



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Administrative Services Director

BY: Lynda Horejsi, Accounting Manager

SUBJECT: Annual Financial Report for Fiscal Year 2021-2022 – Receipt and Use of Water and Sewer Capacity and Connection Fees/Charges

DATE: January 24, 2023

SUMMARY OF ACTION:

The attached report provides an accounting of fees derived from water and sewer capacity and connection fees as required by State law.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There is no direct financial impact from the status report other than the staff time required to prepare it, which is estimated at 2 hours. During FY 2021-22, the Water Facility Fund balance decreased by \$7,557. The Sewer Facility Fund balance increased by \$4,724. The Water Availability Fund decreased by \$310,626.

RECOMMENDATION:

Receive and file the annual report of the receipt and use of water and sewer capacity and connection fees and charges, in compliance with Government Code Section 66013.

BACKGROUND:

Government Code Section 66013 requires an annual financial accounting of the transactions dealing with water and sewer capacity and connection fees and charges. The basic accounting and reporting responsibilities under Government Code Section 66013 require the following:

1. A description of the charges/fees deposited in the fund;
2. The beginning and ending balance of the fund and any interest earned from investment of moneys in the fund;
3. The amount of charges/fees collected in the fiscal year;
4. The public improvements on which charges/fees were expended;

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5. The amount of the expenditure for each improvement, including the percentage of the total cost of the public improvements that were funded by these charges/fees;
6. The completed public improvements on which charges/fees were expended;
7. Each public improvement that is anticipated to be undertaken in the current fiscal year.

Attached to this staff report is the financial information (Attachments 1-3) required by Government Code Section 66013 and, which is current as of June 30, 2022. The information consists of beginning and ending fund balances for each fee charged by the City, including interest earned and details of all expenditures made from these sources. Information within this report and Attachments 1-3 meet the requirements of Government Code section 66013.

ANALYSIS OF ISSUES:

The City utilizes fund accounting to segregate development related fees from other City revenues. Although the City pools its cash for investment purposes, interest income is allocated to the funds based on their respective cash balances.

The City accounts for water and sewer connection and capacity fees or charges can be found in three separate funds - the Water Facility Fund, the Sewer Facility Fund, and the Water Availability Fund. The information in Attachments 1-3 compare the revenues, expenditures and changes in fund balances for each fund from July 1, 2012, to June 30, 2022.

The following is a description of the City funds used to track water and sewer connection and capacity fees and charges:

Water Facility (Fund 642)

Water Main Charges, enacted pursuant to the provision of Sections 13.04.050 of the City Municipal Code, are accounted for in the Water Facility Fund. These revenues are to be used for future water infrastructure improvements. The Water Facility Fund has accumulated \$1,013,711 in unspent connection fees, of which \$232,750 is identified in the City's Capital Improvement Plan for Phased Mains Replacement on Fair Oaks Avenue between Elm and Alder Streets for FY 2022-23.

Sewer Facility (Fund 634)

Sewer Connection fees, enacted pursuant to the provision of Section 13.12.190 et seq. of the City Municipal Code, are collected to help pay for improvements and future sewer system capacity as necessary to meet the needs of the City resulting from growth and expansion. The Sewer Facility Fund ended the year with a fund balance of \$328,790, and the FY 2022-23 budget did not identify any projects at this time.

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Water Availability Fund (Fund 241)

This fund is used to account for the accumulation of water availability charge revenues. The Water Availability charge was enacted pursuant to the provision of Section 38743 of the Government Code, and Section 13.04.040 of the City Municipal Code. Water availability charges are imposed upon each parcel of property not served with city water. The Water Availability Fund has accumulated \$1,291,275 in unspent connection fees, of which \$42,771 is identified in the City's Capital Improvement Plan for the Water Well #11 Facilities Project and \$1,233,603 for the Central Coast Blue project for FY 2022-23.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Approve staff's recommendation to receive and file the annual report;
2. Do not approve staff's recommendation and request further information;
3. Modify staff's recommendation and approve; or
4. Provide other direction to staff.

ADVANTAGES:

By accepting the Water and Sewer Capacity and Connection Fees and Charges-Annual Report, the City will be complying with Government Code Sections 66013 et seq., which requires a financial accounting of the transactions dealing with water and sewer capacity and connection fees and charges (development impact fees) to be made available to the public.

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.

Attachments:

1. Statement of Fund Balances for the Water Facility Fund
2. Statement of Fund Balances for the Sewer Facility Fund
3. Statement of Fund Balances for the Water Availability Fund

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