

**City of Foster City/Estero Municipal Improvement District
Capacity Fees and Development Impact Fee – Annual Report
Fiscal Year Ended June 30, 2022**

This report serves as the City of Foster City and the Estero Municipal Improvement District’s (City/District) annual report on development impact fees and housing impact fee revenues and expenditures as required by the Government Code Section 66001-66013. The City/District currently assesses two enterprise capacity fees – Water Connection Fee and Sewer Connection Fee, and a development impact fee – Affordable Housing Commercial Linkage Fee.

Water Connection Fee

Water Connection Fee is a type of capacity fee that public agencies may impose as a condition of development under the authority of California Government Code Section 66000 et seq, the Mitigation Fee Act. The purpose of the fee is to ensure that development pays its fair share of the costs associated with providing system capacity. Connection fee is charged at the time of the building permit is issued, and it is based on the size of the service connection, which is a direct measure of the cost of the facilities and the capacity provided by those facilities. The fees collected will be used to pay for existing and future public facilities that provide water capacity, supply, and infrastructure to serve new connections.

In Fiscal Year 2021- 2022, the water connection fees were charged as shown in the table below:

Water Connection Fee Schedule Fiscal Year 2021-2022	
Meter Size	Fees
¾ “	\$11,611
1 “	\$19,390
1 ½”	\$46,443
2 “	\$61,885
3 “	\$135,499
4 “	\$243,827
6 “	\$541,875
8 “	\$928,864

The following table shows the revenues and expenditures activities of water connection fees and the capital projects funded by the fee.

Water Connection Fee
Revenues and Expenditures Schedule
For the Fiscal Years Ended June 30

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022
BEGINNING BALANCE	\$ -	\$ -	\$ 180,659	\$ -	\$ 678,698
REVENUES:					
Water Connection Fees	123,365	211,420	-	977,278	443,541
Interest Income	519	2,249	3,221	2,779	3,447
Total revenues	<u>123,884</u>	<u>213,669</u>	<u>3,221</u>	<u>980,057</u>	<u>446,988</u>
EXPENDITURES:					
Capital Projects:					
Two Natural Gas Powered Engines & Pumps Replacement (CIP#651)	7,630				
Water Distribution System Master Plan Study (CIP#668)	116,254				
Water System Improvements & Valve Replacements (CIP#636)		33,010	183,880	159,287	
Water Tank Improvements Project (CIP#660)				142,072	
Total expenditures	<u>123,884</u>	<u>33,010</u>	<u>183,880</u>	<u>301,359</u>	<u>-</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>-</u>	<u>180,659</u>	<u>(180,659)</u>	<u>678,698</u>	<u>446,988</u>
ENDING BALANCE	<u>\$ -</u>	<u>\$ 180,659</u>	<u>\$ -</u>	<u>\$ 678,698</u>	<u>\$ 1,125,686</u>

Projects Funded by Water Connection Fee as of June 30, 2022

Project No.	Project Name	Total Year-To-Date Expenditure (All Funding Sources)	Total Impact Fees Used	% of Expenditures Funded with Capacity Fee
405-651	Two Natural Gas Powered Engines & Pumps Replacement	\$ 932,253	\$ 7,630	1%
405-668	Water Distribution System Master Plan Study	\$ 163,485	\$ 116,254	71%
405-636	Water System Improvements & Valve Replacements	\$ 1,398,126	\$ 376,177	27%
405-660	Water Tank Improvements Project	\$ 370,400	\$ 142,072	38%

As of June 30, 2022, there are no interfund transfers or loans made from the fund, and the unexpended fund balance of the water connection is \$1,125,686. The fund balance and continued collection of water connection fees will be utilized to fund projects related to the water system improvements and ongoing maintenance of existing facilities. The City does not anticipate undertaking any projects funded by water connection fees in the next fiscal year.

Sewer Connection Fee

Sewer Connection Fee is a type of capacity fee that public agencies may impose as a condition of development under the authority of California Government Code Section 66000 et seq, the Mitigation Fee Act. The purpose of the fee is to recover an equitable share of costs for capacity in facilities needed to provide sewer services. New development connecting to the City of Foster City’s sewer system is charged at the time of the building permit is issued. The connection fee is based on the reasonable cost of capacity per service connection. The reasonable cost is derived based on the value of facilities that provide capacity for growth. The sewer connection fees are charged based on per Equivalent Dwelling Unit (EDU). Single family and multi family connections are charged per EDU based on the number of dwelling units. Commercial customers are charged per EDU based on their estimated indoor water use and a strength factor for low, medium, and high strength sewer discharge. The fees collected will be used by the City/District to pay for existing and future facilities that provide capacity to serve future connections.

