



CITY COUNCIL MEETING AGENDA REPORT AGENDA ITEM NO. 9

SUBJECT: ANNUAL REPORT AND FIVE-YEAR REPORT REGARDING DEVELOPMENT IMPACT FEES

MEETING DATE: November 16, 2020

PREPARED BY: Bonnie Johnson, City Manager

RECOMMENDATION: It is recommended that the City Council receive and file this Annual Report regarding developer impact fees (DIF).

SUMMARY: Government Code Section 66006 requires local agencies to submit annual reports detailing the status of development impact fees. The annual report must be made available to the public within 180 days after the last day of the fiscal year and must be presented to the public agency (City Council) as an informational report.

This report summarizes the following information for each of the development fee programs:

- Description of the type of fee in the account or fund
- The amount of the fee
- Beginning and ending fund balances
- Amount of fees collected, and the interest earned
- Identification of public improvements for which fees were expended
- Identification of any inter-fund transfers or loan made from the fund
- Any refunds made

In addition, to the extent there is an accumulation of fees in any fee category in excess of 5 years (in other words, current fund balance exceeds the amount of mitigation fees collected over the past 5 years), Government Code Section 66001 (b) requires the local agency to make certain findings. These are as follows:

- Identify the purpose for which the fees will be spent
- Indicate the fee was appropriately charged by demonstrating a reasonable relationship between the fee and the purpose for which it was charged
- Identify any other sources and amounts of funding that are necessary to complete improvements
- Identify the projected timeline for having all projected funding for making the identified improvements

DISCUSSION: Attached, as Exhibit A, is a DIF status report reflecting activity for the 2019-20 Fiscal Year: As part of that report, a determination is made, by fee category, as to whether there are mitigation fees remaining unexpended for 5 years or more. As indicated in Exhibit A, there are 5 categories of mitigation fees with unexpended funds in excess of 5 years; namely Flood Control/Drainage, Administrative Facilities, Library facilities, Law Enforcement Facilities and Park Improvements. Please note that in both the Flood Control/Drainage Fund and Traffic Improvement Fund certain non-mitigation revenue (i.e., grants and other developer

contributions) was excluded from the excess revenue calculation. The required findings in each fee category are as follows:

Flood Control/Drainage Fees:

The purpose of the City's Flood Control/Drainage Fees is to construct new flood control facilities to accommodate storm water from new development to serve the City and its residents. The relationship between the fee imposed and the purpose for which it is imposed is to mitigate the impact of new development on the need for flood control facilities that serve new development. The nexus and proportionality for the fee imposed is provided for in the DIF study that was prepared at the time the fees were established. The City hereby incorporates the findings from that study into this report. The sources of funding for this improvement are identified in the attached DIF status report. The City is currently working on the Calimesa Creek project. The project was not completed in 2019-20 and will continue into 2020-21. The funding sources include an EPA grant which concluded in 2019-20, DIF revenue and a Riverside County Flood Control grant. It is anticipated that in the next 24 months, the project will be completed. The project will require significant DIF funds to be expended during that time period.

Administrative Facilities Fees:

The purpose of the City's Administrative Facilities Fees is to construct a City Hall to serve the residents and business as the City grows due to new developments. The relationship between the fee imposed and the purpose for which it is imposed is to mitigate the impact of new development on the need for city administrative offices to serve new development. The nexus and proportionality for the fee imposed is provided for in the DIF study that was prepared at the time the fees were established. The City hereby incorporates the findings from that study into this report. The sources of funding for this improvement are identified in the attached DIF status report. A few years ago, the City completed the initial conceptual design of a new Civic Enrichment Center that would include, among other things, new library and city hall facilities. At that time, the estimated cost of the construction of the facility was \$6.4 million. However, these costs were updated in the most recent DIF study (2017) to include the possibility of a slightly larger facility and alternative location. Depending on ultimate site location and facility design, the current estimated cost of construction is between \$10 million and \$16 million. It is anticipated that this improvement will be constructed in the next 5 to 7 years and that during that time the City's collected Administrative Facilities Fees would be expended for that purpose.

Library Fees:

The purpose of the City's Library Facilities Fees is to construct a new library to serve the residents and business within new developments in the City. The relationship between the fee imposed and the purpose for which it is imposed is to mitigate the impact of new development on the need for library services to serve new development. The nexus and proportionality for the fee imposed is provided for in the DIF study that was prepared at the time the fees were established. The City hereby incorporates the findings from that study into this report. The sources of funding for this improvement are identified in the attached DIF status report. A few years ago, the City completed the initial conceptual design of a new Civic Enrichment Center that would include, among other things, new library and city hall facilities. At that time, the estimated cost of the construction of the facility was \$6.4 million. However, these costs were updated in the most recent DIF study to include the possibility of a slightly larger facility and alternative location. Depending on ultimate site location and facility design, the current estimated cost of construction is

between \$10 million and \$16 million. It is anticipated that this improvement will be constructed in 5 to 7 years and that during that time, the City's collected Library Facilities Fees would be expended for that purpose.

