KERN COUNTY

TRANSPORTATION FUNDING STRATEGY

FINAL REPORT

Prepared for

KERN COUNCIL OF GOVERNMENTS

Prepared by

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EXECUTIVE SUMMARY

Funding Strategy Goal

The primary goal of the Transportation Funding Strategy being developed for this work effort is to identify feasible local funding options, refine and evaluate those options, and define the necessary steps to implement a preferred option.

Funding Strategy Objectives

The following objectives of the funding strategy, which will be used as the criteria for evaluation alternative funding strategies, were developed in concert with agency staff and elected officials from throughout Kern County.

1. The revenue source should be sufficient to meet the long-term needs of Kern County.
2. The revenue source should be equitable.
3. The revenue mechanisms should meet all legal requirements.
4. The program associated with the revenue source should provide maximum air quality benefits.
5. The revenue source should promote efficiency in its application.
6. The revenue source and program should be politically acceptable.
7. There should be a nexus between the revenue source and program elements.
8. The program should promote development of a modern, balanced transportation system.
9. The revenue source should be relatively stable over time.
10. The revenue source should have a simple, straight-forward collection method.
11. The revenue source and program should be flexible in its application.
12. The revenue source and program should be easily implemented.

Summary of Alternative Funding Mechanisms

Five alternative funding mechanism categories were determined to be viable components of alternative funding strategies. These mechanisms would raise annual revenues ranging from $1.2 million to $26.3 million.

1. Sales tax (regional/county-wide/metropolitan Bakersfield)
2. Gas tax (county-wide)
3. Property tax
4. Impact fees
5. Congestion pricing

Description of Alternative Funding Strategies

Two short-term and four long-term alternatives were developed which include various blends of the revenue mechanisms described above. Program terms of 7 years and 20 years, respectively, were used for the revenue projections. The short-term program revenues would range from $95 yo $110 million, while long-term program revenues would range from $440 to $557 million.

- Alternative 1 (Short-term: Metro sales tax, impact fees)
- Alternative 2 (Short-term: Parcel fee, impact fees, vehicle registration surcharge)
- Alternative 3 (Long-term: County-wide sales tax, impact fees)
- Alternative 4 (Long-term: Metro sales tax, impact fees, vehicle registration surcharge)
- Alternative 5 (Long-term: County-wide gas tax, impact fees)
- Alternative 6 (Long-term: Metro sales tax, parcel fee, impact fees, vehicle registration surcharge)

Preferred Alternative

Alternative 1 (short-term) is the preferred alternative based on the evaluation of alternative funding strategies. This funding strategy would involve the implementation of an additional 1/2 cent sales tax within the Metropolitan Bakersfield area as well as an expanded impact fee to be dedicated to regional transportation projects.

Action Plan

Section 7 provides a summary of an action plan for the preferred alternative: the implementation of a short-term Metro sales tax. The action plan is broken into three distinct phases: an initial exploration of public opinion and legislative options, the subsequent development of an expenditure plan, and the final phase associated with an election campaign (note: an election campaign would be carried out by an independent campaign committee). Summary tables illustrating the activity by month is provided for both a Metro sales tax and a County-wide sales tax in Attachment A.

The RTP program of regional highway and roadway projects for the 20 year plan horizon is estimated to cost approximately $1.05 billion. The Draft RTP also identifies a series of highway and roadway projects for which funding can not be identified based on projections of existing revenues. The cost of these projects totals approximately $2.0 billion. The unfunded highway and roadway program includes the following major projects.

- Crosstown Freeway: $380 M
- Kern Canyon Freeway: 102 M
- South Beltway: 115 M
- West Beltway: 115 M
- East Beltway: 115 M
- SR 46 from SR 33 to I-5: 41.6 M
- SR 119 from Taft to I-5: 41.1 M
- SR 46 from I-5 to Beckes: 35.4 M
- Misc. Bakersfield Projects: 857 M

The Draft 1994 RTP also identifies approximately $142 million in programmed transit projects over the 20 year plan, with an additional $33 million in transit projects for which funding is not available. The capital transit projects include the purchase of transit buses, construction of park-and-ride lots, and construction of bus transfer sites. The estimated O&M revenues for transit services over the 20 year plan horizon is $488 million (note: this does not include the O&M costs for potential future commuter or high speed rail programs).

No significant funds are available for either commuter or high speed rail projects in Kern County over the next 20 years. The Draft 1994 RTP identifies the cost of constructing a 22.1 mile commuter rail system, for which funding is not identified, as $486 million. The annual operating and maintenance cost is estimated at $18 million.

The Kern COG, in its role as the Kern County Transportation Authority, has pursued alternative funding options for transportation projects since 1986. The authority placed a one-half cent sales tax proposal on the ballot in 1989 which was narrowly defeated. A subsequent attempt to place a one-half cent sales tax measure on the ballot was rejected by the County Board of Supervisors in 1991 by a three to two vote.

Organization of Report

This final report includes the above introduction as well as a description of funding strategy goals and objectives in Section 2, alternative funding mechanisms in Section 3, alternative funding strategies in Section 4, the evaluation of those strategies in Section 5, the preferred strategy in Section 6, and the action plan in Section 7.

