range of topics pertinent to the region's quality of life.

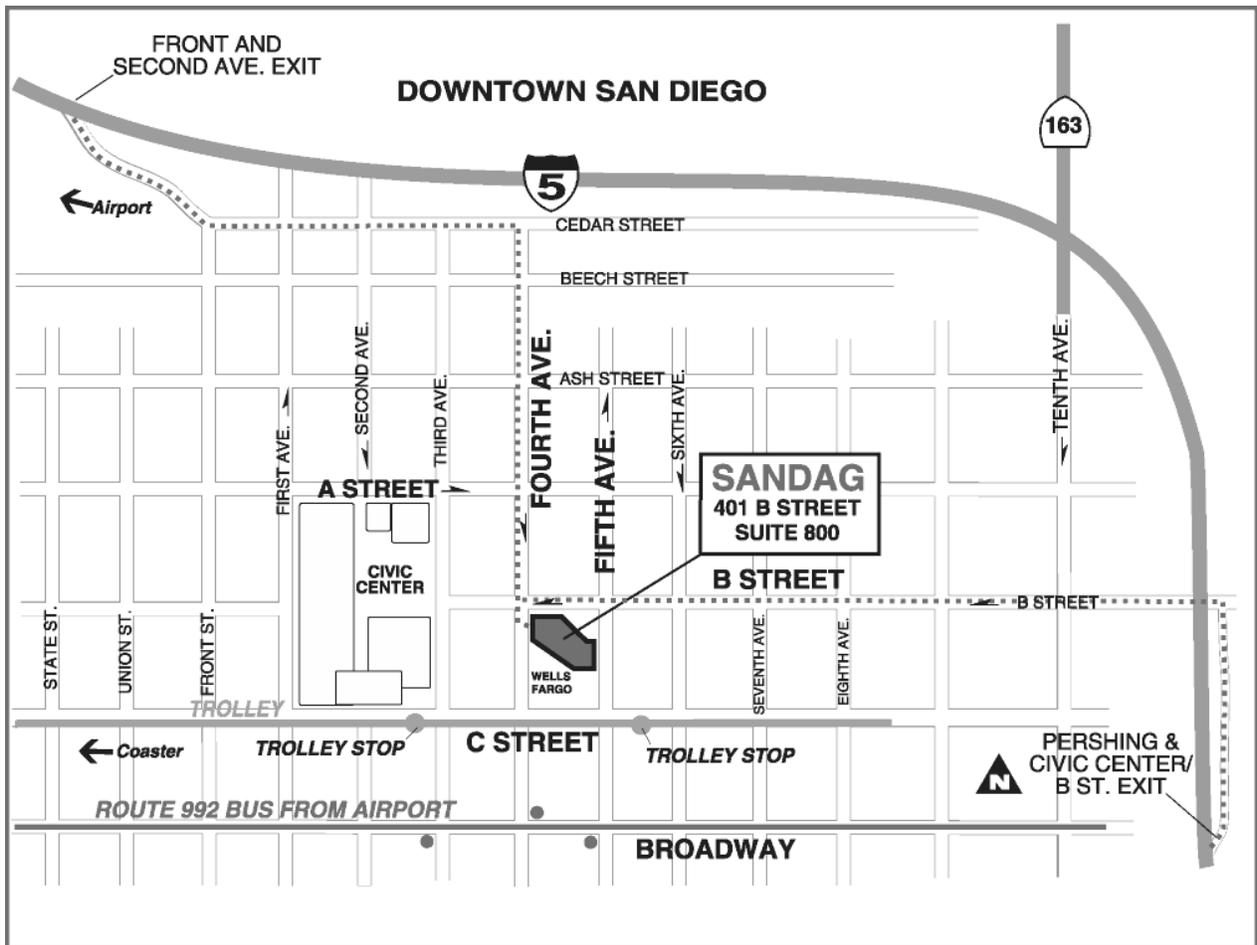


Welcome to SANDAG. Members of the public may speak to the Board of Directors on any item at the time the Board is considering the item. Please complete a Speaker's Slip, which is located in the rear of the room, and then present the slip to the Clerk of the Board seated at the front table. Also, members of the public are invited to address the Board on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Speakers are limited to three minutes. The Board of Directors may take action on any item appearing on the agenda.

This agenda and related staff reports can be accessed at www.sandag.org under Meetings on SANDAG's Web site. Public comments regarding the agenda can be forwarded to SANDAG via the e-mail comment form also available on the Web site. E-mail comments should be received no later than 12 noon, two working days prior to the Board of Directors meeting.

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BOARD OF DIRECTORS POLICY AGENDA

January 12, 2007

ITEM #		RECOMMENDATION
1.	PUBLIC COMMENTS/COMMUNICATIONS/MEMBER COMMENTS	
	<p>Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG. Anyone desiring to speak shall reserve time by completing a "Request to Speak" form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Speakers are limited to three minutes. Board members also may provide information and announcements under this agenda item.</p>	
	<p>REPORTS (2 through 4)</p>	
+2.	REPORT ON THE INTEGRATED REGIONAL INFRASTRUCTURE STRATEGY OF THE REGIONAL COMPREHENSIVE PLAN (Jane Signaigo-Cox)	INFORMATION
	<p>This item provides an overview of the Integrated Regional Infrastructure Strategy (IRIS) of the Regional Comprehensive Plan. The IRIS took a systematic approach to addressing regional infrastructure needs and identifying existing and future revenue sources in eight regional infrastructure areas: transportation; water supply and delivery; wastewater; stormwater management; solid waste collection, recycling and disposal; energy supply and delivery; education; and parks and open space.</p>	
+3.	FUTURE REGIONAL FUNDING FOR HABITAT PRESERVATION, BEACH SAND REPLENISHMENT, AND REGIONAL STORMWATER MANAGEMENT (Jane Signaigo-Cox)	DISCUSSION
	<p>This item provides updated estimates of infrastructure needs in three nontransportation areas: habitat, beach sand replenishment, and stormwater management. The Board of Directors is asked to consider and discuss existing and potential revenue funding sources that could be pursued to address the funding gaps.</p>	
+4.	CLOSED SESSION-CONFERENCE WITH LEGAL COUNSEL IN ANTICIPATION OF LITIGATION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b)(3)(C)-ONE POTENTIAL CASE (John Kirk)	
5.	UPCOMING MEETINGS	INFORMATION
	<p>The next meeting of the Board of Directors is scheduled for Friday, January 26, 2007, at 9 a.m.</p>	
6.	ADJOURNMENT	

