



## MEMORANDUM

**TO:** City Council

**FROM:** Nicole Valentine, Administrative Services Director

**BY:** Lynda Horejsi, Accounting Manager

**SUBJECT:** Consideration of a Resolution Accepting the Status Report on Development Impact Fees (AB 1600)

**DATE:** November 22, 2022

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### **SUMMARY OF ACTION:**

Consideration and acceptance of an accounting of development impact fees collected from development projects during the fiscal year ending June 30, 2022.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

There is no direct financial impact of the status report other than the staff time required to prepare it, which is estimated at 2 hours.

### **RECOMMENDATION:**

Adopt a Resolution accepting the status report on the receipt and use of Development Impact Fees (AB 1600) during the fiscal year ending June 30, 2022.

### **BACKGROUND:**

Government Code Sections 66000 et seq. (enacted via AB 1600) requires local agencies to provide an accounting of impact fees imposed on development projects. These fees (typically titled AB 1600 fees) are intended to mitigate certain impacts of development projects on City facilities and infrastructure.

The accounting and reporting responsibilities of AB 1600 require the City to provide a detailed reporting of the use of development impact fees every five years (beginning with FY 1997-98). Due to the fact that several of the impact fees have different reporting periods, it has been the City's practice to report the status of Development Impact Fees on a yearly basis so as not to miss a reporting date in error.

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The City must comply with two basic requirements with respect to the handling of impact fees. First, the City must report findings on the amount collected for each fee, the use of the fees, and any unexpended fees at year-end. These findings must:

1. Identify the purpose for the fee;
2. Demonstrate a reasonable relationship between the fee and the purpose for which it was charged;
3. Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements;
4. Designate the approximate dates these funding sources are expected to be deposited into the appropriate account or fund.

When sufficient funds have been collected to complete financing of public improvements in progress but not completed, the City has 180 days to identify an approximate date by which the construction of the public improvement will begin or be completed.

The second requirement provides that the City shall establish separate capital facility accounts for improvements funded by development impact fees. Interest shall be earned and recorded in each account. The City is required to make available to the public the following information:

1. A brief description of the type of fee in the account.
2. The amount of the fee.
3. The account's beginning and ending balance.
4. The amount of fees collected and the interest earned.
5. A description of the improvements on which the funds were expended and the amount expended on each improvement, including the percentage of the improvement funded with development fees.
6. An approximate date by which the construction of a public improvement will begin if the City determines that sufficient funds have been collected to complete financing on the incomplete improvement.
7. A description of each inter-fund transfer or loan made from the account.
8. The amount of any refunds.

Attached to the Resolution is the required financial information as of June 30, 2022 (Exhibits A-H). The information consists of beginning and ending fund balances for each Development Impact Fee charged by the City, including interest earned, and details of all expenditures made from these sources.

**ANALYSIS OF ISSUES:**

There are eight active Development Impact Fees identified as subject to AB 1600 reporting requirements. Three of the fees were first required to report in January 1999. Those three fees are the Traffic Signalization Fee, the Transportation Facility Fee, and

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the Drainage Facility Fee. The Water Neutralization Fee was required to report for the first time in 2003. The remaining four Development Impact Fees (the Fire Protection Fee, the Police Facilities Fee, the Community Center Fee, and the Park Improvement Fee) were first required to report in 2005. The City also charges a Park Development Fee, which is a Quimby Act Fee (Government Code 66477) and does not fall under the AB 1600 reporting requirements, so it is not included in the attached report.

The City utilizes fund accounting to track and segregate Development Impact Fees from other City revenues. Although the City pools its cash for investment purposes, interest income is allocated to each of the funds based on their respective cash balances. Staff examined the accounts to determine if any Development Impact Fees collected between January 1989 and June 30, 2022 remained unexpended. The results of this examination are shown in the attachments to the proposed Resolution and summarized below.

