

AB1600 REPORT ON DEVELOPMENT IMPACT FEES

For Fiscal Year ended June 30, 2018

BACKGROUND

Cities and counties often charge fees on new development to fund public improvements, public amenities and public services. For example, Traffic Mitigation Fees are used to fund transit facilities, streets, bike lanes and sidewalks. These fees are commonly known as development impact fees (Developer Fees). In 1989, the State Legislature passed Assembly Bill 1600 (AB1600) which added Section 66000, et seq., to the California Government Code. The chapter sets forth a number of requirements that local agencies must follow if they are to collect fees from developers to defray the cost of the construction of public facilities related to development projects. Government Code Sections 66000-66025 apply to developer fees established, increased or imposed on or after January 1, 1989, and generally set forth four broad requirements:

1. A local jurisdiction must follow the process set forth in the bill and make certain determinations regarding the purpose and use of the fees and to establish a "nexus" or connection between a development project or class of project and the public improvement being financed with the fee.
2. The fee revenue must be segregated from the General Fund in order to avoid commingling of public improvement fees and the General Fund.
3. If a local jurisdiction has had possession of a developer fee for five years or more and has not committed that money to a project or actually spent that money, then it must make findings describing the continuing need for that money each fiscal year after the five years have expired.
4. If a local jurisdiction cannot make the findings required under paragraph 3, then the city or county must go through a refund procedure.

The Traffic Mitigation Fee, Sanitary Sewer Outlet Fee, Sanitary Sewer Connection Fee, Sanitary Sewer Conveyance Fee, Storm Drain Fee, and Parks Mitigation Fee that the City of Santa Clara (City) collects qualify as Development Impact Fees and therefore must comply with the above referenced Government Code Sections. The amount of each of these development impact fees for fiscal year 2017-18 is reflected in the City's Municipal Fee Schedule, previously adopted by the City Council. The schedule is available at <http://santaclaraca.gov/home/showdocument?id=52592>. As required by law, these fees are segregated and accounted for as Special Revenue Funds. Government Code Section 66001 requires the City to make available to the public certain information regarding these fees for each fund within 180 days after the end of each fiscal year. Accordingly, the following report is presented to the City Council for review.

ANALYSIS

Using the accounting method known as first in, first out (FIFO), which means the first revenue received is assumed to be the first spent, staff analyzed the annual balances at the end of fiscal year 2017-18 to determine what portion, if any, of the balance was five or more years old. If a balance is more than five years old, a review of previously identified projects is undertaken to determine if any developer fees collected need to be refunded.

Many of the identified projects are already underway, and the City has appropriated funds for these projects as noted in the City's 2017-18 CIP Budget Book. The book is available at <http://santaclaraca.gov/home/showdocument?id=53166>. The identification of each Capital Project on which fees were expended and the amount of the expenditures on each Capital Project including the total percentage of the cost of the Capital Project that was funded with fees are detailed in Exhibit A.

Traffic Mitigation Fee

The Traffic Mitigation Fee is levied to fund improvements or programs to mitigate City traffic problems that result either directly or indirectly from development projects. The following table summarizes the activity for the Traffic Mitigation Fund from 2013-14 through 2017-18.

Fund 525	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Balance	\$ 8,646,222	\$ 9,783,413	\$ 9,359,921	\$ 7,852,470	\$ 8,711,428
Developer Fees	1,557,676	231,671	1,242,270	1,370,084	855,324
Interest Income	57,590	51,522	50,840	81,481	115,449
Expenditures	(478,075)	(706,685)	(2,800,561)	(592,607)	(1,233,819)
Ending Balance	<u>\$ 9,783,413</u>	<u>\$ 9,359,921</u>	<u>\$ 7,852,470</u>	<u>\$ 8,711,428</u>	<u>\$ 8,448,382</u>

During 2017-18, the City collected \$855,324 of traffic mitigation fees and incurred \$1,233,819 of project expenditures. The grand total of the Traffic Impact Fee fund balance that is available at the end of 2017-18 is \$8,448,382 of which \$2,221,665 has been held for over five years. The identified projects, as detailed in Exhibit A, will make use of all unspent fees collected prior to 2012-13.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000, et seq.

Sanitary Sewer Outlet Fee

The Sanitary Sewer Outlet Fee is collected from developers to construct public sanitary sewer facilities. The following table summarizes the activity for the Sanitary Sewer Outlet Fees from 2013-14 through 2017-18.