2. FUNDING STRATEGY GOALS AND OBJECTIVES

The following section provides a summary of the objectives for the development of a funding strategy. These are based on information in the Request for Proposals; the mission statement for the Kern Transportation Foundation; and discussions with staff from the Kern COG, Kern County, the City of Bakersfield, the Golden Empire Transit District, the City of Tehachapi, California City, the City of Taft, the City of Shafter, and the City of Wasco.

Strategy Goals and Objectives

1. The revenue source should be sufficient to meet the long-term needs of Kern Region.

As noted earlier, the 1994 RTP for Kern County identifies approximately $5.5 billion worth of transportation projects for which funding is not identified. This includes $1.9 billion for highways and roadways, $34 million for transit, $504 million for commuter rail, and $62 million for non-motorized and aviation improvements. The above shortfall also includes $2.9 billion in high speed rail improvements which are not currently programmed in either the STIP or the RTP. New sources of local revenue will be necessary to match external funding sources.

2. The revenue source should be equitable.

The relative funding responsibilities should be equitably distributed among those who benefit from the improvements.

3. The revenue mechanism should meet all legal requirements.

A case currently before the California Supreme Court, between Santa Clara County and the Howard Jarvis Taxpayers Association, is expected to address the viability of sales tax as a revenue mechanism for transportation facilities. The key issue is whether a special sales tax for transportation projects can be implemented based on a majority vote or it will require a 2/3 vote. A previous ruling by the California Supreme Court (the "Rider" decision) indicated that special sales taxes could be enacted with a majority vote assuming that a number of parameters are met. A decision on the current Santa Clara County case is not expected before September, 1995. The legal requirements for implementation of an assessment district or additional development fees on a regional basis are well-documented. It is expected that legislation will be introduced in 1995 that would allow Councils of Governments (COGs) to sponsor a regional sales tax on fuel.

4. The transportation program associated with the revenue source should provide the maximum air quality benefits.

Kern County, which is located within the San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD), is considered a nonattainment area for air quality purposes. Portions of Kern County are considered nonattainment areas for the pollutants ozone, particulate matter less than 10 microns, and carbon monoxide. This means that Kern COG, as the Metropolitan Planning Organization (MPO) for Kern County, must demonstrate regular progress towards meeting attainment levels through the RTP update process. As such, future transportation improvements that are not included in the 1994 Regional Transportation Plan must either provide air quality benefits and/or include transportation control measures (TCMs) in order to be included in the RTP.

5. The revenue source should promote efficiency in its application.

The delivery of transportation projects in an efficient, timely manner is a key factor in initially establishing a new revenue source as well as maintaining that source as an option for future needs. This can be accomplished in many ways including the establishment of limits on administrative costs, the development of specific expenditure plans that explicitly define what projects will be delivered with the new revenues, establishment of an aggressive process management approach that allows the managing agency to cut through government red tape, and creation of an independent oversight group to monitor project delivery activities.

6. The revenue source and associated transportation program should be politically acceptable.

The revenue source and the associated transportation program be acceptable to both public and private sector interest groups. A coordinated public/private sector support group is essential to implementing new revenue sources for transportation infrastructure projects. This support group should work diligently to educate the public and to quickly address any concerns that arise in the affected communities.

7. There should be a transportation nexus between the revenue source and the projects being constructed.

Legal precedents have established that there must be a nexus, or direct relationship, between new revenue sources and the project costs for which they will be applied.

8. The revenue source and associated transportation program promotes the development of a modern, balanced transportation system.

The development of a balanced transportation system is necessary in order to provide continued progress towards achieving air quality conformity in the Kern COG region.

9. The revenue source should be relatively stable over time.

The implementation of a revenue source that is not stable over time will affect the ability to deliver projects in a timely manner. This will either be due to potential fluctuations in revenue if projects are implemented in a "pay-as-you-go" basis or in limitations on revenue bonding options.

10. The revenue source should have a simple, straight-forward collection method.

Administrative costs for the managing agencies increase as collection methods become more difficult, or unorthodox. As such, similar collection methods allow a greater proportion of the revenues raised to be applied to project costs.

11. The revenue source and associated transportation program should be flexible in its application.

A flexible program allows the managing agency to respond to changes in the economic climate and/or project characteristics. As noted earlier, however, it is important to balance this need to be flexible with mechanisms that assure delivery of projects identified in the transportation program.

12. The revenue source and associated transportation program should be easily implemented.

As with the cost of collecting new revenues, a straight-forward implementation plan for the program allows the managing agency to keep administrative costs low and focus on project delivery.

3. SUMMARY OF ALTERNATIVE FUNDING MECHANISMS

The following section provides a summary of the alternative funding mechanisms that are candidate components of the funding strategies described in Section 3 and evaluated in Section 4.

Alternative Funding Mechanisms

1. **Regional/County-wide/Metropolitan Sales Tax**

   As was the case in 1986, Kern County has the authority to place an initiative on the ballot for voters to authorize a sales tax specifically for transportation purposes. The sales tax program has become the preferred mechanism for local transportation funding in California; currently, 18 counties have passed sales tax measures for this purpose. All of the programs have fixed durations, ranging from 10 to 20 years.