Law Enforcement Fees:

The purpose of the City's Law Enforcement Facilities Fees is to construct a new police services facility in the City to serve the residents and businesses within new developments in the City. The relationship between the fee imposed and the purpose for which it is imposed is to mitigate the impact of new development on the need for law enforcement services to serve that new development. The nexus and proportionality for the fee imposed is provided for in the DIF study that was prepared at the time the fees were established. The City hereby incorporates the findings from that study into this report. The sources of funding for this improvement are identified in the attached DIF status report. The City currently contracts with the County of Riverside for Sheriff (Police) services. The City has not grown as expected over the last several years. Any significant growth began in 2018-19. As such, building a facility has been delayed. It is anticipated that a facility will be built in the next 10 to 15 years and that the City's Law Enforcement Facilities Fees will be expended during that period.

Park Improvement Fees:

The current purpose of the City's Park Improvement Fees is to construct additional park facilities to serve the City and its residents. The relationship between the fee imposed and the purpose for which it is imposed is to mitigate the impact of new development on the need for additional parks to serve that new development. The nexus and proportionality for the fee imposed is provided for in the DIF study that was prepared at the time the fees were established. The City hereby incorporates the findings from that study into this report. The sources of funding for this improvement are identified in the attached DIF status report. The City currently owns 2.31 acres of undeveloped parkland referred to as 4th Street Park Phase 2. Several concepts have been discussed for this property, but none have been approved to date. In addition, the City plans to contract for the development of a Park Master Plan in the near future. To date, the City has accumulated Park Improvement funds of \$2,937,156.

Fire Facilities Fees and Street and Traffic Fees:

As noted in the attached DIF status Report, there was not an excess of funds in the Fire Facilities Fund or the Street and Traffic Improvement Fund. As such, no findings are required to be made.

ATTACHMENTS:

Attachment A: Development Impact Fee Status

**CITY OF CALIMESA
DEVELOPMENT IMPACT FEE STATUS
FISCAL YEAR ENDED JUNE 30, 2020**

EXHIBIT A

	Fire Facilities	Flood Control/ Drainage		Administrative Facilities		Library Facilities		Law Enf. Facilities		Street/Traffic Improvement		Park Improvement		Total All Funds
Beginning Fund Balance	\$ 173,048	\$ 1,331,144		\$ 1,323,983		\$ 688,061		\$ 393,255		\$ 1,877,178		\$ 2,496,086		\$ 8,282,755
Revenues:														
Mitigation Fees	76,571	1,054,636		940,293		240,792		81,907		632,499		395,530		3,422,228
Interest Income	3,576	33,365		33,302		14,906		7,591		40,584		50,308		183,632
Other		81,333	(6)							1,297,305	(6)	-		1,378,638
Total Revenue	\$ 80,147	\$ 1,169,334		\$ 973,595		\$ 255,698		\$ 89,498		\$ 1,970,388		\$ 445,838		\$ 4,984,498
Expenditures:														
Planning			(5)	\$ 4,208										\$ 4,208
Engineering		181,612	(3)							2,097,282	(7)			2,278,894
Construction/Improvements		\$ 4,989	(4)	\$ -										4,989
Vehicles and Equipment	\$ 167,167	(2)												167,167
Administration	4,185	(1)		\$ 2,917	(1)	2,917	(1)	2,917	(1)	19,240	(1)	\$ 4,768	(1)	53,633
Debt Service	\$ 49,901	(2)												49,901
Transfers, Loans, Refunds		(8)							(8)					-
Total Expenses	\$ 221,253	\$ 203,290		\$ 7,125		\$ 2,917		\$ 2,917		\$ 2,116,522		\$ 4,768		\$ 2,558,792
Ending Fund Balance	\$ 31,942	\$ 2,297,188		\$ 2,290,453		\$ 940,842		\$ 479,836		\$ 1,731,044		\$ 2,937,156		\$ 10,708,461

Mitigation Fees Collected

2015-16 to 2019-20: \$ 412,459 \$ 2,066,443 \$ 1,942,663 \$ 637,578 \$ 287,597 \$ 1,212,114 \$ 1,826,408

Fund Balance vs. Fees Collected \$ (380,517) \$ 149,412 (6) \$ 347,790 \$ 303,264 \$ 192,239 \$ (778,375) (6) \$ 1,110,748

Accumulation in Excess of 5 Years No Yes Yes Yes Yes No Yes

(1) Fees expended for administration

(2) All expenditures related to vehicles and equipment for Fire Department

(3) All expenditures related to the Calimesa Creek Project

(4) This expenditure relates to the Roberts Road Storm Drain project

(5) This expenditure relates property appraisal on potential City Hall complex expansion.

(6) This revenue is not mitigation fee revenue - it is grant revenue and other developer contributions. It has not been included in the excess revenue calculation.

(7) All expenditures related to design/engineering costs related to the County Line Road Improvements and Cherry Valley Interchange