Fund 594	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Balance	\$ (1,312,174)	\$ (2,637,626)	\$ (2,568,007)	\$ (2,547,612)	\$ (2,075,945)
Developer Fees	287,223	69,619	20,395	471,667	244,593
Expenditures	(1,612,675)	-	-	-	-
Ending Balance	<u>\$ (2,637,626)</u>	<u>\$ (2,568,007)</u>	<u>\$ (2,547,612)</u>	<u>\$ (2,075,945)</u>	<u>\$ (1,831,352)</u>

The amount of developer fees collected in 2017-18 was \$244,593. The outstanding balance in the Sanitary Sewer Outlet Fee Fund at the end of 2017-18 is (\$1,831,352). Amounts have been transferred within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 development fees.

There is no impact on City resources since all qualified impact fees collected by the City have been spent, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Sanitary Sewer Connection Fee

The Sanitary Sewer Connection Fee was adopted to improve and expand the sewer collection system. The following table summarizes activity for the Sanitary Sewer Connection Fee from 2013-14 through 2017-18.

Fund 594	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Balance	\$ (13,460,990)	\$ (21,481,800)	\$ (26,936,382)	\$ (38,526,561)	\$ (50,329,856)
Developer Fees	631,156	2,072,361	1,338,418	2,350,574	1,625,820
Expenditures	(8,651,966)	(7,526,943)	(12,928,597)	(14,153,869)	(25,536,838)
Ending Balance	<u>\$ (21,481,800)</u>	<u>\$ (26,936,382)</u>	<u>\$ (38,526,561)</u>	<u>\$ (50,329,856)</u>	<u>\$ (74,240,874)</u>

During fiscal year 2017-18, the City collected \$1,625,820 from developer fees and spent \$25,536,838. The current year deficit along with prior cumulative deficits brought the impact fee balance to (\$74,240,874) as of 2017-18. Amounts have been transferred within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 development fees.

There is no impact on City resources since all qualified impact fees held by the City have been spent, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Sanitary Sewer Conveyance Fee

The Sanitary Sewer Conveyance Fee was adopted in 2006-07 to address Sewer Main capacity deficiencies resulting from increased development. The following table summarizes the activity for the Sanitary Sewer Conveyance Fees from 2013-14 through 2017-18.

Fund 594	2013-14	2014-15	2015-16	2016-17	2017-18
Beginning Balance	\$ 7,251,254	\$ 4,975,657	\$ 11,504,407	\$ 13,737,225	\$ 22,504,850
Developer Fees	1,574,963	8,407,364	2,851,396	8,630,774	4,136,935
Interest Income	9,853	69,163	103,444	211,354	307,104
Expenditures	(3,860,413)	(1,947,777)	(722,022)	(74,503)	(101,861)
Ending Balance	\$ 4,975,657	\$ 11,504,407	\$ 13,737,225	\$ 22,504,850	\$ 26,847,028

The current year's developer fees and interest income of \$4,136,935 and \$307,104, respectively, were partially offset by expenditures of \$101,861. The net change resulted in a current balance of \$26,847,028 for the Sanitary Sewer Conveyance Fee. There are no fees that have been held over five years.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Storm Drain Fee

The Storm Drain Fee is levied to mitigate City storm drainage that results either directly or indirectly from development projects. The following table summarizes the activity for the Storm Drain Fees from 2013-14 through 2017-18.

Fund 535	2013-14	2014-15	2015-16	2016-17	2017-18
Beginning Balance	\$ 862,697	\$ 741,095	\$ 467,327	\$ 552,889	\$ 555,070
Developer Fees	2,105	11,120	239,376	10,375	67,194
Interest Income	4,825	2,809	4,163	5,213	4,760
Expenditures	(128,532)	(287,697)	(157,977)	(13,407)	(241)
Ending Balance	\$ 741,095	\$ 467,327	\$ 552,889	\$ 555,070	\$ 626,783

During 2017-18, the City collected \$67,194 from developer fees, earned \$4,760 from interest, and incurred \$241 of project expenditures. The grand total of the Storm Drain Fees that is available at the end of 2017-18 is \$626,783 of which \$217,345 has been held for over five years. Exhibit A identifies the projects that will make use of all unspent fees held over five years.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Parks Mitigation Fee

The Parks Mitigation Fee was adopted in fiscal year 2014-15 and went into effect for the 2016-17 fiscal year. Fees received can be used to provide (acquire) public parkland and/or make necessary park improvements according to the restrictions of the Mitigation Fee Act and help the City to address its park, recreation and open space needs.

Fund 532	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ 13,505,806 ¹
Developer Fees	-	-	-	14,780,447	-
Interest Income	-	-	-	90,301	147,253
Expenditures	-	-	-	(1,364,942)	(3,107,985)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,505,806</u>	<u>\$ 10,545,074</u>

1 - Beginning balance was restated from previous year due to subsequent accounting adjustments to Parks Mitigation Fund.