+ next to an agenda item indicates an attachment



**BOARD OF DIRECTORS
JANUARY 12, 2007**

**AGENDA ITEM NO. 07-01-2
ACTION REQUESTED - INFORMATION**

**REPORT ON THE INTEGRATED REGIONAL
INFRASTRUCTURE STRATEGY: AN ELEMENT
OF THE REGIONAL COMPREHENSIVE PLAN**

File Number 3006000

Introduction

There are many critical infrastructure needs facing the region, with limited resources available to meet these needs. The development of the Regional Comprehensive Plan (RCP), adopted by the Board of Directors in July 2004, was intended to take a comprehensive view of the region to strategically link land use, transportation, and other infrastructure needs. Development of the RCP involved collaboration with stakeholders, the public, and policymakers, to establish a long-term planning framework for the San Diego region. Since the RCP was adopted, SANDAG has worked to implement components of the RCP, including the development of the Smart Growth Concept Map and a Pilot Smart Growth Incentive Program, and is currently updating the Regional Transportation Plan (RTP) and the Regional Economic Prosperity Strategy (REPS) In 2007, SANDAG is beginning to look at other infrastructure needs in the region and the best way to achieve the vision outlined in the RCP.

The RCP sets forth a vision for the region in the year 2030 and lays out a policy framework to achieve that vision based on three themes:

1. Improving connections between land use and transportation plans, using smart growth principles;
2. Using land use and transportation plans to guide decisions regarding public facility and environmental investments; and
3. Focusing on collaboration and incentives to achieve regional goals and objectives.

As the San Diego region continues to change, we must regularly assess the ability of our infrastructure to handle change and to maintain our quality of life at acceptable levels. To adequately prepare for this change steps need to be taken to help ensure that infrastructure is in place prior to or concurrent with land use decisions that help implement the urban form and design goals identified in the RCP.

Because of the lack of available resources at the national and state level to help finance transportation as well as other regional and local infrastructure needs, regions are increasingly being asked to leverage or match state and federal funds with local money or programs that help fill the infrastructure gaps.

The Integrated Regional Infrastructure Strategy (IRIS), a key element of the RCP, was produced to identify ways of addressing this trend of greater regional responsibility for providing and funding its infrastructure needs. The IRIS outlines a strategy for working with regional infrastructure providers to develop a forward-looking planning, investment and financing strategy that will help the San Diego region meet its collective regional infrastructure needs.

The purpose of this report is to provide the Board with some background on the RCP, the IRIS and to set the stage for the Board to discuss Agenda Item 3.

Most of the region's infrastructure providers have a system in place to address their needs and prioritize their expenditures. IRIS research focused on eight areas of regional infrastructure (see background discussion below) and found that during fiscal year 2003 the San Diego region collectively spent \$3.4 billion on capital projects and another \$8 billion on operations and maintenance. Because most infrastructure areas have access to annual funding similar levels of expenditures for capital and operations take place each year; in this way, these limited resources are allocated to meet the capital and operations needs based on priorities set by the various provider agencies.

However, IRIS identified three regional infrastructure areas that are significantly under funded: habitat preservation, beach sand replenishment and storm water management. Generally speaking, these three infrastructure areas do not have a system in place to address their needs (funding) and prioritize their expenditures. For this reason, the IRIS and RCP recommended that SANDAG take a role in initiating a process that develops a system to address each of their infrastructure needs, including a process to prioritize expenditures. The first steps in this process are discussed in Agenda Item 3 of this SANDAG Board package.

Background Discussion

IRIS Research Approach and Selected Findings

The IRIS was completed in a four-step process: (1) infrastructure inventory and evaluation; (2) needs assessment; (3) evaluation of financing and public policy options; and (4) recommended policies and implementation procedures.

1. *Infrastructure Inventory and Evaluation:* Based on an approved set of criteria by SANDAG Board of Directors for selecting key infrastructure areas, IRIS identified and addressed eight regional infrastructure areas:
 - Transportation (including transit, highways, maritime port, international land ports of entry, and regional airport);
 - Parks and open space (including parks and recreation, habitat preservation, and beach sand replenishment);
 - Stormwater management;
 - Education (including K-12, community colleges, and universities);
 - Energy supply and delivery system;
 - Water supply and delivery system;

- Wastewater (sewage collection, treatment, and discharge system); and
 - Solid waste collection, recycling, and disposal.
2. *Needs Assessment:* The second step was to identify how infrastructure needs are currently being met and planned, using existing programmed expenditures and strategic plans.

Among these eight infrastructure systems, water, wastewater, and energy have clear benefit-based revenue sources (i.e. enterprise funds/rates). Solid waste collection in all jurisdictions with the exception of the City of San Diego is financed through user fees.

