



City Council Staff Report

Agenda Item:	<u>G.2</u>
Date:	<u>December 19, 2017</u>
Department:	<u>Finance</u>

AGENDA TITLE: Annual Report of Development Impact Fee Funds Per AB1600 (Government Code Sections 66000 and Following)

RECOMMENDATION: Staff recommends that the City Council: (1) Receive and file the City of Orinda Annual Report of Development Impact Fee Funds for the year ended June 30, 2017 (Attachment A); and (2) Adopt the resolution recording the completion of a Five Year Review including making findings regarding unexpended Park Dedication Funds (Attachment C).

BACKGROUND:

The City of Orinda, like many other local agencies, levies fees (“development fees”) on new development within the City in order to fund public capital improvements necessitated by such development. The California Mitigation Fee Act, commonly known as AB1600 (Government Code Sections 66000 and following), imposes certain accounting and reporting requirements on local agencies that collect development fees. The State Law establishes required elements to include in the annual report and also requires that the information be included on an agenda at a public meeting.

SUMMARY:

The Finance Director has reviewed the fees enacted by the City of Orinda that qualify as Impact Fees under the provisions of the State Code. The following development fees were determined to be covered by the Mitigation Fee Act:

- Transportation Impact Fees
- Drainage Impact Fees
- Park Dedication Fees

In past reports the City included reported funds held in the Tree Fund. The current determination by the Finance Director is that these funds are collected as part of a Permitting requirement under the Zoning Ordinance regulations. The financial activity associated with funds will continue to be treated as a Special Revenue Fund, and reported discretely as part of the Comprehensive Annual Financial Report and Audit.

The Mitigation Fee Act mandates that for accounting purposes, development fees must be segregated from the general funds of the City and from other funds containing fees collected for other improvements. Interest on each development fee fund must be credited to that fund and used only for the purposes for which the fees were collected.

The Mitigation Fee Act also requires that, within 180 days after the close of the fiscal year, the City must make available to the public the following information regarding each of its development fee funds:

- A brief description of the type of development fee.
- The amount of the development fee.
- The beginning and ending fund balance for the fiscal year.
- The amount of development fees collected and interest earned.
- An identification of each public improvement on which development fees were expended together with the amount of such expenditures, including the total percentage of the cost of the public improvement that was funded with fees.
- Information regarding the schedule for commencement of certain public improvements to be funded with development fees.
- A description of any inter-fund transfers or loans made from the fund.
- The amount of any refunds made.

High Level Summary Of Impact Fee Fund Activities Fiscal Year 2016 - 2017

Details of activity for each of the fees are displayed in the Annual Report (Attachment A). The following is a high level summary of the activity for the year including the beginning and ending balances:

ANNUAL REPORT OF DEVELOPER FEES BY CATEGORY (7/1/2016 - 6/30/2017)

Development Impact Fee	Beginning Balance (7/1/2016)	Additions: Fees, Interest, Other Revenue	Expenses: Project Costs	Ending Balance (7/1/2016)
Transportation	\$ 1,184,379	\$ 163,813	\$ (95,318)	\$1,252,874
Drainage	816,337	355,722.94	(348,416)	823,644
Park Dedication	706,512	148,667.07	(45,848)	809,331
TOTAL	\$ 2,707,228	\$ 668,203	\$ (489,582)	\$2,885,849

Funds Remaining Unexpended More Than 5 Years

One of the provisions in the State law regulating development fees is to regularly review funds collected and held for more than five years without being expended. The law requires the City Council to make certain findings in order to continue to hold fees collected and unexpended for more than five years. Based on the review of balances, only the Park Dedication Fee Fund holds fees which have remained unexpended for more than five years.

As of June 30, 2017 the Park Dedication Fee Fund balance is estimated at \$809,331 and of this amount \$112,244 was developer fees that continued to be held for more than five years. The proposed spending of Park Dedication Fees in the current adopted Capital Improvement Plan for Fiscal Years 2017-18 and 2018-19 includes several projects totaling \$799,912.