   Ongoing litigation before the California Supreme Court between Santa Clara County and the Howard Jarvis Taxpayers Association is expected to address the continued viability of sales tax programs. The key issue is whether a special sales tax for transportation projects can be implemented based on a majority vote or it will require a 2/3 vote. A previous ruling by the California Supreme Court (the "Rider" decision) indicated that special sales taxes could be enacted with a majority vote assuming that a number of parameters are met. A decision on the current Santa Clara County case is not expected before September, 1995.

   A key variable in developing a potential sales tax program for Kern County is the program's jurisdictional boundaries. Although all of the existing sales tax programs have boundaries that are coterminous with their County's boundary, this is not a requirement. An expedient approach, based on the size of the county and dispersed location of cities within the county, could therefore involve the establishment of a smaller sub-region within Kern County where there would be strong support for a sales tax measure. It should be noted that this approach would require special legislation (note: the deadline for introducing routine legislation in the current session has passed).

2. **County-wide Gas Tax**

   California counties currently have the authority to place an initiative on the ballot for voters to authorize a local fuel tax for transportation purposes. This funding mechanism has not been successfully implemented in the State of California with approval from 2/3 of the voters.

The Metropolitan Transportation Commission (MTC) has been pursuing the implementation of a sales tax on gasoline as a long-term funding strategy in the nine-county San Francisco Bay Area for many years. MTC staff are anticipating that an increase in the sales tax on gasoline would require approval from a majority of the voters. The sales tax on gasoline, which is a different mechanism than the above gas tax, would be approximately 8 percent to generate similar revenues as a 1/2 cent sales tax (note: a 10 cent per gallon raise in the gas tax is approximately equivalent to an 8 percent increase in the sales tax on gasoline). It is expected that legislation will be introduced in 1995 that would allow the placement of an initiative on the ballot for voters to authorize a sales tax on gasoline specifically for transportation purposes.

3. Property Tax

California cities and counties currently have the authority to place an initiative on the ballot for voters to authorize a property, or parcel, tax increase for transportation purposes with approval from 2/3 of the voters. The increase in property tax is then typically used by the jurisdiction as the security for issuing general obligation bonds.

It is expected that the program would involve a series of property tax initiatives for individual communities with Kern County. These initiatives could be scheduled concurrently, in order to take advantage of a county-wide campaign effort, or over time based on the specific facility needs of individual communities.

4. Impact Fees

Impact fees are currently levied on new development within the Bakersfield Metro area and in the unincorporated community of Rosemond in Kern County. The Bakersfield City Council and Kern County Board of Supervisors are currently considering an increase in the transportation impact fee for the Bakersfield Metro area to approximately $2,400 per unit. It is estimated, based on discussions with Kern COG staff, that impact fees at their current level will generate from $200-300 million dollars for transportation projects over the 20 year horizon of the Regional Transportation Plan. This funding option would involve the development of an expanded impact fee program for regional transportation projects with a uniform rate applied throughout the county.

5. Congestion Pricing

Congestion pricing encompasses a range of funding mechanisms including the implementation of vehicle registration fee surcharges, daily tolls, peak hour tolls, and/or commuter fees.

Vehicle registration fees, which are collected annually by the Department of Motor Vehicles, currently allows the collection of surcharges for air quality, auto theft and deterrent, abandoned vehicle, and SAFE (e.g., call boxes) programs. The maximum level of these surcharges is set by legislation and subsequently implemented by individual counties. The surcharge generally ranges from $1 to $4 per vehicle for each county's program. Legislation would be required to allow Kern County to collect an additional surcharge for transportation purposes or to increase the surcharge beyond $4 for the air quality program. The air quality surcharge is currently allocated by the San Joaquin Valley Unified Air Pollution Control District and the Kern County Air Pollution Control District for such purposes as ridesharing and employer-based trip reduction ordinances and programs; purchase or lease of clean fuel buses for school buses and transit operators; provision of local feeder bus or shuttle service to rail stations or airports; implementation and maintenance of the local arterial traffic management; implementation of rail-bus integration; implementation of demonstration projects in congestion pricing of highways, bridges, and public transit; etc.

The use of toll revenues generated from existing or future facilities is an option available to jurisdictions throughout the country as a potential funding mechanism. The implementation of tolls on existing facilities would be very difficult, as it would require conversion of one or more existing lanes on major facilities such as SR 99 or I-5 to toll lanes. The most popular approaches being discussed in jurisdictions considering this approach in California involves either building new toll facilities or applying tolls to new freeway lanes (e.g. typically HOV lanes). An example of the former approach would involve implementation of tolls on new beltway facilities planned in Kern County. The latter approach, being implemented in San Diego on I-15, allows the use of new underutilized HOV lanes by single-occupant vehicles that would pay a toll. Special legislation would be required to allow the tolling of facilities in Kern County.