With regard to transportation systems, the types of revenues used differ. Highways are generally constructed and maintained using general revenues or federal/state funds; regional arterials also are constructed with federal and TransNet funds, and development impact fees; and transit systems are often constructed with federal or state funds, but maintained through fares supplemented by other combination of local, state, and federal revenues. In the San Diego region, transportation facilities and operations also are partially funded by the *TransNet* ½ cent sales tax (which was initially approved by voters in 1988 and extended for 40 years in November 2004). Air and maritime port facilities utilize federal and state funds and bonds financed with revenues from operations, which also are used for operation and maintenance.

The three remaining regional infrastructure systems -- stormwater management, parks and open space (including habitat preservation and beach sand replenishment), and public education -- each rely substantially on general taxes because they do not have a dedicated funding source.

3. *Financing and Public Policy Options:* The third step of the IRIS process was the development of a set of policy and/or investment options that could be used to support the goals of the RCP. The IRIS also identified existing and potential revenue sources for capital investments in each of the eight infrastructure areas as shown in Attachment 1.
- For *transportation*, in addition to continuation of existing revenue sources, potential revenue sources could include: the extension of the *TransNet* ½ cent sales tax (which was approved by voters in November 2004), increasing or indexing gas tax, and bond financing based on user charges.
 - For *parks and open space*, local park facilities should continue to be financed by development impact fees, while regional habitat needs could be funded partially by transportation project mitigation banking. Regional habitat and beach sand replenishment needs could be funded by special assessments and/or a special tax.
 - For *stormwater management*, potential revenue sources could include a regional stormwater impact fee, special assessment, and/or special tax.
 - For *education*, revenue sources should include continuation of state funding and development impact fees, as well as possible additional local bond financing for K-12 and community college facilities.

- For *water, wastewater, solid waste, and energy*, capital investment revenues should be based on a continuation of pay-as-you-go or bond financing supported by user charges, along with development impact fees for water and wastewater facilities.

Based on this analysis, the IRIS concludes that for the San Diego region the focus of future general revenue and bonding proposals should be in the areas of transportation, stormwater management, parks and open space (including habitat preservation and beach sand replenishment), and education, where existing user fees and charges are not available to support future infrastructure needs. Options for other transportation project revenue funding are being addressed through the preparation of the 2007 RTP, so these infrastructure needs will not be revisited in this report (reference: the "Transportation Funding Revenues" White Paper from the October 13, 2006, Policy Board meeting). Furthermore, while education is a key regional focus, it is the responsibility of other agencies, and it would not be an area that SANDAG would take either a leading or coordinating role.

4. *Recommended Policies and Implementation Procedures.* Finally, the IRIS identified a process that integrates the public policy and financing options into the RCP, as well as creating a framework for a procedure that can be used to monitor the region's progress and performance in meeting the quality of life goals and objectives identified in the RCP.

IRIS stipulated specific actions for stormwater management as well as habitat conservation and beach sand replenishment (as components of Parks and Open Space) that would involve SANDAG participation (see Attachment 2):

- For stormwater - State, regional and local agencies should cooperatively develop a stormwater management master plan in the region as well as identify an on-going funding mechanism.
- For habitat conservation – Acting through SANDAG, local jurisdictions should leverage transportation funding required for biological mitigation of transportation projects to maximize benefits for the region's habitat conservation programs, which would include establishing a regional habitat mitigation bank of priority habitat acquisition lands, consolidating mitigation budgets, and allocating a portion of this budget for long-term management and monitoring of other preserve lands.
- For beach sand replenishment – Acting through SANDAG's Shoreline Preservation Committee, local jurisdiction should take advantage of the strategic plan prepared to finance beach sand replenishment by dedicating a portion of TOT collected throughout the region.

Summary

As discussed above, the IRIS lays out approaches for funding the eight major categories of regional infrastructure and provides guidance for the role and involvement of SANDAG in transportation, habitat preservation, beach sand replenishment, and regional stormwater management.

Since the needs and funding options for transportation are being updated through the 2007 RTP, Agenda Item No. 3 focuses primarily on the three nontransportation regional infrastructure needs (habitat preservation, beach sand replenishment, and regional stormwater management) where IRIS identifies SANDAG as having a lead or key responsibility. Updated cost estimates and potential revenue sources for each of these three infrastructure areas also are presented.

GARY L. GALLEGOS
Executive Director

Attachments: 1. Sources of Existing or New Revenues for Infrastructure
2. IRIS Specific Recommended Actions for Stormwater and Parks and Open Space

Key Staff Contact: Jane Signaigo-Cox, (619) 699-1983, jsi@sandag.org

SOURCES OF EXISTING OR NEW REVENUES FOR INFRASTRUCTURE

INFRASTRUCTURE	REVENUE FOR OPERATION AND MAINTENANCE	REVENUE FOR CAPITAL INVESTMENT
TRANSPORTATION	<ul style="list-style-type: none"> - Continuation of existing general revenues (streets and highways) - Continuation of existing fare/user charges (transit) - Continuation of income from operations (air and maritime ports) + User charges (land ports of entry) 	<ul style="list-style-type: none"> + <i>TransNet</i> extension (1/2-cent sales tax; highways and transit) + Gas tax increase (highways and transit) - Continuation of bond financing based on income from operations and federal and state funds (air and maritime ports) + Bond financing based on user charges (land ports of entry)
WATER	<ul style="list-style-type: none"> - Continuation of existing rate/user charges 	<ul style="list-style-type: none"> - Continuation of pay-as-you-go or bond financing based on rate revenues and fees
WASTEWATER	<ul style="list-style-type: none"> - Continuation of existing rate/user charges 	<ul style="list-style-type: none"> - Continuation of pay-as-you-go or bond financing based on rate revenues and fees
STORMWATER MANAGEMENT	<ul style="list-style-type: none"> - Continuation of existing general revenues 	<ul style="list-style-type: none"> + Regional stormwater impact fee, special assessment, or special tax
SOLID WASTE	<ul style="list-style-type: none"> + User charge 	<ul style="list-style-type: none"> + User charge and bond financing based on user charges
ENERGY	<ul style="list-style-type: none"> - Continuation of existing rate/user charges 	<ul style="list-style-type: none"> - Continuation of pay-as-you-go or bond financing based on rate revenues
EDUCATION	<ul style="list-style-type: none"> - Continuation of existing general revenues and state funding (K-12) - Continuation of existing tuition/user charges, donations, and state funding (CSU, UC) 	<ul style="list-style-type: none"> + Local bond financing (K-12, community colleges) - Continuation of state funding (K-12, community colleges) - Continuation of local funding (donations) and state funding (CSU, UC)
PARK AND OPEN SPACE	<ul style="list-style-type: none"> - Continuation of existing general revenues + Special assessment or special tax (habitat, beach sand replenishment) 	<ul style="list-style-type: none"> - Continuation of existing pay-as-you-go based on impact fees (local parks) + RTP / <i>TransNet</i> mitigation bank (habitat) + Special assessment or special tax or TOT (habitat, beach sand replenishment)