The Capital Improvement Plan adopted May 16, 2017 which covers proposed projects

between 2017 and 2021 and identifies proposed projects which are depending on the use of Park Dedication Fees. In the current Fiscal Year (FY 2017-18) the CIP has three large projects (Community Center HVAC; Community Park Renovation Design; and Orinda Wilder Park Improvements) which would expend a total of \$275,000 in Park Dedication Fees. This represents approximately 2.5 times the amount of unexpended Park Dedication fees. Without this funding source the projects cannot be completed.

Staff prepared a Resolution confirming the completion of a “Five Year Review” and including appropriate findings to retain this balance to be expended on planned projects (Attachment C).

Noticing Requirements

Government Code Section 66006(b)(2) requires the report to be included on the City Council meeting agenda at a public meeting not less than 15 days after the information was made available. Staff previously made available to the public a draft copy of this report on December 1, 2017. A Notice of Availability of the Report was posted in the established City notice posting locations. In addition the Government Code Section requires that the notice of the meeting shall be mailed, at least 15 days prior to the meeting, to any interested party who files a written request with the local agency for mailed notice of the meeting. The City has received no such requests for notice.

NEXT STEPS:

The City Clerk is to retain this report in the official records of the City.

FISCAL IMPACT:

The adopted Biennial Budget for 2018 and 2019 includes combined estimated expenditures in the three Impact Fee funds of approximately \$2.38 million. The Annual Report filing will support the continued collection of the fees to contribute towards public improvements.

ATTACHMENTS:

- A. 2017 Orinda Annual Impact Fee Report (12.1.17)
- B. 2017 Notice Of AB1600 Report Availability
- C. Resolution 90-17 AB1600 5Yr Review and Findings

Respectfully Submitted by:
Paul Rankin
Finance Director

Prepared By: Paul Rankin, Finance Director

Approved by:

Steve Salomon
Steve Salomon, City Manager 12/7/2017

CITY OF ORINDA
ANNUAL REPORT OF DEVELOPMENT IMPACT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Report Available to Public December 1, 2017 and
 Included on City Council Public Meeting Agenda December 19, 2017)

A. DESCRIPTION OF THE CITY'S IMPACT FEES - Section 66006(b)(1)(A) CGC

The City of Orinda has established the following Development Impact Fee Funds which are subject to annual reporting as part of the Mitigation Fee Act provisions in California Government Code (CGC) Section 66000 et seq.:

- Transportation Improvement Program Fee (Local Portion) as described in Chapter 3.20 of the Orinda Municipal Code.

This fund accounts for the Transportation Impact fee imposed on new development to help fund and pay for the construction of needed expansion or offsite capital improvements for roads, bikeways, sidewalks and traffic signals.

- Drainage Impact Fees as described in Chapter 3.24 of the Orinda Municipal Code.

This fund accounts for the Drainage Impact fee imposed on new development to help pay for a drainage master plan and the construction of improvements recommended in the plan.

- Park Dedications and Impact Fees as described in Chapter 3.28 of the Orinda Municipal Code.

This fund accounts for the Park Dedication fee imposed on new development to provide funding for acquiring new parklands, building new recreational facilities, and rehabilitating or replacing existing parks and recreation facilities to enable those facilities to provide services to new residents and to offset the loss of private residential recreational and visual open space.

In past reports the City included reported funds held in the Tree Fund. The current determination by the Finance Director is that these funds are collected as part of a Permitting requirement under the Zoning Ordinance regulations. The financial activity associated with funds will continue to be treated as a Special Revenue Fund, and reported discretely as part of the Comprehensive Annual Financial Report and Audit.

B. AMOUNTS CHARGED BY THE CITY FOR IMPACT FEES - Section 66006(b)(1)(B) CGC

The amounts charged for the impact fees noted above are dependent upon the type and size of a particular development and were based upon related studies, as adjusted over the years by the CPI. The City Council has adopted and imposed the subject fees and the rates applied as of June 30, 2017 are shown in the table on the following page.