Annual Revenue Projections

A summary of the annual revenue generated by each of the alternative funding mechanisms described above is provided in Table 1. The revenue projections range from $1.2 to $26.3 million per year.

Table 1
ANNUAL REVENUE PROJECTIONS FOR ALTERNATIVE FUNDING MECHANISMS

MECHANISM	DESCRIPTION	ANNUAL REVENUES (millions)
County Sales Tax	1/2 cent increment	$26.3
County Gas Tax	10 cent total increase: 5 cents in year 1, 1 cent increase per year thereafter until year 5.	24.5
Metro Sales Tax	1/2 cent increment	15.0
Parcel Fee	$25 per parcel	13.4
Parcel Fee	$20 per parcel	7.6
Metro Sales Tax	1/4 cent	7.5
Vehicle Registration Surcharge	$7.50 per vehicle average over 20 years	5.5
Vehicle Registration Surcharge	$5.00 per vehicle average over 7 years	3.4
Impact Fees	$400 per parcel county-wide	1.6
Impact Fees	$400 per parcel in Metro Area	1.2

4. DESCRIPTION OF ALTERNATIVE FUNDING STRATEGIES

The following section provides a description of the alternative funding strategies developed by Smith & Kempton in response to input provided at meetings with private sector representatives, local elected officials and agency staff in Kern County.

Two short-term and four long-term alternatives are described with program terms of 7 years and 20 years, respectively. The short-term funding strategies are suggested in response to concerns about the feasibility of implementing a long-term solution in the current economic and political climate. In addition, the short-term strategies provide the opportunity to establish a new program and allow it to demonstrate its effectiveness by implementing a somewhat limited series of new transportation projects. The following funding strategies are summarized in Table 1.

Alternative 1 (Short-term: Metro Sales Tax, Impact Fees)

This funding strategy would involve the implementation of an additional 1/2 cent sales tax within the Metropolitan Bakersfield area as well as an expanded impact fee to be dedicated to regional transportation projects. The implementation of a sales tax, over a seven year period, would require a vote of the Kern County Board of Supervisors and City Councils from all of the local jurisdictions as well as a public vote. The boundary of the sales tax area would include the City of Bakersfield as well as portions of the outlying area in Kern County. Several boundary alternatives are possible, including use of the City's current sphere of influence limits. The implementation of an expanded impact fee, which would require a vote of the Kern County Board of Supervisors as well as the Bakersfield City Council, would involve the assessment of a $400 per unit on all development within the Metropolitan Bakersfield area.

Since revenues generated by the above funding mechanisms originate exclusively from the Metropolitan Bakersfield area, the seven year program would be comprised of transportation projects in the City of Bakersfield and Kern County within that boundary.

The 1/2 cent sales tax is estimated to yield revenues of $104 million over seven years, while the expanded impact fee would yield revenues of $6 million. Alternative 1 would therefore yield a total revenue of approximately $110 million over seven years.

Alternative 2 (Short-term: Blend)

This funding strategy would involve the implementation of a county-wide parcel tax, an expanded county-wide impact fee, and a county-wide vehicle registration surcharge dedicated to regional transportation projects. Each of these mechanisms could be implemented administratively by votes of the Kern County Board of Supervisors as well as City Councils from all of the local jurisdictions. The vehicle registration surcharge would also require legislation to allow Kern County to collect an additional surcharge for transportation purposes or to increase the air quality surcharge beyond $4 per vehicle.

TABLE 1
KERN COG FUNDING STRATEGY: SHORT-TERM (7 YEAR) AND LONG-TERM (20 YEAR) STRATEGIES

MECHANISM	ALT. 1 (S-T) (Metro S.T.)	ALT. 2 (S-T) (Blend)	ALT. 3 (L-T) (County S.T.)	ALT. 4 (L-T) (Metro S.T.)	ALT. 5 (L-T) (Gas Tax)	ALT. 6 (L-T) (Blend)
County Sales Tax	-	-	1/2 cent > $525M	-	-	-
Metro Sales Tax	1/2 cent $104M		-	1/2 cent > $300M	-	1/4 cent > $150M
County Gax Tax	-	-	-	-	$.05-.10/Year 1 to 5, $.10 after > $490M	-
Parcel Tax		$25/parcel > $67M	-	-	-	$20/parcel > $152M
Impact Fees	$400/2,000DU > $6M	$400/4,000DU > $11M	$400/4,000DU > $32M	$400/4,000DU > $32M	$400/4,000DU > $32M	-$400/4,000DU > $32M
Congestion Pricing: Vehicle Reg. Surcharge		$5/490,000 vehicles > $17	-	Average: $7.5/ 735,000 vehicles[1] > $110M	-	Average: $7.5/ 735,000 vehicles[1] >$110M
PROGRAM TERM	7	7	20	20	20	20
PROGRAM REVENUE	$110M	$95M	$557M	$440M	$520M	$444M

Notes: 1. Assumes surcharge increases with inflation from $5 in Year 1 to $10 in Year 20, average of $7.50. Also assumes increase in number of non-motorized vehicles from 490,000 in Year 1 to 980,000 in Year 20, average of 735,000.

