



MEMORANDUM

TO: CITY COUNCIL

FROM: NICOLE VALENTINE, ACTING DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: CONSIDERATION OF ANNUAL FINANCIAL REPORT – FISCAL YEAR 2017-18 RECEIPT AND USE OF WATER AND SEWER CAPACITY AND CONNECTION FEES/CHARGES

DATE: JANUARY 8, 2019

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 of the status report other than the staff time required to prepare it, which is estimated at 2 hours.

RECOMMENDATION:

It is recommended the City Council 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.

BACKGROUND:

Government Code Section 66013 requires a financial accounting of the transactions dealing with water and sewer capacity and connection fees and charges (development impact fees) be made available to the public annually.

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 moneys in the fund;
3. The amount of charges/fees collected in the fiscal year;
4. The public improvements on which charges/fees were expended;
5. 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;

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6. The completed public improvements on which charges/fees were expended;
7. Each public improvement that is anticipated to be undertaken in the current fiscal year.

Attached to this staff report is the financial information (Attachment 1) as required by Government Code Section 66013 as of June 30, 2018. 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. The information provided is consistent with the financial records.

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 facility 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 Attachment 1 is presented in a format consistent with the annual audit of the Fiscal Year from July 1, 2017 to June 30, 2018.

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 used for future water infrastructure improvements.
- **Sewer Facility (Fund 634)**
Sewer Connection fees, enacted pursuant to the provision of Section 13.12.190 et seq. of the City Municipal Code, are collected to help pay for improvements and future sewer system capacity as necessary to meet the needs of the City resulting from growth and expansion.
- **Water Availability Fund (Fund 241)**
This fund is used to account for the accumulation of water availability charge revenues. This charge was enacted pursuant to the provision of Section 38743 of the Government Code, and Section 13.04.040 of the City Municipal Code.

Due to the volatility in development activity in recent years, new revenue in these funds has been difficult to forecast. This has required occasional adjustments to projections for future capital improvement projects.

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ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Approve staff's recommendation to receive and file the annual report;
2. Do not approve staff's recommendation and request further information;
3. Modify staff's recommendation and approve; or
4. Provide direction to staff.

ADVANTAGES:

By accepting the Water and Sewer Development Impact Fees-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.

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.

Attachment:

1. Statement of Fund Balances for Water and Sewer Development Fees and Charges

CITY OF ARROYO GRANDE
 Water and Sewer Development Fees and Charges
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Fiscal Year Ended June 30, 2018

	Sewer Facility	Water Facility	Water Availability
Revenues:			
Interest Income	\$ 6,574	\$ 9,782	\$ 22,039
Sewer Facility Charges	19,011		
Distribution Charges		29,584	
Water Availability Charges			32,450
Total Revenues	25,584	39,366	54,489
Expenditures			
Operating Expenses	-	-	-
There were no operating expenditures.			
Excess of Operating Revenues Over Operating Expenditures	25,584	39,366	54,489
Other Financing Uses			
Capital Transfers Out	-	-	(232,499)
	-	-	(232,499)
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	25,584	39,366	(178,010)
Fund Balance, Beginning of Year	493,618	734,231	1,680,536
Fund Balance, End of Year	\$ 519,202	\$ 773,597	\$ 1,502,526

Water Availability Transfers

<u>Fiscal Year 2017-18 Completed Work</u>	<u>Transfers</u>
Water Well No 11 Facilities	227,958
Well Siting Study	4,542
Total Capital Transfers	\$ 232,499

There were no operating expenditures in FY2017-18.
 We do not currently have any funding budgeted for these funds in FY2018-19