CITY OF ORINDA
ANNUAL REPORT OF DEVELOPMENT IMPACT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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AMOUNT OF INDIVIDUAL DEVELOPMENT FEES
(Resolution # 30-16 As of June 30, 2017)

FEE	CALCULATION METHOD	\$ AMOUNT
Transportation (Local Portion) Regional Portion is a pass-through administered by JPA.	Residential – Per Unit	Single Family \$3,634.50 Multi-Family / 2 nd Unit \$2,544.00
	Transit Oriented MF – Per Unit	Multi-Family / Transit \$1,348.50 Non-Residential \$3.89 / sq. ft.
	Non-Residential – Per Sq. Ft.	Other \$400.00 per trip
	Other – Per Trip Generated	
Drainage Fee	Impervious surface added by new development	\$1.31 per square foot in excess of 100 feet.
Park Dedication Fee	Per Residential Unit	Single Family (SF) Detached \$14,896
		SF Attached or Townhouse \$10,121
		Multi-Family Duplex or Condominium
		\$10,395

C. ACCOUNTING FOR IMPACT FEE REVENUE - Section 66006(b)(1)(C-D) CGC

As provided for under State Law the City must account in each of the Impact Fee Funds for: Beginning Balance; Fees Collected, Interest and other Revenue; Expenditures; and the Ending Balance. If there were any inter-fund loans or transfers those must also be disclosed. The City did not have any loans or inter-fund transfers transactions in the Fiscal Year ending June 30, 2017. The following table displays the accounting information required.

Fiscal Year 2016-2017 Impact Fee Beginning and Ending Balances
(Including Revenue by type and Total Expenditures)

	Transportation	Drainage	Park Dedication
Beginning Balance (7/1/2016)	\$ 1,184,379.06	\$ 816,337.13	\$ 706,511.82
Fees Collected (7/1/2016 - 6/30/2017)	154,459.14	349,979.55	135,183.00
Interest Revenue	9,353.77	5,743.39	5,484.07
Other Revenue / Contributions	-	-	8,000.00
(Less: 2016-2017 Expenditures)	(95,317.60)	(348,416.14)	(45,848.02)
Ending Balance (6/30/2017)	\$ 1,252,874.37	\$ 823,643.93	\$ 809,330.87

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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D. Fund Expenditures By Project - Section 66006(b)(1)(E) CGC

The Mitigation Fee Act requires the City to disclose additional information related to the project expenditures from each of the Impact Fee Funds. Specifically, the report must identify each public improvement on which fees were expended; the amount of the expenditures on each improvement; and the total percentage of the cost of the public improvement that was funded with impact fees. The Table below provides the additional detail.

FISCAL YEAR 2016-2017 (July 1, 2016 - June 30, 2017)
Impact Fee Expenditures By Project

Fund #205 Transportation Impact Fees:

Project Name	Proj #	Impact Fees	Other Funds	Total Expense	% Paid
					By Fees
Downtown Parking Study	N/A	7,500.40	15,385.80	22,886.20	33%
BART Access Ramp	4096	28,671.69	152,364.09	181,035.78	16%
2015 Meas J&L Pave	4100	85.88	197,812.83	197,898.71	0.04%
Santa Maria Park/Ride	4102	55,588.06	175,000.00	230,588.06	24%
Traffic Calming Improvements	4107	3,471.57	-	3,471.57	100%
Total Transportation Fee Projects		95,317.60	540,562.72	635,880.32	15%

Fund #210 Drainage Impact Fees:

Project Name	Proj #	Impact Fees	Other Funds	Total Expense	% Paid
					By Fees
N. Lane Storm water	4070	315,173.85	2,201,351.37	2,516,525.22	13%
Annual Drainage	4111	33,242.29	-	33,242.29	100%
Total Drainage Fee Projects		348,416.14	2,201,351.37	2,549,767.51	14%

Fund #240 Park Dedication Fees:

Project Name	Proj #	Impact Fees	Other Funds	Total Expense	% Paid
					By Fees
Community Center Assessibility Impvts	4086	13,634.67	-	13,634.67	100%
Orinda Community Park Improvements	4112	20,213.45	-	20,213.45	100%
Art in the Park - Benches	8003	4,000.00	8,000.00	12,000.00	33%
Total Park Dedication Project Expenses		37,848.12	8,000.00	45,848.12	83%

It should be noted that for Project 8003 Art in Park Benches a total project expense of \$12,000 was recorded in Fund #240 Park Dedication Fund. However, the fund also included non-impact fee revenue consisting of an \$8,000 donation that off-set two-thirds of this project cost.