#### *Traffic Signalization Fund (Fund 222)*

Ordinance 346 was adopted in May of 1986 as a mechanism for assessing fees on new developments in proportion to the amount of anticipated traffic generated by a given development. The fees were restricted for funding the construction of traffic signal systems, signage, and other traffic control devices. This development impact fee came under Government Code Section 66000 et seq. in January 1989, when AB 1600 fees were recognized. The Traffic Signalization Fund has accumulated \$1,152,637 in unspent impact fees, of which \$40,000 is identified in the Capital Improvement Program for the Fair Oaks/Halcyon Road Traffic Signal Update in FY 2022-23 and \$959,000 is identified in the Capital Improvement Program for the Brisco Road/101 Interchange project in FY 2023-24.

#### *Transportation Facility Impact Fund (Fund 224)*

The fund was established in January 1994 to track fees paid by developers for the construction of improvements to streets throughout the City. When a project serves both new and existing development, only the portion related to new development is charged against this fund. The Transportation Facility Impact Fund has accumulated \$2,637,416 in unspent impact fees, of which \$1,377,468 is also identified in the Capital Improvement Program for the Brisco Road/101 Interchange project.

#### *Drainage Facility Fund (Fund 231)*

This fund was established in January 1986 to track fees collected from developers to acquire and construct drainage facilities with a designated drainage zone attributable to new development. This development impact fee came under Government Code Section 66000 et seq. in January 1989, when AB 1600 fees were recognized. As with the Transportation Facility Impact fees, when a project serves both new and existing development, only the portion related to new development is charged against this fund. The Drainage Facility Fund balance is \$5,876 and will be expended in FY 2022-23 for the

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Tally Ho/Corbett Canyon Creek Confluence Restoration and Sedimentation Reduction project.

*Water Neutralization Impact Fund (Fund 226)*

This fund was established in October 1998 to account for mitigation fees collected from developers to neutralize projected water demand of development projects above historical usage amounts. When a project serves both new and existing development, only the portion related to new development is charged against this fund. The Water Neutralization Fund ended the year with a fund balance of \$276,817, of which \$105,000 is budgeted for water rebate programs including “Cash for Grass” and Washing Machine rebates.

*Fire Protection Fund (Fund 210)*

The Impact Fee Study of March 2000 instituted the Fire Protection Fee. This fee is to be used for facilities to house fire fighting personnel and equipment serving future development. This fee was established pursuant to AB 1600. Fire Protection Fund ended the year with \$361,485 in fund balance; the FY 2022-23 budget did not identify any projects at this time.

*Police Protection Fund (Fund 212)*

The Police Protection Fund was established in March 2000 to account for monies that were collected from new development for the expansion of police facilities. This fee was established pursuant to AB 1600. The Police Protection Fund has a balance of \$55,324; the FY 2022-23 budget did not identify any projects at this time.

*Community Center Fund (Fund 215)*

The Impact Fee Study of March 2000 instituted the Recreation Community Center Fee. The fee was enacted to ensure community center facilities are maintained at 542 square feet per thousand population. This fund has a balance of \$27,183. The FY 2022-23 budget did not identify any projects for use of this funding at this time.

*Park Improvement Fund (Fund 214)*

This impact fee resulted from the Impact Fee Study of March 2000. This fee is to be used to improve parklands in order to maintain 4.0 acres of neighborhood and community parks per thousand residents. This fee was established pursuant to AB 1600. FY 2000-01 was the first-year monies were collected for Park Improvement. The Park Improvement Fund has a balance of \$221,991. These funds are scheduled for various building and park improvements, which are identified in Exhibit H of Attachment 2.

The complete Status Report of the City’s Development Impact Fees can be found in Attachment 2 of this staff report.

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**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Adopt the Resolution accepting and filing the report;
2. Do not adopt the Resolution and request further information; or
3. Provide direction to staff.

**ADVANTAGES:**

By accepting the status report on Development Impact Fees, the City will be complying with Government Code Sections 66000 et seq. that require local agencies to provide an accounting of impact fees collected from development projects.

**DISADVANTAGES:**

There are no disadvantages in relation to the recommended action.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**ATTACHMENT:**

1. Proposed Resolution – Status Report on Development Impact Fees