

TO: Board of Trustees
Latrobe School District

FROM: Jennifer Fusano, CFO

DATE: November 16th, 2021

Re: **Collection and Accounting for Developer Fees**

Background:

Legislation passed in 1986 (AB 2926) permitted school districts, for the first time, to assess development fees but at a specified, limited amount. These fees were commonly referred to as “Sterling fees” or “AB 2926 fees.” Since the passage of SB 50 in 1998, these fees are commonly referred to as “Level I fees.” They are referred to as Level I fees because SB 50 also authorized Districts to collect two other types of fees, commonly referred to as Level II and Level III fees. This District is not eligible to collect the Level II or Level III fees.

In 1986 the Level I fee was limited to a maximum amount of \$1.50 per square foot for residential development and \$0.25 per square foot of commercial development. Every two years the State Allocation Board adjusts the maximum amount of the fees according to the construction cost index. Today the maximum amount of the fees is \$4.08 per square foot for residential development and additions, and \$0.66 per square foot of commercial/industrial development. The fee is shared on a K-12 basis. On the western slope, EDUHSD and elementary feeder districts have reached an agreement to allocate the fees 61% toward K-8 needs and 39% towards 9-12. On January 19, 2021, Latrobe School District board approved the 2020 School Facility Fee Justification Report which allows us to charge the current rates. Latrobe’s share of residential rate is \$2.49 per square foot and \$.40 per square foot for commercial/industrial development.

Accounting for Developer Fees Collected in Prior Years:

Pursuant to Government Code § 66006 all fees and charges, along with any interest income earned thereon, are deposited in a separate capital facilities fund in a manner to avoid any commingling of the fees and charges with other revenues and funds of the District. Every year the District must account for the fees. Pursuant to Government Code § 66001 every five years the District must make certain findings regarding the funds as described below. The expenditure of the fees is described in the “Developer Fee Accounting and Expenditure Report.”

Any interest income earned by the money in the capital facilities account or fund was also deposited into that account or fund and expended only for the purpose for which the fee was originally collected.

Pursuant to Government Code § 66006, the District shall, within 180 days after the last day of each fiscal year, make available to the public an accounting for the fees in the capital facilities account or fund.

Not less than 15 days after it is made available to the public, the District shall review the accounting at the next regularly scheduled public meeting.

The District shall provide notice of the time and place of the meeting, including the address where this information may be reviewed, and the notice shall be mailed at least 15 days prior to the meeting, to any interested party who files a written request with the District for mailed notice of the meeting.

During the past five years which includes the 2020-21 fiscal year the District has collected Level I fees. The District has prepared an accounting for developer fees collected in fiscal year 2020-21 and for the prior four years.

If findings are not made every five years, as required by Government Code § 66001(d), the District shall refund the moneys in the account or fund, as provided below.

Under Government Code § 66006 the annual accounting must contain the following information:

- a. **A brief description of the type of fee in the account.**
 - i. In this District all of the fees in the account are Level I fees collected from developers under Government Code Section 65995 and Education Code Section 17620.
- b. **The amount of the fee.**
 - i. On January 19, 2021, the amount charged for developer fees was established and approved by the Latrobe School District Board, resolution #21-01. The fee is currently set at \$2.49 per square foot on all residential construction and \$.40 per square foot on all commercial and industrial construction.
- c. **The beginning and ending balance of the account.** The beginning balance of the account as of July 1, 2020 was \$94,845.22. The ending balance as of June 30, 2021 was \$144,670.49

- d. **The amount of the fees collected and the interest earned.** The amount of fees collected from July 1, 2020 through June 30, 2021 was \$41,876. Interest earned on the entire fund was \$580.22 and other transfer in totaled \$407.19.
- e. **An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.** The fees were used to pay for the following:
 - 1. EDCOE Fee \$ 2,333.14
 - 2. Developer Study Public Notice \$ 130.00
 - 3. Developer Fee Study Update \$ 1,500.00
- f. **An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in the facility plan of the District, and that the public improvement remains incomplete.** All projects are completed.
- g. **A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.** There was no loan activity within the Developer Fee Fund.
- h. **The amount of any developer fee refunds.** The District did not have any refunded developer fees.

Under Government Code Section 66001, the Board must make the following findings for the five-year accounting with respect to the portion of the account or fund remaining unexpended, whether committed or uncommitted:

- a. **Identify the purpose to which the fee is to be used.** The funds will continue to be used for the construction/reconstruction of the facilities and equipment purchased for the Latrobe School District.
- b. **Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.** The amount of the fees is included in the report. The fees are charged for the purpose of adequately constructing school facilities for the new students.