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E. IMPACT FEE LOANS / TRANSFERS AND REFUNDS Section 66006(b)(1)(G-H) CGC

As provided for in Government Code Sections 66006(b)(1)(G and H) the City is also required to disclose:

- Any inter-fund transfers or loans made from the Impact Fee Fund.
 - Including how transferred or loaned fees were expended; and
 - If the transaction is a loan when it will be repaid and the rate of interest.
- Any refunds of fees granted.

There were no inter-fund transfers or loans involving the listed Impact Fees. Likewise the City did not issue any refunds for the year ending June 30, 2017.

F. ANALYSIS OF FUNDS HELD FOR 5 OR MORE YEARS - Section 66001(d) CGC

The Mitigation Fee Act also contains a separate requirement to evaluate every five years balances held and make certain additional disclosures. A review of previous reports did not clearly identify a formal action on a 5 Year Review. As a practical matter it is easiest to review the status of fees collected each year, and then have a specific action confirming the 5 Year Review was completed and making any necessary findings. The purpose of the review is to identify monies that have been collected and held for a period of more than five years and to make appropriate disclosures.

The City of Orinda has analyzed the balance of monies held in each Impact Fee Fund, at the end of Fiscal Year 2016-17 (June 30, 2017), and compared it to the total Impact fees collected from July 1, 2012 through June 30, 2017 (5 Year Period). The fees collected were evaluated based strictly on "developer fees collected" without considering interest or other non-impact fee revenue. Based on this review the Transportation Impact Fee Fund and Drainage Impact Fee Fund had balances that were less than the amount of the fees collected in the five year period.

As of June 30, 2017 the Park Dedication Fee Fund balance is estimated at \$809,331 and of this amount \$112,244 was developer fees that continued to be held for more than five years. The Capital Improvement Plan adopted May 16, 2017 which covers proposed projects between 2017 and 2021 and identifies proposed projects which are depending on the use of Park Dedication Fees.

In the current Fiscal Year (FY 2017-18) the CIP has three large projects (Community Center HVAC; Community Park Renovation Design; and Orinda Wilder Park Improvements) which would expend a total of \$275,000 in Park Dedication Fees. This represents approximately 2.5 times the amount of unexpended Park Dedication fees. Without this funding source the projects cannot be completed.

CITY OF ORINDA
ANNUAL REPORT OF DEVELOPMENT IMPACT FEES
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When this report is presented to the City Council at a public meeting they will also be requested to adopt a resolution making findings regarding the continued retention of these funds to complete the planned projects. The action will also record that the five year review was completed and the next action on a five year review will be due with the Fiscal Year 2021-2022 Report.

**NOTICE OF AVAILABILITY
CITY OF ORINDA
ANNUAL REPORT OF DEVELOPMENT IMPACT FEES
(AB1600 – Mitigation Fee Act)
FISCAL YEAR ENDING JUNE 30, 2017**

Effective December 1, 2017 a copy of the Annual Mitigation Fee Act Report for fiscal year ending June 30, 2017, is made available to members of the public. A copy is available at the Office of the City Clerk 22 Orinda Way Orinda CA 94563. For further information you may also contact Paul Rankin, Finance Director at (925) 253-4224 or via e-mail at prankin@cityoforinda.org.

The City Council of the City of Orinda will review the Annual Mitigation Fee Act Report for fiscal year ending June 30, 2017 at its regularly scheduled public meeting at the Library Auditorium, 26 Orinda Way, at 7:00 p.m. on December 19, 2017.

The City of Orinda will provide special assistance for disabled citizens upon at least 24-hour advance notice to the City Manager's office (253-4220). If you need sign language assistance or written material printed in a larger font or taped, advanced notice is necessary. All public meeting rooms are accessible to the disabled.