During 2017-18, the City did not receive any Park Mitigation fees. The fund earned \$147,253 from interest and incurred \$3,107,985 of project expenditures. The grand total of the Parks Mitigation Fee that is available at the end of 2017-18 is \$10,545,074. There are no fees that have been held over five years.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

PUBLIC NOTICE: Public notification was achieved by posting the availability of the report 15 days prior to the meeting, as required by Government Code Section 66006(b)(2).

Attachments:

Exhibit A: Summary of Development Impact Fees

Exhibit A

City of Santa Clara
Summary of Local Agency Improvement Fees
(AB 1600 Development Impact Fees)
Report for Fiscal Year Ended June 30, 2018

Traffic Mitigation Fee (Fund 525)

Traffic Mitigation Fee (Fund 525)	
FY 2016-17 Ending Fund Balance	\$ 8,711,428
Fees Collected	855,324
Interest Earned	115,449
Expenditures	(1,233,819)
FY 2017-18 Ending Fund Balance	\$ 8,448,382
Funds Accumulated in Current and Last 5 Years	\$ 6,226,717
Funds Held Longer than 5 Years	\$ 2,221,665
Projects Programmed for Impact Fees	\$ 6,635,098

Project #	Description	Total Project Appropriation All Funding Sources	Traffic Mitigation Fee Since Inception Date Through June 30, 2018				FY2017-18 Impact Fee Expenditure
			% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	
2616	Great America Parkway - Bus Turn Out	\$ 225,000	40%	\$ 90,000	\$ 3,438	\$ 86,562	\$ -
2621	Improvement - Great America Parkway	2,818,350	37%	1,040,400	470,161	570,239	39,188
2624	Coleman Avenue Widening	190,000	39%	74,332	79	74,253	-
2628	Traffic Signal Modification & Hwy 101 Off-Ramp Widening @ GAP	390,000	40%	156,000	3,819	152,181	2,383
2630	Mission College Blvd and GAP Intersection Improvements	5,256,086	42%	2,200,000	595,675	1,604,325	2,383
2631	Industrial Sidewalk Program	189,579	40%	75,832	30,208	45,624	-
2638	Lawrence at Monroe - Intersection Improvement Phase "B"	300,000	100%	300,000	14,883	285,117	2,383
2639	Traffic Signal Modification - San Tomas at Homestead Phase "B"	573,664	86%	494,000	494,000	-	-
2640	Traffic Signal - Lafayette Street at Yerba Buena Way	150,000	40%	60,000	8,928	51,072	-
2649	Traffic Studies and Signal Needs Assessment/Upgrade	500,000	64%	320,000	151,701	168,299	-
2658	Intersection Improvements - ECR at San Tomas - Phase "B"	2,843,588	59%	1,683,590	1,683,590	-	-
2660	Intersection Improvement -ECR at Lafayette Street - Phase "B"	1,250,000	100%	1,250,000	5,973	1,244,027	2,383
2665	Central Control Traffic Signal Upgrade	2,076,800	87%	1,802,871	1,459,443	343,428	492,945
2666	Traffic Signal - Monroe Street and Chromite Drive	400,000	100%	400,000	237,568	162,432	237,568
2667	Install Sidewalks on San Tomas Expressway	183,000	100%	183,000	122,882	60,118	-
2668	Traffic Pre-Emptors	845,259	90%	758,104	529,230	228,874	11,718
2669	Traffic Signal Enhancements	900,000	100%	900,000	527,877	372,123	53,160
2670	Pedestrian and Bicycle Enhancement Facilities	1,500,000	100%	1,500,000	1,332,056	167,944	294,626
2671	Creek Trails Expansion Master Plan	110,000	100%	110,000	110,000	-	-
2672	Traffic Monitoring at Various Locations- Phase "C"	287,000	100%	287,000	114,788	172,212	8,850
2676	Citywide Accessible Pedestrian Signal Installation	100,000	100%	100,000	11,232	88,768	11,232
2677	Traffic Signal Controller Replacement	258,261	29%	75,000	75,000	-	75,000
2678	Traffic Signal Replacement-ECR-Lafayette, Homestead, Scott Area	1,720,000	44%	757,500	-	757,500	-
Totals		\$ 23,066,587		\$ 14,617,629	\$ 7,982,531	\$ 6,635,098	\$ 1,233,819

Sanitary Sewer Outlet Fee (Fund 594)

FY 2016-17 Ending Fund Balance	\$ (2,075,945)
Fees Collected	244,593
Interest Earned	-
Expenditures	-
FY 2017-18 Ending Fund Balance	\$ (1,831,352)
Funds Accumulated in Current and Last 5 Years	\$ 1,196,374
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Outlet Fee Since Inception Date Through June 30, 2018					FY2017-18 Impact Fee Expenditure
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining ⁽¹⁾	
1907	Development Extensions	\$ 220,445	100%	220,445	2,051,797	\$ (1,831,352)	\$ -

Note (1) Amounts have been transferred within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 Development Fees
There were no interfund loans.

