

AB1600 REPORT ON DEVELOPMENT IMPACT FEES

For Fiscal Year ended June 30, 2019

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 sets 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 2018-19 is reflected in the City's Municipal Fee Schedule, previously adopted by the City Council. The schedule is available at <https://www.santaclaraca.gov/home/showdocument?id=62327>. 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 2018-19 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 2018-19 & 2019-20 Biennial CIP Budget Book. The book is available at <http://santaclaraca.gov/home/showdocument?id=61028>. 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 2014-15 through 2018-19.

Fund 123 & 533	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Balance	\$ 9,783,413	\$ 9,359,921	\$ 7,852,470	\$ 8,711,428	\$ 8,448,382
Developer Fees	231,671	1,242,270	1,370,084	855,324	1,958,563
Interest Income	51,522	50,840	81,481	115,449	196,524
Expenditures	(706,685)	(2,800,561)	(592,607)	(1,233,819)	(250,423)
Ending Balance	<u>\$ 9,359,921</u>	<u>\$ 7,852,470</u>	<u>\$ 8,711,428</u>	<u>\$ 8,448,382</u>	<u>\$ 10,353,046</u>

During 2018-19, the City collected \$1,958,563 of traffic mitigation fees and incurred \$250,423 of project expenditures. The grand total of the Traffic Impact Fee fund balance that is available at the end of 2018-19 is \$10,353,046 of which \$2,584,052 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 2013-14. During fiscal year 2018-19 Traffic Mitigation Special Revenue fund (123) was created to track unallocated Traffic Mitigation revenue. Capital Improvement Program, fund 525, Traffic Mitigation Fees, was consolidated with fund 533, Streets and Highways, and as a result multiple projects were closed or combined, and new project numbers issued.

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 2014-15 through 2018-19.

Fund 594	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Beginning Balance	\$ (2,637,626)	\$ (2,568,007)	\$ (2,547,612)	\$ (2,075,945)	\$ (1,831,352)
Developer Fees	69,619	20,395	471,667	244,593	242,488
Expenditures	-	-	-	-	-
Ending Balance	<u>\$ (2,568,007)</u>	<u>\$ (2,547,612)</u>	<u>\$ (2,075,945)</u>	<u>\$ (1,831,352)</u>	<u>\$ (1,588,864)</u>

The amount of developer fees collected in 2018-19 was \$242,488. The outstanding balance in the Sanitary Sewer Outlet Fee Fund at the end of 2018-19 is (\$1,588,864). 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 2014-15 through 2018-19.

Fund 594	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Beginning Balance	\$ (21,481,800)	\$ (26,936,382)	\$ (38,526,561)	\$ (50,329,856)	\$ (74,240,874)
Developer Fees	2,072,361	1,338,418	2,350,574	1,625,820	2,303,752
Expenditures	(7,526,943)	(12,928,597)	(14,153,869)	(25,536,838)	(15,800,877)
Ending Balance	<u>\$ (26,936,382)</u>	<u>\$ (38,526,561)</u>	<u>\$ (50,329,856)</u>	<u>\$ (74,240,874)</u>	<u>\$ (87,737,999)</u>

During 2018-19 fiscal year, the City collected \$2,303,752 from developer fees and spent \$15,800,877. The current year deficit along with prior cumulative deficits brought the impact fee balance to (\$87,737,999) as of 2018-19. 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 2014-15 through 2018-19.

Fund 594	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Balance	\$ 4,975,657	\$ 11,504,407	\$ 13,737,225	\$ 22,504,850	\$ 26,847,028
Developer Fees	8,407,364	2,851,396	8,630,774	4,136,935	6,916,161
Interest Income	69,163	103,444	211,354	307,104	515,362
Expenditures	(1,947,777)	(722,022)	(74,503)	(101,861)	(99,255)
Ending Balance	<u>\$ 11,504,407</u>	<u>\$ 13,737,225</u>	<u>\$ 22,504,850</u>	<u>\$ 26,847,028</u>	<u>\$ 34,179,296</u>

The current year's developer fees and interest income of \$6,916,161 and \$515,362, respectively, were partially offset by expenditures of \$99,255. The net change resulted in a current balance of \$34,179,296 of which \$445,423 has been held for over five years. Exhibit A identifies the project 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.

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 2014-15 through 2018-19.

