



## MEMORANDUM

**TO:** City Council

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

**BY:** Lynda Horejsi, Accounting Manager

**SUBJECT:** Annual Financial Report for Fiscal Year 2022-23 – Receipt and Use of Water and Sewer Capacity and Connection Fees/Charges

**DATE:** December 12, 2023

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### **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 2022-23, the Water Facility Fund balance increased by \$26,579. The Sewer Facility Fund balance increased by \$17,614. The Water Availability Fund decreased by \$1,250,424.

### **RECOMMENDATION:**

1) 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; 2) Determine that ratifying the annual report is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.).

### **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 monies in the fund;
3. The amount of charges/fees collected in the fiscal year;

**Item 9.d.**

**City Council**

**Annual Financial Report for Fiscal Year 2022-23 – Receipt and Use of Water and Sewer Capacity and Connection Fees/Charges**

**December 12, 2023**

**Page 2**

4. An identification of all of the following:
  - a. Public improvement charges expended and 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 if more than one source of funding was used;
  - b. The public improvements on which charges/fees were expended that was completed during the fiscal year;
  - c. Each public improvement that is anticipated to be undertaken the following fiscal year.
5. A description of each interfund transfer or loan made from the capital facilities fund. In the case of an interfund transfer, identify the public improvements the transferred moneys are, or will be, expended. In the case of an interfund loan, the date the loan will be repaid and the rate of interest the fund will receive on the loan.

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, 2023. 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 compares the revenues, expenditures, and changes in fund balances for each fund from July 1, 2013, to June 30, 2023.

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 collected and accumulated for future water infrastructure improvements. The Water Facility Fund has accumulated \$1,040,290 in unspent connection fees. There are no projects budgeted in FY 2023-24 at this time.

*Sewer Facility (Fund 634)*

**Item 9.d.**

**City Council**

**Annual Financial Report for Fiscal Year 2022-23 – Receipt and Use of Water and Sewer Capacity and Connection Fees/Charges**

**December 12, 2023**

**Page 3**

Sewer Connection fees, enacted pursuant to the provision of Section 13.12.190 et seq. of the City Municipal Code, are collected and accumulated 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 \$346,404, and the FY 2023-24 budget did not identify any projects at this time.

*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. During FY 2022-23, the City supported the preconstruction work related to the Central Coast Blue (CCB) Project. The project is ongoing. The Water Availability Fund has a fund balance of \$40,851, with no projects budgeted for FY 2023-24 at this time.

**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; or
3. 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. Ratifying the annual report is not a project subject to the California Environmental Quality Act (“CEQA”) because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

**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.

**City Council**

**Annual Financial Report for Fiscal Year 2022-23 – Receipt and Use of Water and Sewer Capacity and Connection Fees/Charges**

**December 12, 2023**

**Page 4**

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