Alternative 2 (Short-term: Blend) - continued

The implementation of a $25 per parcel tax throughout the county would be similar in format to the solid waste parcel tax. The implementation of an expanded impact fee would involve the assessment of a $400 per unit on all development throughout Kern County. The vehicle registration surcharge would involve the collection of $5 per motorized vehicle, which would be collected by the Department of Motor Vehicles and allocated directly to Kern County.

Since revenues generated by the above funding mechanisms originate from throughout Kern County, the seven year program would include a blend of transportation projects throughout the area.

The parcel tax is estimated to yield $67 million, expanded county-wide impact fee would yield revenues of $11 million, and a vehicle registration surcharge would yield revenues of approximately $17 million. Alternative 2 would therefore yield a total revenue of approximately $95 million over seven years.

Alternative 3 (Long-term: County-wide Sales Tax, Impact Fees)

This funding strategy would involve the implementation of an additional 1/2 cent sales tax throughout Kern County and an expanded county-wide impact fee to be dedicated to regional transportation projects. The implementation of a sales tax, over a 20 year period, would require a vote of the Kern County Board of Supervisors and City Councils from all of the local jurisdictions as well as a public vote. The boundary of the sales tax area would be concurrent with the county limits. The implementation of an expanded impact fee, which would require a vote of the Kern County Board of Supervisors as well as City Councils from all of the local jurisdictions, would involve the assessment of a $400 per unit on all development throughout Kern County.

One of the primary obstacles to implementing a county-wide sales tax program is the opposition that is expected from many of the communities outside of the Metro Bakersfield area, which represent more than 40 percent of the County's population. Many of these communities did not support the 1988 county-wide sales tax and, based on meetings with numerous elected officials and staff, can not be expect to support future sales tax programs without a substantial effort. As such, a longer period of time should be anticipated to develop an expenditure plan for a county-wide effort than for an effort focused on the Metro Bakersfield area.

Since revenues generated by the above funding mechanisms originate from throughout Kern County, the 20 year program would include a blend of transportation projects throughout the area.

The 1/2 cent sales tax is estimated to yield revenues of $525 million and the expanded county-wide impact fee is estimated to yield revenues of $32 million over 20 years. Alternative 3 would therefore yield a total revenue of approximately $557 million.

Alternative 4 (Long-term: Metro Sales Tax, Impact Fees, Vehicle Registration Surcharge)

This option would involve the implementation of an additional 1/2 cent sales tax within the Metropolitan Bakersfield area, an expanded county-wide impact fee, and a county-wide vehicle registration surcharge to be dedicated to regional transportation projects.

The implementation of a sales tax, over a 20 year period, would require a vote of the Kern County Board of Supervisors and City Councils from all of the local jurisdictions as well as a public vote. The boundary of the sales tax area would include the City of Bakersfield as well as portions of the outlying area in Kern County. Several boundary alternatives are possible, including use of the City's current sphere of influence limits. The implementation of an expanded impact fee, which would require a vote of both the Kern County Board of Supervisors as well as City Councils from all of the local jurisdictions, would involve the assessment of a $400 per unit on all development throughout Kern County. The implementation of a vehicle registration surcharge would require a vote of the Kern County Board of Supervisors and City Councils from the local jurisdictions as well as legislation to allow Kern County to collect an additional surcharge for transportation purposes or to increase the air quality surcharge beyond $4 per vehicle. The vehicle registration surcharge would involve the collection of an annual fee ranging from $5 in Year 1 to $10 in Year 20 for each motorized vehicle, which would be collected by the Department of Motor Vehicles and allocated directly to Kern County.

Revenues generated by the above funding mechanisms would primarily originate from the Metropolitan Bakersfield area, with somewhat less contributions from other portions of Kern County. As such, the 20 year program would be somewhat more focused on the Metropolitan Bakersfield area, with a shorter list of transportation projects in other areas of Kern County than Alternative 3.

The 1/2 cent sales tax is estimated to yield revenues of $300 million, expanded impact fees would yield revenues of $32 million, and the vehicle registration surcharge would yield revenues of $110 over 20 years. Alternative 4 would therefore yield a total revenue of approximately $440 million over 20 years.

Alternative 5 (Long-term: County-wide Gas Tax, Impact Fees)

This funding strategy would involve the implementation of a county-wide gas tax as well as an expanded county-wide impact fee to be dedicated to regional transportation projects. The county-wide gas tax, which would be increased from five cents per gallon in year 1 to 10 cents per gallon in year 5 and maintained at that level for the balance of the 20 year program, would require a public vote with a 2/3 approval level. The implementation of an expanded impact fee, which would require a vote of both the Kern County Board of Supervisors as well as City Councils from all of the local jurisdictions, would involve the assessment of a $400 per unit on all development throughout Kern County.

Since revenues generated by the above funding mechanisms originate from throughout Kern County, the 20 year program would include a blend of transportation projects throughout the area.

The gas tax is estimated to yield revenues of $490 million, while expanded impact fees would yield revenues of $32 million. Alternative 5 would therefore yield a total revenue of approximately $520 million over 20 years.