- c. **Identify all sources and amounts of funding anticipated to complete the financing of incomplete improvements.** The District does not have any incomplete projects at this time.
- d. **Designate the approximate dates on which the funding anticipated to complete financing of the incomplete improvements is expected to be deposited into the appropriate account or fund.** The District does not have any incomplete projects at this time.

When sufficient funds have been collected to complete financing on incomplete public improvements identified in the District's facilities plan, and the improvements remain incomplete, the District shall identify, within 180 days of the determination that sufficient funds have been collected, an approximate date by which the construction of the public improvement will be commenced, or shall refund to the then current record owner or owners of the lots or units, as identified on the last equalized assessment roll, of the development project or projects on a prorated basis, the unexpended portion of the fee, and any interest accrued thereon.

If the administrative costs of refunding unexpended revenues exceed the amount to be refunded, the District, after a public hearing, notice of which has been published once in a newspaper of general circulation, and posted in three prominent places within the area of the development project, may determine that the revenues shall be allocated for some other purpose for which development fees are collected pursuant to Government Code §§ 66000 et seq., and which serves the project on which the fee was originally imposed.

After the district's annual audit it was determined that fees incurred from 18-19 and 19-20 needed to be charged to fund 40 rather than fund 25 which was corrected by an audit adjustment.

Recommendation:

Staff recommends that the Board of Trustees approve this report, approve the information provided for the annual accounting and make the findings set forth above for the five-year accounting.

Latrobe School District

2015-16			
Beginning Balance July 1, 2015			\$125,713.40
Income:			
Interest Earned		\$907.65	
Developer Fee Collected		\$212,202.60	
Total Income:			\$213,110.25
Expense:			
EDCOE Collection Fee		(\$5,710.20)	
Legal expense water project		(\$3,839.40)	
Paving projects		(\$191,828.39)	
Solar loan		(\$8,538.40)	
Total Expenses:			(\$209,916.39)
Ending Balance June 30, 2016			\$128,907.26
2016-17			
Beginning Balance July 1, 2016			\$128,907.26
Income:			
Interest Earned		\$1,397.33	
Developer Fee Collected		\$233,278.00	
Other Interfund Transfer In		\$17,141.50	
Total Income:			\$251,816.83
Expense:			
EDCOE Collection Fee		(\$7,723.88)	
Other Equipment		(\$913.74)	
Site Improvement		(\$17,141.50)	
Solar loan		(\$8,538.40)	
Total Expenses:			(\$34,317.52)
Ending Balance June 30, 2017			\$346,406.57
2017-18			
Beginning Balance July 1, 2017			\$346,406.57
Income:			
Interest Earned		\$4,256.74	
Developer Fee Collected		\$144,481.40	
Total Income:			\$148,738.14
Expense:			
EDCOE Collection Fee		(\$4,334.44)	
Other Equipment		(\$6,263.36)	
Solar loan		(\$46,057.15)	
Total Expenses:			(\$56,654.95)
Ending Balance June 30, 2018			\$438,489.76

2018-19			
Beginning Balance July 1, 2018			\$438,489.76
Income:			
Interest Earned		\$11,586.66	
Developer Fee Collected		\$247,958.00	
Total Income:			\$259,544.66
Expense:			
EDCOE Collection Fee		(\$9,252.36)	
Developer Fee Study Billing		(\$1,550.00)	
Total Expenses:			(\$10,802.36)
Transfer Out:			(\$488,810.00)
Ending Balance June 30, 2019			\$198,422.06
2019-20			
Beginning Balance July 1, 2019			\$198,422.06
Income:			
Interest Earned		\$3,045.28	
Developer Fee Collected		\$38,708.00	
Total Income:			\$41,753.28
Expense:			
EDCOE fee		(\$6,328.35)	
Developer Fee Study Billing		(\$2,364.16)	
Furniture		(\$1,962.85)	
Legal expense		(\$5,767.50)	
Total Expenses:			(\$16,422.86)
Transfer Out:			(\$128,907.26)
Ending Balance June 30, 2020			\$94,845.22
2020-21			
Beginning Balance July 1, 2020			\$94,845.22
Income:			
Interest Earned		\$580.22	
Other transfer in		\$407.19	
Developer Fee Collected		\$41,876.00	
Total Income:			\$42,863.41
Expense:			
EDCOE fee		(\$2,333.14)	
Developer Fee Study Public Notice		(\$130.00)	
Developer Fee Study Billing		(\$1,500.00)	
Total Expenses:			(\$3,963.14)
Audit Adjustment:			\$10,925.00
Ending Balance June 30, 2020			\$144,670.49