



MEMORANDUM

TO: CITY COUNCIL

FROM: NICOLE VALENTINE, ACCOUNTING MANAGER

SUBJECT: CONSIDERATION OF ANNUAL FINANCIAL REPORT – FISCAL YEAR 2018-19 RECEIPT AND USE OF WATER AND SEWER CAPACITY AND CONNECTION FEES/CHARGES

DATE: JANUARY 14, 2020

SUMMARY OF ACTION:

The annual report provides an accounting of fees derived from water and sewer capacity and connection fees and charges, as required by State law.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There is no direct financial impact of the annual 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;
6. The completed public improvements on which charges/fees were expended; and
7. Each public improvement that is anticipated to be undertaken in the current fiscal year.

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Attached to this staff report is the financial information required by Government Code Section 66013 as of June 30, 2019 (Attachment 1). 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 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, 2018 to June 30, 2019.

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 Section 13.04.050 of the Arroyo Grande 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 Sections 13.12.190 et seq. of the Arroyo Grande 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 Section 38743 of the Government Code, and Section 13.04.040 of the Arroyo Grande Municipal Code.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Receive and file the annual report;
2. Do not receive and file the report at this time and request further information; or
3. Provide direction to staff.

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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, 2019

	Sewer Facility	Water Facility	Water Availability
Revenues:			
Interest Income	\$ 9,601	\$ 14,326	\$ 26,415
Sewer Facility Charges	57,602		
Distribution Charges		66,457	
Water Availability Charges			85,363
Total Revenues	67,203	80,783	111,778
Expenditures			
Operating Expenses	-	-	83,198
Excess of Operating Revenues Over Operating Expenditures	67,203	80,783	28,579
Other Financing Uses			
Capital Transfers Out	-	-	75,035
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	67,203	80,783	103,615
Fund Balance, Beginning of Year	519,202	773,597	1,502,526
Fund Balance, End of Year	<u>\$ 586,405</u>	<u>\$ 854,379</u>	<u>\$ 1,606,141</u>

Water Availability Transfers

Fiscal Year 2018-19 Completed Work	Transfers
Water Well No 11 Facilities	6,654
Well Siting Study	24,396
Well 7 Evaluation	43,985
Total Capital Transfers	<u>\$ 75,035</u>