Alternative 6 (Long-term: Blend)

This funding strategy would involve the implementation of an additional 1/4 cent sales tax within the Metropolitan Bakersfield area, a county-wide parcel tax, an expanded county-wide impact fee, and a county-wide vehicle registration surcharge to be dedicated to regional transportation projects.

The implementation of a sales tax, over a 20 year period, would require a vote of the Kern County Board of Supervisors and City Councils from all of the local jurisdictions as well as a public vote. The boundary of the sales tax area would include the City of Bakersfield as well as portions of the outlying area in Kern County. Several boundary alternatives are possible, including use of the City's current sphere of influence limits. The implementation of a $20 per parcel tax throughout the county, which would require a vote of the Kern County Board of Supervisors, would be similar in format to the solid waste parcel tax. The implementation of an expanded impact fee, which would require a vote of both the Kern County Board of Supervisors as well as City Councils from all of the local jurisdictions, would involve the assessment of a $400 per unit on all development throughout Kern County. The implementation of a vehicle registration surcharge would require a vote of the Kern County Board of Supervisors and City Councils from all of the local jurisdictions as well as legislation to allow Kern County to collect an additional surcharge for transportation purposes or to increase the air quality surcharge beyond $4 per vehicle. The vehicle registration surcharge would involve the collection of an annual fee ranging from $5 in Year 1 to $10 in Year 20 for each motorized vehicle, which would be collected by the Department of Motor Vehicles and allocated directly to Kern County.

Revenues generated by the above funding mechanisms would be balanced between those originating from the Metropolitan Bakersfield area and those originating from other portions of Kern County. As such, the 20 year program would include a blend of transportation projects throughout the area.

The 1/4 cent sales tax is estimated to yield revenues of $150 million, a new parcel tax would yield $152 million, expanded impact fees would yield revenues of $32 million, and the vehicle registration surcharge would yield revenues of $110 over 20 years. Alternative 6 would therefore yield a total revenue of approximately $444 million over 20 years.

5. EVALUATION OF ALTERNATIVE FUNDING STRATEGIES

The following section provides an evaluation of the alternative funding strategies described above.

Evaluation Criteria

The following evaluation criteria are used to assess the alternative funding strategies based on the goals and objectives described in Section 2.

- Sufficiency - To what extent is the revenue source sufficient to meet the long-term needs of Kern County?
- Equity - Are relative funding responsibilities equitably distributed among those who benefit from the improvements?
- Legal Adequacy - To what extent are individual funding mechanisms relatively free from potential legal challenges?
- Efficiency - Will the new revenue source allow for the delivery of projects in an efficient, timely manner?
- Community Acceptance - Based on interviews with community leaders and stakeholders, what level of support can be expected from Kern County residents?
- Political Viability - Based on interviews with elected officials, what level of support can be expected from the Kern County Board of Supervisors as well as City Councils from the local jurisdictions?
- Transportation Nexus - Is there a direct relationship between the revenue source and the transportation projects for which they will be applied?
- Stable - Is the funding mechanism projected to generate stable revenues over time, allowing for bonding of revenues?
- Simple Collection Method - Is collection of the revenues generated by the funding mechanism simple and straight-forward?
- Ease of Implementation - Is initiation of revenue collection for the existing or new authority that will administer the revenues simple and straight-forward?

Evaluation of Alternatives

The six funding strategy alternatives are evaluated comparatively against the above 10 criteria to determine the extent to which each option can effectively provide the desired outcome. Each of the alternatives will therefore be rated as either having a low, medium, or high level of effectiveness with respect to each criteria. The evaluation of alternatives is summarized in Table 2.

TABLE 2
EVALUATION OF ALTERNATIVE FUNDING STRATEGIES

CRITERIA	ALT. A1 (S-T) (Metro S.T.)	ALT. A2 (S-T) (Blend)	ALT. B1 (L-T) (County S.T.)	ALT. B2 (L-T) (Metro S.T.)	ALT. B3 (L-T) (Gas Tax)	ALT. B4 (L-T) (Blend)
Sufficiency	LOW	LOW	MEDIUM	MEDIUM	MEDIUM	MEDIUM
Equity	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH
Legal Adequacy	MEDIUM	MEDIUM	MEDIUM	MEDIUM	HIGH	MEDIUM
Efficiency	HIGH	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM
Community Acceptance	MEDIUM	LOW	MEDIUM	LOW	LOW	LOW
Political Viability	MEDIUM	LOW	LOW	MEDIUM	LOW	LOW
Transportation Nexus	HIGH	HIGH	HIGH	HIGH	MEDIUM	HIGH
Stable	MEDIUM	HIGH	MEDIUM	MEDIUM	LOW	HIGH
Simple Collection Method	HIGH	MEDIUM	HIGH	HIGH	HIGH	MEDIUM
Ease of Implementation	HIGH	MEDIUM	HIGH	HIGH	HIGH	MEDIUM

6. PREFERRED ALTERNATIVE

The following section identifies the preferred alternative and the rationale for that evaluation.