Fund 535	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Balance	\$ 741,095	\$ 467,327	\$ 552,889	\$ 555,070	\$ 626,783
Developer Fees	11,120	239,376	10,375	67,194	5,749
Interest Income	2,809	4,163	5,213	4,760	8,845
Expenditures	(287,697)	(157,977)	(13,407)	(241)	(54,799)
Ending Balance	<u>\$ 467,327</u>	<u>\$ 552,889</u>	<u>\$ 555,070</u>	<u>\$ 626,783</u>	<u>\$ 586,578</u>

During 2018-19, the City collected \$5,749 from developer fees, earned \$8,845 from interest, and incurred \$54,799 of project expenditures. The grand total of the Storm Drain Fees that is available at the end of 2018-19 is \$586,578 of which \$220,044 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>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Beginning Balance	\$ -	\$ -	\$ -	\$ 13,505,806	\$ 10,545,074
Developer Fees	-	-	14,780,447	-	268,091
Interest Income	-	-	90,301	147,253	111,431
Expenditures	-	-	(1,364,942)	(3,107,985)	(5,663,181)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,505,806</u>	<u>\$ 10,545,074</u>	<u>\$ 5,261,415</u>

During 2018-19, the City collected \$268,091 for Park Mitigation fees, earned \$111,431 from interest, and incurred \$5,663,181 of project expenditures. The grand total of the Parks Mitigation Fee that is available at the end of 2018-19 is \$5,261,415. 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, 2019

Streets and Highways (Fund 123 & 533)

Traffic Mitigation Fee (Fund 525)	
FY 2017-18 Ending Fund Balance	\$ 8,448,382
Fees Collected	1,958,563
Interest Earned	196,524
Expenditures	(250,423)
FY 2018-19 Ending Fund Balance	\$ 10,353,046
Funds Accumulated in Current and Last 5 Years	\$ 7,768,994
Funds Held Longer than 5 Years	\$ 2,584,052
Projects Programmed for Impact Fees	\$ 6,527,373

Project #	Description	Total Project Appropriation All Funding Sources	Traffic Mitigation Fee Since Inception Date Through June 30, 2019				FY 2018-19 Impact Fee Expenditure
			% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	
1209	Agnew Road/De La Cruz Blvd Signal Timing	\$ 1,118,000	50%	\$ 560,000	\$ 475,000	\$ 85,000	\$ -
1210	Mission College Bike Lanes	476,355	77%	366,855	265,500	101,355	-
1214	Coleman Avenue Widening	190,000	39%	74,332	79	74,253	-
1215	Sidewalk Installation Program	189,579	40%	75,832	30,208	45,624	-
1216	Traffic Studies and Signal Needs Assessment/Upgrade	500,000	64%	320,000	154,350	165,650	2,649
1217	Central Control Traffic Signal Upgrade	2,282,800	84%	1,910,871	1,488,449	422,422	29,006
1218	Traffic Pre-Emptors	845,259	90%	758,104	505,602	252,502	(23,628)
1219	Traffic Signal Enhancements	734,141	100%	734,141	530,004	204,137	2,127
1220	Pedestrian and Bicycle Enhancement Facilities	1,597,724	100%	1,597,724	1,333,556	264,168	1,500
1221	Traffic Monitoring at Various Locations- Phase "C"	324,500	100%	324,500	123,783	200,717	8,995
1222	Citywide Accessible Pedestrian Signal Installation	200,000	100%	200,000	11,232	188,768	-
1224	Traffic Signal Replacement - ECR-Lafayette, Homestead, Scott Area	2,149,000	35%	757,500	2,510	754,990	2,510
1229	Traffic Signal Installation Pruneridge at Cronin	730,859	11%	80,859	80,859	-	80,859
1233	Pedestrian Master Plan	307,135	9%	27,921	-	27,921	-
1236	Traffic Signal Modification	1,330,000	94%	1,250,000	7,100	1,242,900	1,127
1237	MCB/GAP Intersection Improvement	8,299,436	40%	3,330,400	1,154,452	2,175,948	85,178
1238	Pedestrian Crosswalk Sensors	150,000	100%	150,000	-	150,000	-
1243	Install Sidewalks on San Tomas Expressway	183,000	100%	183,000	182,982	18	60,100
1245	Benton Bike Lane	150,000	49%	73,000	-	73,000	-
1391	Bowers Ave Signal Timing	948,000	10%	98,000	-	98,000	-
Totals		\$ 22,705,788		\$ 12,873,039	\$ 6,345,666	\$ 6,527,373	\$ 250,423

Note

(1) During fiscal year 2018-19 Special Revenue fund 123 was created to track unallocated Traffic Mitigation revenue. Additionally fund 533, Traffic Mitigation Fees, merged with Fund 533, Streets and Highways, and as a result multiple projects were closed or combined and new project numbers issued.