Sheri Smith

12/1/17

Date Posted

Attachment: 2017 Notice Of AB1600 Report Availability (1358 : ANNUAL REPORT OF DEVELOPMENT FEES (AB 1600))

BEFORE THE CITY COUNCIL OF THE CITY OF ORINDA

In the Matter of:

Mitigation Impact Fee (AB 1600))
Five Year Review Of Unexpended)
Balances And Making Findings)
Regarding Unexpended Park)
Dedication Fees Collected)

Resolution No. 90-17

WHEREAS, the Mitigation Fee Act as adopted by the State Legislature and codified in California Government Code (CGC) section 66000 and following; and

WHEREAS, the law establishes specific annual reporting requirements for impact fee funds collected and held during the year; and

WHEREAS, in addition to the Annual Report CGC section 66001(d) also establishes a requirement for a "Five Year" Review of impact fee balances held and other information; and

WHEREAS, at a public meeting on December 19, 2017 the City Council received the Annual Report of Impact Fees pursuant to the Mitigation Fee Act for the period ending June 30, 2017; and

WHEREAS, the Annual Report included an analysis of the fees held over a five year period as described CGC section 66001(d); and

WHEREAS, the City, desires to formally record the completion of a "Five Year" Review as of June 30, 2017; and

WHEREAS, although the City will be regularly monitoring impact fee balances as part of its annual reporting, the next "Five Year" Review will need to be formally recorded as of June 30, 2022; and

WHEREAS, the current "Five Year" Review completed has determined that certain Park Dedication Impact Fees have been held for a period of more than five years; and

WHEREAS, the adoption of this Resolution includes certain findings made by action of the City Council to confirm the need to retain unexpended Park Dedication Fees in order to complete projects with proposed expenditures in the next two Fiscal Years as identified in the Five Year Capital Improvement Plan adopted May 16, 2017.

NOW, THEREFORE IT IS HEREBY RESOLVED, ORDERED AND FOUND by the City Council of the City of Orinda, State of California, as follows:

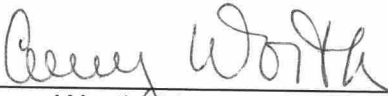
- 1) The foregoing recitals are true and correct.
- 2) As part of the Annual Report of Impact Fees for the Fiscal Year ending June 30, 2017 an analysis has been completed to determine whether any Transportation Impact Fees, Drainage Impact Fees, and Park Dedication Fees, have been collected and retained for more than five years. The report determined that only a portion of the Park Dedication Fee fund balance was attributable to fees collected and held for more than five years. The amount of the unexpended fees is \$112,244.
- 3) Park Dedication Impact fees are imposed on new development to provide funding for acquiring new parklands, building new recreational facilities, and rehabilitating or replacing existing parks and recreation facilities to enable those facilities to provide services to new residents and to offset the loss of private residential recreational and visual open space. The City programs expenditures of these fees as part of the City Council Biennial Budget appropriation and also the adoption of the Capital Improvement Plan (CIP).
- 4) As shown below selecting just three of the larger projects funded with Park Dedication Fees in the current Biennial Budget adopted May 16, 2017, the Budget for Fiscal Year 2017-18 identifies \$275,000 in Park Impact Fee expenditures which is approximately 2.5 times the amount of funds held for more than 5 years as shown below:

Selected Fiscal Year 2018 Projects	Proj #	Park Impact Fees	Other Funds	Total Expense
Community Center HVAC	4050	100,000	-	100,000
Community Park Renovation Design	4112	100,000	-	100,000
Orinda Wilder Park Improvements	4061	75,000	150,000	225,000
Total Park Dedication Fee Projects		275,000	150,000	425,000

- 5) The City Council makes the following findings related to Park Dedication funds collected more than five years ago:
 - i) It is typical to require multiple years of revenue collection to fund large capital expenditures; and
 - ii) The City capital planning process phases the implementation over multiple years in order to match the availability of funds with the project readiness; and
 - iii) Based on adopted expenditure plans for the three projects identified in number four above, all funds held for more than five years are projected to be expended in Fiscal Year 2017-18.
 - iv) Without the ability to retain the unspent funds the completion of these projects would be jeopardized by insufficient funding.


Adopted by the City Council of the City of Orinda at a regular meeting on December 19, 2017 by the following vote:

AYES:	COUNCILMEMBERS:	Gee, Miller, Orr, Phillips, Worth
NOES:	COUNCILMEMBERS:	None
ABSENT:	COUNCILMEMBERS:	None
ABSTAIN:	COUNCILMEMBERS:	None



Amy Worth, Mayor

ATTEST:



Sheri/Marie Smith, City Clerk