Note: This table summarizes types of revenues that are currently used to fund operations and maintenance or capital investment (-) or that are proposed as new funding sources to meet the infrastructure needs of the RCP (+); see text for discussion of new funding sources and appendix sections for discussion of existing revenue sources.

Source: page 322, Chapter 7 of the Regional Comprehensive Plan

IRIS SPECIFIC RECOMMENDED ACTIONS FOR STORMWATER AND PARKS AND OPEN SPACE

Stormwater

State, regional, and local agencies should cooperatively develop a comprehensive and detailed master plan for stormwater management in the region and an associated implementation plan, similar to regional programs for habitat conservation and shoreline sand replenishment.

1. State, regional, and local agencies should identify a funding mechanism which would make feasible an ongoing program of *strategic planning, prioritization, and implementation* of stormwater facility improvements.

Parks and Open Space (including Habitat Conservation, and Shoreline Preservation)

1. Local jurisdictions, acting through SANDAG, should consider the feasibility of leveraging a portion of transportation funding (RTP and *TransNet*) required for the biological mitigation of transportation projects to maximize benefits for the region's habitat conservation programs. To this end, the local jurisdictions should:
 - Establish a regional habitat *mitigation bank* consisting of priority habitat acquisition lands identified by the region's habitat conservation programs (MSCP and MHCP) and use its credits to mitigate the biological impacts of transportation projects.
 - Consolidate the mitigation budgets of separate transportation projects to fund the establishment and management of the regional mitigation bank.
 - Allocate a portion of the consolidated mitigation budget for the long-term management and monitoring of other preserve lands which currently do not have funding for those purposes.
 - Establish an entity, such as a conservancy, which will conduct the management and monitoring and obtain additional funds for habitat acquisition, management, and monitoring.
 - Work with other regional infrastructure providers, such as for water, wastewater, or energy, to consolidate mitigation banking needs, thus improving the efficiency and effectiveness of mitigation actions to further the goals of the regional conservation plans.
2. Local jurisdictions should consider the availability of local, active parks and the possibility of obtaining additional park resources, such as through joint-use of school playgrounds and athletic facilities, in identifying and prioritizing smart growth opportunity areas.
3. Local jurisdictions should take advantage of the strategic plan which they prepared, acting through SANDAG's Shoreline Preservation Committee, to finance shoreline sand replenishment by dedicating a portion of the transient occupancy tax collected throughout the region.

Source: page 346-347, Chapter 7 of the Regional Comprehensive Plan

**FUTURE REGIONAL FUNDING FOR HABITAT
PRESERVATION, BEACH SAND REPLENISHMENT,
AND REGIONAL STORMWATER MANAGEMENT**

File Number 3006000

Introduction

The Integrated Regional Infrastructure Strategy (IRIS) of the Regional Comprehensive Plan (RCP) (discussed as Agenda Item No. 2) takes a comprehensive approach to addressing transportation as well as other regional and local infrastructure needs. IRIS lays out approaches for funding eight major categories of regional infrastructure and provides guidance; it specifically defines role and involvement of SANDAG in transportation, habitat preservation, beach sand replenishment, and regional stormwater management.

The purpose of the discussion today is for the Board of Directors to consider and discuss regional needs and potential funding sources related to the three infrastructure categories reviewed in this report -- habitat preservation, beach sand replenishment, and regional stormwater management.

Discussion

Habitat Preservation

When voters approved the extension of the *TransNet* one-half cent sales tax in November 2004, the expenditure plan included specific funding allocation of \$850 million for "environmental mitigation:" \$650 million for direct mitigation of transportation projects identified in MOBILITY 2030 and up to \$200 million for habitat monitoring, management, and acquisition not associated with specific project mitigation. The \$200 million is available based on the economic benefits of purchasing land in advance of need in larger blocks at a lower cost. It was recognized at that time that this funding would not be adequate to accommodate the entire regional need for habitat preservation identified in the adopted Multiple Species Conservation Plan (MSCP) and Multiple Habitat Conservation Plan (MHCP).

Therefore, the *TransNet* Extension measure stated that SANDAG "...will act on additional regional funding measures (a ballot measure and/or other secure funding commitments) to meet long-term requirements for implementing habitat conservation plans in the San Diego region, within the timeframe necessary to allow a ballot measure to be considered by the voters no later than four years after passage of the *TransNet* Extension." In order to meet this commitment, the SANDAG Board of Directors should begin to discuss various funding alternatives that are reasonable to fulfill this obligation.