Sanitary Sewer Outlet Fee (Fund 594)

Sanitary Sewer Outlet Fee (Fund 594)	
FY 2017-18 Ending Fund Balance	\$ (1,831,352)
Fees Collected	242,488
Interest Earned	-
Expenditures	-
FY 2018-19 Ending Fund Balance	\$ (1,588,864)
Funds Accumulated in Current and Last 5 Years	\$ 1,335,985
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Outlet Fee Since Inception Date Through June 30, 2019					FY 2018-19 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	1,809,309	\$ (1,588,864)	\$ -

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)

Sanitary Sewer Connection Fee (Fund 594)	
FY 2017-18 Ending Fund Balance	\$ (74,240,874)
Fees Collected	2,303,752
Interest Earned	-
Expenditures	(15,800,877)
FY 2018-19 Ending Fund Balance	\$ (87,737,999)
Funds Accumulated in Current and Last 5 Years	\$ 10,322,081
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Connection Fee Since Inception Date Through June 30, 2019					FY 2018-19 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	\$ 108,106,421	11%	12,155,000	99,892,999	\$ (87,737,999)	\$ 15,800,877

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)

Sanitary Sewer Conveyance Fee (Fund 594)	
FY 2017-18 Ending Fund Balance	\$ 26,847,028
Fees Collected	6,916,161
Interest Earned	515,362
Expenditures	(99,255)
FY 2018-19 Ending Fund Balance	\$ 34,179,296
Funds Accumulated in Current and Last 5 Years	\$ 33,733,873
Funds Held Longer than 5 Years	\$ 445,423
Projects Programmed for Impact Fees	\$ 13,231,958

		Sanitary Sewer Conveyance Fee Since Inception Date Through June 30, 2019					FY 2018-19 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	
1909	Sanitary Sewer Capacity Improvements	\$ 25,326,124	100%	25,326,124	12,094,166	\$ 13,231,958	\$ 99,255

Storm Drain Fee (Fund 535)

Storm Drain Fee (Fund 535)	
FY 2017-18 Ending Fund Balance	\$ 626,783
Fees Collected	5,749
Interest Earned	8,845
Expenditures	(54,799)
FY 2018-19 Ending Fund Balance	\$ 586,578
Funds Accumulated in Current and Last 5 Years	\$ 366,534
Funds Held Longer than 5 Years	\$ 220,044
Projects Programmed for Impact Fees	\$ 278,469

		Storm Drain Fee Since Inception Date Through June 30, 2019					FY 2018-19 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	
1834	Storm Drain System Improvement	525,374	100%	525,374	392,106	133,268	-
1835	Storm Drain Outfall Reconstruction Program	1,373,000	47%	650,000	504,799	145,201	54,799
Totals		\$ 1,898,374		\$ 1,175,374	\$ 896,905	\$ 278,469	\$ 54,799

Parks Mitigation Fee (Fund 532)

Parks Mitigation Fee (Fund 532)	
FY 2017-18 Ending Fund Balance	\$ 10,545,074
Fees Collected	268,091
Interest Earned	111,431
Expenditures	(5,663,181)
FY 2018-19 Ending Fund Balance	\$ 5,261,415
Funds Accumulated in Current and Last 5 Years	\$ 9,466,251
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 4,134,430

		Parks Mitigation Fee Since Inception Date Through June 30, 2019					FY 2018-19 Impact Fee Expenditure
		Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	
3001	Misc Park Improvments	\$ 2,115,274	28%	\$ 591,400	200,000	\$ 391,400	\$ 200,000
3177	Youth Soccer Fields & Athletic Facilities	38,790,964	15%	5,886,464	5,886,464	-	4,472,797
3178	Playground Construction	3,388,175	27%	920,121	525,383	394,738	274,893
3181	Park Impact Fees Monitoring Project	790,381	63%	495,609	254,280	241,329	91,663
3182	New Neighborhood Park & Community Garden (San Tomas & Monroe)	6,205,203	46%	2,850,000	2,850,000	-	559,300
3184	Montague Park Enhancement	3,190,000	100%	3,190,000	83,037	3,106,963	64,528
Totals		\$ 54,479,997		\$ 13,933,594	\$ 9,799,164	\$ 4,134,430	\$ 5,663,181