Preferred Alternative

Alternative 1 (short-term) is the preferred alternative based on the evaluation of alternative funding strategies. This funding strategy would involve the implementation of an additional 1/2 cent sales tax within the Metropolitan Bakersfield area as well as an expanded impact fee to be dedicated to regional transportation projects. This alternative was determined to be the most preferable for the following reasons.

- The current public attitude towards the establishment of new taxes makes the implementation of a new, long-term funding source very problematic at this time. A short-term alternative allows for the establishment of a limited program, with tight management controls, that can be closely monitored by the public in terms of project delivery. The success of a limited program increases the feasibility of implementing a long-term program at a later date.

- Although it requires a public vote, the establishment of an additional sales tax in the Metropolitan Bakersfield area is probably the least difficult mechanism to implement. This is due to a generally greater awareness of the need for transportation improvements in the urbanized area as well as the high level of support for the previous sales tax ballot measure.

- The establishment of additional impact fees dedicated to regional improvements, in conjunction with the additional sales tax, will provide an indication to voters that new development will also fund their fair share of the cost for implementing the regional transportation projects.

- The implementation of a sales tax within the Metropolitan Bakersfield area will help to reduce legal concerns over implementing a sales tax in an area whose boundaries are coterminous with an existing governmental agency.

The evaluation of funding strategies and the recommendation of a preferred strategy assume that a sales tax mechanism will continue to remain a viable funding option. As discussed previously, ongoing litigation before the California Supreme Court between Santa Clara County and the Howard Jarvis Taxpayers Association is expected to address the continued viability of sales tax programs. Once a decision is rendered by the State Supreme Court, Smith & Kempton will issue an addendum to the transportation funding strategy report.

Alternative 2 (short-term) also provides a viable option for implementation, although less desirable than the preferred option. This is due to the difficulty with implementing a parcel tax, additional impact fees, and a vehicle registration surcharge all within a time frame necessary to support a focused seven year program.

Viable long-term options include the implementation of Alternatives 3 (county-wide 1/2 cent sales tax) and 4 (Metropolitan Bakersfield 1/2 cent sales tax, impact fees, vehicle registration surcharge). Implementation of a gas tax, or a sales tax on gasoline, is expected to be very difficult in Kern County. As such, Long-range Alternative 5 is not recommended for further action. Long-range Alternative 6 is also not recommended due to the difficulty of implementing the four identified mechanisms for a long-term program.

7. ACTION PLAN

The following section provides a summary of an action plan for the preferred alternative: the implementation of a short-term Metro sales tax. The action plan is broken into three distinct phases: an initial exploration of public opinion and legislative options, the subsequent development of an expenditure plan, and the final phase associated with an election campaign (note: an election campaign would be carried out by an independent campaign committee). Summary tables illustrating the activity by month described in the following action plan is provided for both a Metro sales tax and a County-wide sales tax in Attachment A.

Phase 1: Initial Assessment

The two key work elements involved in the initial assessment are the completion of a public opinion survey and an initial review of legislative options with the Kern County legislative delegation. Based on experience in other areas, voters are more likely to increase their taxes if four criteria are present:

1. They perceive a need for the measure.

2. The projects or services of the proposed measure are what voters really *want*.

3. The method or amount of taxation is reasonable and appropriate for the proposed projects or services.

4. What is promised in the measure will be delivered by those administering the funds.

To determine whether or not these criteria exist, a "baseline" public opinion survey of likely voters would be developed and conducted throughout Kern County. The survey would provide both geographic and demographic stratification of results with respect to the above criteria. The following types of questions would be developed and posed to voters in telephone surveys.

- How does transportation rank among other issues of importance to voters?
- What are the voter's predisposition in supporting a transportation measure?
- Which projects do voters consider important enough to be part of the plan?
- What safeguards are required to assure voters that projects and services will be delivered?
- Which arguments best support a campaign for passage of the measure?
- Who is likely to support - or oppose - the measure?

- Which election - Special, Primary, General - best increases the likelihood of passage?

- What are the demographic profiles of potential supporters and opponents?

Based on the results of the public opinion survey as well as the outcome of ongoing litigation before the California Supreme Court between Santa Clara County and the Howard Jarvis Taxpayers Association, an initial decision should be made whether to pursue a new funding program in 1996. The following questions should be addressed in that decision.

- Will the voters support a sales tax program or, if not, one of the other funding options?

- Should the program be county-wide or focused (e.g., such as the Metro Bakersfield area)?

- What projects or programs must be included for voters to support the program?

- If it is determined that a 1996 election is feasible, should it occur in March or November?

Special legislation would be required in order to put a Metro sales tax measure on the ballot in Kern County, since a special district would be created for the program. Current law only allows for a county-wide sales tax program to be put to the voters. If a decision is made to put a Metro sales tax measure on the ballot in 1996, urgency legislation would be required. In this initial assessment stage, legislators from the Kern County delegation should be contacted to identify an author who would sponsor such urgency legislation.

<u>Phase 2: Development of Preliminary Expenditure Plan</u>

The second phase of the action plan would involve the development of a preliminary expenditure plan and draft urgency legislation. The preliminary expenditure plan would serve as an input to help shape the draft urgency legislation. The preliminary expenditure plan would include the following elements.