Beach Sand Replenishment

Sand replenishment at the region's beaches is needed to counter the effects of erosion, which has resulted in part from upstream development. The SANDAG Board has recognized the importance of developing a long-term funding program for beach sand replenishment with the adoption of the Shoreline Preservation Strategy in 1993 and the completion of the Regional Beach Sand Project in 2001. Currently no regional revenue source exists to implement the beach sand replenishment program in the future, though Solana Beach and Encinitas have approved measures to allocate funds specifically for this purpose.

Regional Stormwater Management

Enhancement of water quality is an issue that impacts all jurisdictions in the region with no coordinated funding plan to address the requirements. Local jurisdictions and special districts are responsible for stormwater runoff generated by land uses under their jurisdiction, and state and federal governments have an important public interest in maintaining the quality of waters under their jurisdiction. While it is not a mandated requirement for SANDAG to identify permanent funding sources to address this issue, IRIS recommends that SANDAG cooperate with the Regional Water Quality Control Board and local jurisdictions in initiating and coordinating the preparation of a comprehensive stormwater master plan including identification of regional funding sources.

Summary

The attached white paper entitled, "Future Regional Funding for Habitat Preservation, Beach Sand Replenishment, and Stormwater Management" is being presented to generate discussion by the Board of Directors during the January 12, 2007, Policy Board meeting. The white paper provides updated cost estimates to meet needs in each of these areas, potential funding available from the bond measures passed in November, as well as various revenue options to consider that could be implemented at the regional level to help fund these infrastructure needs (Attachments 1 and 2).

Next Steps

Over the next several months, staff will investigate further the various funding options for meeting these regional infrastructure needs. Furthermore, many of these possible solutions and alternatives may require changes in state and/or federal law or voter approval. Direction from the Board of Directors on which funding sources to pursue will lead to a more refined analysis and strategies to implement the recommended potential funding revenues.

The next steps following the January 12, 2007, Policy Board meeting include:

January 31 to Feb 2, 2007 - Board Retreat

The Board will further evaluate potential funding options, including sales tax, property tax assessments, Transient Occupancy Tax, Development Impact Fees, and/or car rental fees.

February to March 2007 - Focus Groups

Focus groups will help better define which projects and programs the public is willing to support by what funding mechanisms. It also will help determine what combination of projects/programs is viable.

April to June 2007

The Board will be given refined summaries of recommended funding strategies. The Board will give staff further direction on which funding options to pursue.

GARY L. GALLEGOS
Executive Director

Attachments: 1. White Paper on “Future Regional Funding for Habitat Preservation, Beach Sand Replenishment, and Stormwater Management”
2. Summary Table of Potential Revenues for Habitat Preservation, Beach Sand Replenishment, and Stormwater Management)

Key Staff Contact: Jane Signaigo-Cox, (619) 699-1983, jsi@sandag.org

White Paper on Future Regional Funding for Habitat Preservation, Beach Sand Replenishment, and Stormwater Management

Introduction

The Regional Comprehensive Plan (RCP) is based on the premise that the San Diego region must plan for our future differently than in the past, striving to create an urban form comprised of sustainable and balanced communities with a high quality of life. As the San Diego region continues to change, it must regularly assess the ability of the infrastructure to handle change and to maintain the region's quality of life at acceptable levels. To adequately prepare for this change, steps need to be taken to help ensure that infrastructure is in place prior to or concurrent with the land use decisions that implement the goals identified in the RCP.

This white paper focuses on how the San Diego region could pay for three specific types of regional infrastructure needs where revenue for capital investments is limited and where existing user fees and charges are not available to support future infrastructure needs specifically for habitat preservation, beach sand replenishment, and stormwater management.

Revised Cost Estimates

As a starting point, the Integrated Regional Infrastructure Strategy (IRIS) of the RCP used existing capital improvement programs and operations and maintenance budgets as a reasonable estimate of infrastructure needs. Since the research for IRIS was completed in 2003, the cost estimates for habitat preservation, beach sand replenishment, and stormwater management have been revised in this white paper to 2006 dollars, with cost projections out to 2030.

Habitat Regional Preservation

As part of the IRIS, a financial assessment was completed to determine the projected long-term needs of the regional habitat conservation programs. The total one-time cost (such as habitat acquisition and restoration) and the present value of 30-year recurring costs (management, monitoring, and endowment) were estimated to be \$1.3 billion (in 2003 dollars). An update of this estimate was completed in December 2006, which included revised information on the habitat acquisition needs using data from the annual reports from the City and County of San Diego, the regional habitat conservation tracking database (Habitrak), and discussions with County staff on the revised targets for the Multiple Species Conservation Program (MSCP) North and MSCP East. Between 2003 and 2006, local jurisdictions (primarily the cities of Chula Vista and San Diego and the County of San Diego) acquired additional habitat lands, reducing the total acquisition need by approximately 2,390 acres.

The revised acquisition, management and restoration costs were adjusted for inflation using relevant components of the San Diego Consumer Price Index between 2003 and 2006 (increase of 14.26 percent). The update also assumed that funding of both ongoing costs and a deposit to an endowment would be funded annually, rather than financed through debt, such as bonds. Accordingly, no provisions were made for interest costs that would occur for a bond-financed program. The update maintained the same assumptions for the expected interest rate (6 percent nominal and 3 percent inflation adjusted) and the expected annual inflation rate (3 percent). The term of the financing was extended from 30 years to 40 years to be consistent with the *TransNet* Extension Ordinance. The update resulted in a revised estimate of \$1.502 billion (in 2006 dollars), which includes both one-time costs and present values of recurring costs.