Sanitary Sewer Connection Fee (Fund 594)

FY 2016-17 Ending Fund Balance	\$ (50,329,856)
Fees Collected	1,625,820
Interest Earned	-
Expenditures	(25,536,838)
FY 2017-18 Ending Fund Balance	\$ (74,240,874)
Funds Accumulated in Current and Last 5 Years	\$ 8,866,257
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Connection Fee Since Inception Date Through June 30, 2018					FY2017-18 Impact Fee Expenditure
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining ⁽¹⁾	
1908	S.J.- S.C. Regional Wastewater Facility	\$ 92,225,335	6%	5,200,000	79,440,874	\$ (74,240,874)	\$ 25,536,838

Note (1) Amounts have been transferred within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 Development Fees
There were no interfund loans.

Sanitary Sewer Conveyance Fee (Fund 594)

FY 2016-17 Ending Fund Balance	\$ 22,504,850
Fees Collected	4,136,935
Interest Earned	307,104
Expenditures	(101,861)
FY 2017-18 Ending Fund Balance	\$ 26,847,028
Funds Accumulated in Current and Last 5 Years	\$ 28,748,283
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 13,231,958

		Sanitary Sewer Conveyance Fee Since Inception Date Through June 30, 2018					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	FY2017-18 Impact Fee Expenditure
1909	Sanitary Sewer Capacity Improvements	\$ 22,326,124	100%	22,326,124	9,094,166	\$ 13,231,958	\$ 101,861

Storm Drain Fee (Fund 535)

FY 2016-17 Ending Fund Balance	\$ 555,070
Fees Collected	67,194
Interest Earned	4,760
Expenditures	(241)
FY 2017-18 Ending Fund Balance	\$ 626,783
Funds Accumulated in Current and Last 5 Years	\$ 409,438
Funds Held Longer than 5 Years	\$ 217,345
Projects Programmed for Impact Fees	\$ 362,021

		Storm Drain Fee Since Inception Date Through June 30, 2018					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	FY2017-18 Impact Fee Expenditure
1831	Miscellaneous Storm Drain Improvements	\$ 921,028	32%	\$ 292,950	292,950	\$ -	\$ -
1834	Storm Drain System Improvement	590,374	94%	554,127	392,106	162,021	241
1835	Storm Drain Outfall Reconstruction Program	1,223,000	37%	450,000	250,000	200,000	-
Totals		\$ 2,734,402		\$ 1,297,077	\$ 935,056	\$ 362,021	\$ 241

Parks Mitigation Fee (Fund 532)

FY 2016-17 Ending Fund Balance	\$ 13,505,806 ¹
Fees Collected	-
Interest Earned	147,253
Expenditures	(3,107,985)
FY 2017-18 Ending Fund Balance	\$ 10,545,074
Funds Accumulated in Current and Last 5 Years	\$ 15,018,001
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 8,737,060

Project # Description		Parks Mitigation Fee Since Inception Date Through June 30, 2018					FY2017-18 Impact Fee Expenditure
		Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	
3005	Senior Center Refurbishment	\$ 123,740	100%	\$ 123,740	118,901	\$ 4,839	\$ 34,169
3008	Townsend Field, Washington Ball Park, & Elmer Johnson Field Rehabilitation	670,000	9%	57,580	57,580	-	57,580
3172	International Swim Center, Community Recreation Center, ISHOF	2,310,563	7%	160,463	160,463	-	160,463
3177	Youth Soccer Fields & Athletic Facilities	38,516,974	15%	5,612,474	1,413,667	4,198,807	387,328
3178	Playground Construction	2,888,175	32%	920,121	250,490	669,631	250,490
3181	Park Impact Fees Monitoring Project	570,381	52%	295,609	162,617	132,992	90,079
	New Neighborhood Park & Community Garden						
3182	(San Tomas & Monroe)	6,205,203	46%	2,850,000	2,290,700	559,300	2,109,367
3184	Montague Park Enhancement	3,190,000	100%	3,190,000	18,509	3,171,491	18,509
Totals		\$ 54,475,036		\$ 13,209,987	\$ 4,472,927	\$ 8,737,060	\$ 3,107,985

1 - Beginning balance was restated from previous year due to subsequent accounting adjustments to Parks Mitigation fund.