- Program term,

- Revenue projections for that program term,

- List of projects and programs (including costs) that can be completed within the project term, and

- Summary of program safeguards.

The preliminary expenditure plan should be reviewed with both staff and elected officials from all agencies located within the program boundaries. A clear relationship between the elements of the preliminary plan and the direction provided by the baseline public opinion survey should be established. It may be desirable to conduct a "spot" poll (e.g., more limited sample than the initial baseline poll) after completion of the preliminary expenditure plan to test the program with voters.

Upon completion of the preliminary expenditure plan, draft language for urgency legislation that might be required (e.g., if a Metro sales tax program is pursued) should be prepared. This will involve an initial review of the program parameters that will be described in the legislation. The draft legislation should be reviewed with both staff and elected officials from all agencies located within the program boundaries as well as the legislative staff for the perspective bill author.

Phase 3: Election Campaign

The final phase of the action plan involves conducting an election campaign for the program. This is an activity which would be carried out by an independent campaign committee, as agency staff are prohibited by law from being involved. The initial work tasks involve coalition building, fundraising, and retention of a campaign consultant. The task of coalition building involves identifying opponents as well as proponents of the measure. The identification of measure proponents will assist both in the early fundraising efforts and the subsequent public information campaign efforts.

Upon completion of these initial campaign efforts, a campaign committee should be established. This committee would be charged with developing a public information campaign for the program. Once this public information plan is completed, it should be initiated as soon as possible.

After a period of approximately two to three months of conducting the public information campaign, a draft expenditure plan should be developed. This updated expenditure plan would incorporate additional input that has been gathered by the campaign committee during the public information campaign and other efforts. It is desirable to conduct a "spot" poll after completion of the draft expenditure plan to provide a final test of the program with voters. The poll results will provide the information necessary to make a final decision, approximately five months before the election, on whether to proceed with putting the measure on the ballot.

The final campaign efforts involve the preparation of a final expenditure plan and a formal election plan. Campaign staff would be retained approximately four months before the election to carry out the election plan. An absentee voter program would be developed and initiated approximately three months before the election. Finally, the campaign proper would be initiated two months before the election. A final smaller "spot" poll may be conducted approximately one month before the election to determine the necessary focus for the final campaign efforts.

ATTACHMENT A

ACTION PLAN SUMMARY TABLES

OPTION A: METRO SALES TAX PROGRAM

MONTH	IMPLEMENTATION STEPS
JUNE (1995)	1. Establish funding source for poll. 2. Identify Author for Urgency Legislation
JULY	1. Develop questionnaire for poll • List of projects • List of opponents/proponents 2. Conduct Public Opinion Survey #1 3. Analyze survey data
AUGUST	--> DECISION POINT #1
SEPTEMBER	1. Develop and Complete Preliminary Expenditure Plan
OCTOBER	1. Identify Program Parameters for Legislation
NOVEMBER	1. Prepare Draft Urgency Legislation
DECEMBER	
JANUARY (1996)	1. Introduce Urgency Legislation 2. Begin Campaign Phase • Coalition Building • Fundraising • Retain Campaign Consultant
FEBRUARY	1. Establish Campaign Committee 2. Develop Public Information Campaign Plan
MARCH	1. Initiate Public Information Campaign
APRIL	
MAY	1. Governor signs Urgency Bill 2. Prepare Draft Expenditure Plan
JUNE	1. Conduct Public Opinion Survey #2 --> DECISION POINT #2 1. Prepare Expenditure Plan
JULY	1. Develop Election Plan 2. Retain Campaign Staff
AUGUST	1. Develop Absentee Voter Program
SEPTEMBER	1. Initiate Campaign Proper (Mailouts)
OCTOBER	1. Conduct Public Opinion Survey #3
NOVEMBER	1. Election

OPTION B: COUNTY SALES TAX PROGRAM

MONTH	IMPLEMENTATION STEPS
JUNE (1995)	1. Establish funding source for poll.
JULY	1. Develop questionnaire for poll • List of projects • List of opponents/proponents 2. Conduct Public Opinion Survey #1 3. Analyze survey data
AUGUST	--> DECISION POINT #1
SEPTEMBER	1. Develop Draft Expenditure Plan
OCTOBER	1. Complete Draft Expenditure Plan
NOVEMBER	1. Conduct Public Opinion Survey #2 --> DECISION POINT #2
DECEMBER	1. Prepare Expenditure Plan
JANUARY (1996)	1. Begin Campaign Phase • Coalition Building • Fundraising • Retain Campaign Consultant
FEBRUARY	1. Establish Campaign Committee 2. Develop Public Information Campaign Plan
MARCH	1. Initiate Public Information Campaign
APRIL	
MAY	
JUNE	1. Develop Election Plan
JULY	1. Retain Campaign Staff
AUGUST	1. Develop Absentee Voter Program
SEPTEMBER	1. Initiate Campaign Proper (Mailouts)
OCTOBER	1. Conduct Public Opinion Survey #3
NOVEMBER	1. Election