With the adoption of the *TransNet* Extension Ordinance, \$850 million was established for environmental mitigation of transportation projects identified in MOBILITY 2030, including \$200 million for the Regional Habitat Conservation Fund (RHCF) that would be generated from the economic benefit of purchasing land, in advance of need, in larger blocks at lower cost, and of locking in project mitigation requirements through obtaining coverage in adopted habitat conservation plans. It is expected that mitigation for the transportation projects would contribute to build out of the regional preserve, but by themselves would not complete the regional preserve, or be responsible for the management and monitoring on lands not acquired for mitigation. In addition, if a regional funding source is approved, SANDAG is authorized to reallocate excess funds in the RHCF to transportation projects pursuant to Principle 10 of the *TransNet* Extension Ordinance Environmental Mitigation Program (EMP).

Beach Sand Replenishment

The SANDAG Shoreline Preservation Working Group (SPWG) has prepared an estimate outlining the detailed costs associated with implementing a beach sand replenishment project. The following estimate is assuming that a similar effort would be accomplished every five years through 2030, using an escalation rate of 3 percent each year. The total estimated cost in 2006 dollars for beach sand replenishment based on five replenishments (every five years starting in 2010) is \$181 million.

Regional Stormwater Management

Under the Federal Clean Water Act, each county and municipality throughout the nation is issued a National Pollutant Discharge Elimination System (NPDES) Permit for legally discharging pollutants into the waters of the United States. In 1987, the Clean Water Act was amended to include requirements for stormwater discharges or urban runoff. In response to those requirements, the San Diego Regional Water Quality Control Board (Regional Board) issued a five-year NPDES permit for municipal stormwater discharges in July 1990. The NPDES permit was issued to the 18 incorporated cities, County of San Diego, the San Diego Unified Port District, and the San Diego County Regional Airport Authority as "copermittees." NPDES permits are renewed every five years, and the Regional Board will be considering issuance of the next permit in early 2007. If the cities fail to comply with the new NPDES permit, they are subject to monetary penalties.

There has been substantial progress made by local agencies acting as "copermittees" of the Unified Watershed Urban Runoff Management Program in preparing various watershed plans. Working with the Regional Water Quality Board and the County of San Diego, SANDAG staff utilized two methods to estimate total regional stormwater compliance costs in 2006 dollars from 2010 through 2030 to meet federal and state requirements. METHOD 1 used the most recent stormwater NPDES permit compliance costs per household determined by a study prepared in January 2004 for the California State Water Resources Control Board, prepared by Office of Water Programs, California State University, Sacramento (CSUS). Using the SANDAG 2006 estimate for the number of households, the annual cost for compliance with the NPDES permit through 2030 is listed in METHOD 1. Cost estimates for METHOD 2 used compilation of all current Jurisdictional Urban Runoff Management Program (JURMP) cost estimates and projected these costs through 2030.

METHOD 1¹
\$1.457* billion Cost for compliance with the NPDES permit through 2030 (based on average per household cost).

METHOD 2²
\$3.362* billion Compilation of each copermittee Jurisdictional Urban Runoff Management Program (JURMP) extrapolated to 2030.

The actual regional stormwater compliance costs are anticipated to fall within the range of costs estimated by these two methods, between \$1.457 billion and \$3.362 billion. It is likely that the disparity between the two methods is due to differences in what is reported as costs covered by the permit. The study completed by CSUS did not account for activities such as street sweeping and trash collection that are not considered permit compliance costs by the Regional Board, but which are accounted for in many of the jurisdictional programs. Additionally, there are disparities in how costs are accounted and expenditures are tracked. Lastly, the METHOD 1 estimate is an average for households in California, and the METHOD 2 estimate represents actual costs; these numbers should not be compared but should be used to provide the range of potential costs.

Potential Funding for the San Diego Region from Proposition 84
(WATER QUALITY, SAFETY AND SUPPLY. FLOOD CONTROL. NATURAL RESOURCE PROTECTION. PARK IMPROVEMENTS. BONDS. INITIATIVE STATUTE)

Proposition 84, which was passed in November 2006, authorizes \$5.388 billion in general obligation bonds, payable from the state's General Fund, for projects relating to safe drinking water, water quality and supply, flood control, waterway and natural resource protection, water pollution and contamination control, state and local park improvements, public access to natural resources, and conservation efforts.

SANDAG has identified specific categories of Proposition 84 funding for which the region may be eligible to compete for, relative to habitat preservation, beach sand replenishment, and stormwater management. There are only three categories where funding for the San Diego region has been specified:

1. Integrated Regional Water Management Allocation as part of Safe Drinking and Water - \$91 million.
2. Implementation of Quantification Settlement Agreement Allocation as part of Protection of Rivers, Lakes, and Streams - \$36 million.

¹ The NPDES Stormwater Cost Survey looked at five municipalities and one metropolitan area within California that are demonstrating meaningful progress toward maximum extent practicable (MEP) compliance. Therefore, the mean of the six values for each of the cities in the survey was used to estimate. The mean value of 35 was used in 2005 and escalated at 3 percent through 2030.

² METHOD 2 for estimating regional stormwater compliance costs used the cost estimates for each copermittee's required Jurisdictional Urban Runoff Management Program (JURMP) that describes all the activities that the copermittee has undertaken, is undertaking, or will undertake, to reduce discharges of pollutants and urban runoff to the MEP.

* Both cost estimates assume that the region (copermittees) should be absorbing the costs for stormwater management monitoring, education and outreach, and California Stormwater Quality Administration (CASQA) membership (\$.044 billion) through 2030.

3. San Diego Bay & Adjacent Watersheds as part of Protection of Beaches, Bays, and Coastal Waters - \$27 million.

For many of the other categories the region either may compete for funds, or additional legislation is required for implementation and, therefore, it is unknown at this time what proportionate share is possible for the San Diego region.

While the estimated funding for local projects from Proposition 84 may be helpful to augment regional funding for habitat preservation, beach sand replenishment, and stormwater management, the region's share will only represent a small proportion of the region's needs through 2030. Estimating a "regional share" based on population (estimated at a conservative 7 percent) for those categories focused on habitat preservation, beach sand replenishment, and stormwater management, the region could receive a total of \$210.7 million dollars over five years. The region's projected combined costs for these projects through 2030 ranges from \$3.140 billion to \$5.045 billion.

Funding Options

There is a range of potential solutions that could be implemented at the regional level to help cover the long-term funding requirements for the three specified infrastructure programs. Consideration of these possible solutions and alternatives generates a number of policy questions, which will be raised with the Board of Directors at the SANDAG Board Retreat in late January/early February.

To cover the funding shortfalls requires exploring both potential increases in existing funding sources used by local jurisdictions as well as creation of new funding programs. Staff has researched new funding sources outlined within the IRIS for these infrastructure needs, including user fees such as rental cars fees and parking fees at the beaches, additional sales tax, and other local mechanism revenues such as development impact fees, property tax assessments, and transient occupancy tax (TOT) increases (Attachment 2).³

The research includes potential revenue generation from each funding source, what process it would take to implement each, and how they have been used in other communities. (Please note that some of these possible revenue sources may be considered for addressing transportation needs as well, or may be considered for supporting a combination of nontransportation and transportation related projects).

Rental Car Fees

Currently there are at least 80 car rental taxes in effect in 38 states and 24 new car rental taxes under consideration. The dedicated purpose of the funds varies widely but with a high percentage being used to fund specific sports facilities, tourism, and public transportation projects. Fees either are levied as a dollar-per-day charge or a percentage of the total base rental price.

³ IRIS suggested that regional habitat needs could be funded partially by transportation project mitigation banking, and by special assessments and/or a special tax. For beach sand replenishment, IRIS proposed dedicating a portion of revenues from the transient occupancy tax to fund the program as well as considering special assessments and/or a special tax. The funding sources identified in IRIS for stormwater management included a regional stormwater impact fee, special assessment, or special tax, together with federal and state assistance.

Parking Fees at the Beaches

In 2002, SANDAG staff conducted an informal assessment of potential revenues to be collected from beach parking in San Diego coastal communities. The estimate was based on charging one dollar per hour of parking at City-owned parking spots within a one-quarter mile of the beach.

Additional Regional Sales Tax

An increase in sales tax is another potential funding option to meet the region's infrastructure needs. Regional sales tax would generate the greatest amount of flexibility and stability as the revenues would be controlled regionally and better protected against inflation. However, contrary to the last approval of *TransNet* where an existing tax was extended, this would represent a tax increase. Therefore, before the region embarks on asking the voters for an increase, careful assessment of priority issues for the voters should be made. Among the priorities evaluated could be dedicated funding for projects such as open space, habitat acquisition, sand replenishment at local beaches, and water quality improvement projects as well as funding for additional transportation capital and operational improvements, including transit.

Other Local Revenues Mechanisms

The region also could explore a number of revenue generation mechanisms that traditionally have been pursued in other jurisdictions at the local level. Some of these include Development Impact Fees, property tax assessments, and TOT. As required by Proposition 218, any tax that is collected for a special purpose (e.g., habitat or water quality), as the proposals in this report would be, is defined as a "special tax" subject to the two-thirds voter approval.

- Development Impact Fees (DIFs) on residential, commercial, and industrial development could be considered to help fund these regional infrastructure needs. Additional nexus studies could be prepared to demonstrate the impact new development has on habitat and water quality and to determine an appropriate fair share contribution to help fund and mitigate impacts to existing and future facilities. Public agencies also may find it hard to bond against projected DIF revenue since the revenues materialize only once the development is implemented.
- Property tax assessments have been imposed by many cities and counties to help finance general obligation bonds for local stormwater management programs. Los Angeles voters overwhelmingly supported Proposition O in the November 2004 election (approved with 76.3 percent of the vote), authorizing the City of Los Angeles to issue \$500 million in general obligation bonds for projects that protect public health by cleaning up and preventing pollution in regional waterways and beaches, improving or protecting water quality, providing flood protection, and increasing water conservation, habitat, and open space. Residential property owners were assessed a certain percentage of their property value for 24 years (average household pays \$35 per \$350,000 assessed value). Other regions have charged residents a flat annual fee known as a parcel tax.

TOT (hotel/motel visitor's tax) has been discussed by the SANDAG Shoreline Preservation Working Group as a method for funding the region's beach sand replenishment program. TOT would provide a reliable source and is consistent with the goal of improving visitor-serving facilities. However, any specific allocation of TOT funds to beach sand replenishment would have to be considered and evaluated by each jurisdiction responsible for allocating those funds. Two local communities that have already implemented a TOT specifically for beach sand replenishment are Solana Beach and Encinitas. Revenue estimates are based on 1 percent to 3 percent increase of TOT for all other cities and the County of San Diego, dedicated to beach sand replenishment.

Future Analysis

Direction from the SANDAG Board of Directors on which funding sources from those presented in this white paper, or others that the Board proposes, will lead to a more refined analysis and development of strategies for pursuing potential funding sources. However, the issue of whether or not to pursue additional revenues through increased sales tax or other issue-specific measures will depend on factors such as the state of the economy, the housing market, and others. The implementation of any local funding mechanism will most likely require voter approval, particularly if they are determined to be "special taxes."

Summary Table of Potential Revenues for Habitat Preservation, Beach Sand Replenishment, and Regional Stormwater Management

	Potential Funds Generated (\$M)	Level of Flexibility	What's needed to get it passed?*	How easy is it to collect and administer?	Who controls and administers the funds?
1. User Fee Mechanisms					
Rental Car Taxes (\$2 day - \$6 day)	\$223-\$669	High-Medium	2/3 Local voter-approval	Medium	Local/Regional
Parking Fee at Beaches (summer only – summer/winter)	\$336 - \$ 448	Medium		Medium	Local/Regional
2. Additional Sales Tax Measures					
Additional Sales Tax** (1/4 cent- 1/2 cent)	\$4,680-\$9,370	High	2/3 County voter-approval	Easy	Regional
3. Other Local Mechanism Revenues					
Transient Occupancy Tax (TOT) at Beach communities - 1% to 3% increase for each city	\$212--\$636	Low	2/3 local voter-approval	Medium	Local/Regional
TOT at all jurisdictions*** 1% - 3% increase	\$251-\$752	Low	2/3 local voter-approval	Medium	Local/Regional
Development Impact Fees on new residential and commercial 2011-2030	tbd	Low	2/3 local voter-approval	Medium	Local/Regional
Special Property Tax Assessment –residential – parcel tax (range \$15-\$50 per parcel per year)	\$260-\$867				
OR		Low	2/3 local voter-approval	Medium	Local/Regional
1/1000% of assessed value (10 – 20 yrs.)****	\$238-\$476				

* As appropriate, it assumes that the revenue generation mechanism is used to pay for specific regional infrastructure and therefore is a "special tax" subject to the two-thirds supermajority requirement.

- High Flexibility: Full Local Control
- Medium Flexibility: Some Local Control, Uses may be Formula or Statute Driven
- Low Flexibility: Limited Local Control, Uses are Formula or Statute Driven

**If utilizing SANDAG's sales tax authorization to apply up to 1/2 cent more, need to show a nexus with transportation.

***The TOT estimate is based on raising TOT for each city and the County of San Diego (with the exception of the two cities already collecting for beach sand replenishment for 20 years).

****Property tax assessment based on assessed value is using the methodology used by Los Angeles for Proposition O for stormwater management.



Using the RCP IRIS to Guide Regional Infrastructure Investments

*SANDAG Board of Directors
Policy Meeting
January 12, 2007*

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Policy Board Meeting Objectives

- IRIS Background and Context
- RCP Implementation
 - Smart Growth Concept Map
 - Smart Growth Incentive Program
 - Regional Transportation Plan
 - Regional Economic Prosperity Strategy
 - *TransNet* Environmental Mitigation Program
 - Future Infrastructure Needs

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IRIS– Step 1

Eight Regional Infrastructure Areas Inventory and Evaluation

- Transportation
- Parks and open space
- Stormwater management
- Education
- Energy supply and delivery system
- Water supply and delivery system
- Wastewater
- Solid waste collection, recycling, and disposal

IRIS– Step 2

Needs Assessment

- Transportation
- Parks and open space
- Stormwater management
- Education
- Energy supply and delivery system
- Water supply and delivery system
- Wastewater
- Solid waste collection, recycling, and disposal

IRIS – Step 3 Financing and Policy Options

Infrastructure	Appropriate Future Revenue Sources for Capital Investment
Parks and open space	Partial funding from transportation project mitigation banking; special assessments and/or special tax
Stormwater Management	Regional stormwater impact fee, special assessments and/or special tax
Education	Additional local bond financing for K-12 and community college facilities

IRIS – Step 4 Implementation Procedures

Infrastructure	Recommended Policies & Implementation Procedures
Habitat Preservation	Leverage <i>TransNet's</i> funding for biological mitigation of transportation projects: <ul style="list-style-type: none"> ▪ Establish a regional habitat mitigation bank ▪ Consolidate mitigation budgets/mitigation banking needs
Beach Sand Replenishment	Local jurisdictions should dedicate a portion of the transient occupancy tax (TOT) collected throughout the region
Stormwater Management	Cooperate with the RWQCB/local jurisdictions to coordinate a stormwater master plan with regional funding sources identified



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Funding for Habitat Preservation, Beach Sand Replenishment and Stormwater Management

- Habitat Preservation
 - Response to IRIS
 - Response to *TransNet* Extension Measure
- Beach Sand Replenishment
- Stormwater Management

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THE REGIONAL COMPREHENSIVE PLAN

SANDAG 10

Revised Cost Estimates

Habitat Preservation	\$1.5 billion
Beach Sand Replenishment	\$181 million
Stormwater Management	\$1.5 billion to \$3.4 billion
TOTALS	\$3.2 billion to \$5.1 billion

Potential Funding Estimates

- Proposition 84 \$211 million
 - Water Quality
 - Protection of Rivers, Lakes, and Streams
 - Protection of Beaches, Bays, and Coastal Waters

Potential Funding Estimates

- User Fees

- Rental Car Fees \$223-669 million
- Parking Fees at Beaches \$336-448 million

Potential Funding Estimates

- Additional Sales Tax Increases \$4.68-9.37 billion

Potential Funding Estimates

- Other Local Mechanisms
 - Development Impact Fees tbd
 - Property Tax Assessments \$238-476 million
 - Transient Occupancy Tax \$251-753 million

Summary of Potential Funding Options

- Proposition 84 \$211 million
- User Fees
 - Rental Car Fees \$223-669 million
 - Parking Fees at Beaches \$336-448 million
- Additional Sales Tax Increases \$4.68-9.37 billion
- Other Local Mechanisms
 - Development Impact Fees tbd
 - Property Tax Assessments \$238-476 million
 - Transient Occupancy Tax \$251-753 million

Next Steps

January 31 – Feb 2, 2007 - Board Retreat

Participants will further evaluate funding options for infrastructure needs

February – March 2007 - Focus Groups

Focus groups will help better define which projects the public is willing/not willing to support, and by which funding mechanisms

April – June 2007

With more refined funding strategies, SANDAG Board can give staff further direction which funding options to pursue