In Fiscal Year 2021-2022, the sewer connection fees were charged as shown in the table below:

Sewer/Wastewater Connection Fee Schedule Fiscal Year 2021-2022		
Customer Class	Fees	Unit
Single Family	\$8,120	Per Dwelling Unit
Multi Family	\$5,073	Per Dwelling Unit
Commercial	\$8,120	Per Equivalent Dwelling Unit

The following table shows the revenues and expenditures activities of sewer connection fees and the capital projects funded by the fee.

Sewer Connection Fee
Revenues and Expenditures Schedule
For the Fiscal Years Ended June 30

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022
BEGINNING BALANCE	\$ -	\$ -	\$ -	\$ -	\$ 147,971
REVENUES:					
Sewer Connection Fees	273,900	92,420	-	482,551	180,449
Interest Income	3,043	841	-	1,234	945
Total revenues	<u>276,943</u>	<u>93,261</u>	<u>-</u>	<u>483,785</u>	<u>181,394</u>
EXPENDITURES:					
Capital Projects:					
Sewer System Rehab-Force Main, Gravity Mains & Manholes 2011/2012 (CIP#611)	-	-	-	146,590	
Sanitary Sewer Lift Station Improvement Project Phase 5 (CIP#626)	276,943	93,261	-	83,089	
Lift Station 59 Effluent Line Improvements (CIP#695)	-	-	-	49,773	
Sanitary Sewer System Improvements (CIP#696)	-	-	-	56,362	
Total expenditures	<u>276,943</u>	<u>93,261</u>	<u>-</u>	<u>335,814</u>	<u>-</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,971</u>	<u>181,394</u>
ENDING BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,971</u>	<u>\$ 329,365</u>

Projects Funded by Sewer Connection Fee as of June 30, 2022

Project No.	Project Name	Total Year-To-Date Expenditure (All Funding Sources)	Total Impact Fees Used	% of Expenditures Funded with Capacity Fee
455-611	Sewer System Rehab-Force Main, Gravity Mains & Manholes 2011/2012 (CIP#611)	\$ 1,199,170	\$ 146,590	12%
455-626	Sanitary Sewer Lift Station Improvement Project Phase 5 (CIP#626)	\$ 7,673,868	\$ 453,293	6%
455-695	Lift Station 59 Effluent Line Improvements (CIP#695)	\$ 75,805	\$ 49,773	66%
455-696	Sanitary Sewer System Improvements (CIP#696)	\$ 56,362	\$ 56,362	100%

As of June 30, 2022, there are no interfund transfers or loans made from the fund, and the unexpended fund balance of the sewer connection is \$329,365. The fund balance and continued collection of sewer connection fees will be utilized to fund the projects related to the sewer system improvements and ongoing maintenance and operations of existing facilities. The City does not anticipate undertaking any projects funded by sewer connection fees in the next fiscal year.

Affordable Housing Commercial Linkage Fee

Affordable Housing Commercial Linkage Fee is the fee paid by developers of commercial development projects to mitigate the impacts that such developments have on the demand for affordable housing in the City.

In Fiscal Year 2021-2022, the City/District charged affordable housing commercial linkage fees for nonresidential development projects as follows:

Affordable Housing Commercial Linkage Fee (Nonresidential Development Projects) Schedule Fiscal Year 2021-2022	
Category	Fee per Square Foot of Net New Gross Floor Area
Hotel	\$12.50
Retail, Restaurant, and Services	\$6.25
Office, Medical Office, and Research and Development Uses	\$27.50

The following table shows the revenues and expenditures activities of commercial linkage fees.

Commercial Linkage Fee
Revenues and Expenditures Schedule
For the Fiscal Year Ended June 30, 2022

Fiscal Year Ended June 30,	2021	2022
BEGINNING BALANCE	\$ -	\$ 568,915
REVENUES:		
Commercial Linkage Fees	567,683	-
Interest Income	1,232	2,591
Total revenues	<u>568,915</u>	<u>2,591</u>
EXPENDITURES:		
Housing Projects Expenditures	-	-
Total expenditures	<u>-</u>	<u>-</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>568,915</u>	<u>2,591</u>
ENDING BALANCE	<u>\$ 568,915</u>	<u>\$ 571,506</u>

As of June 30, 2022, the unexpended fund balance of the commercial linkage was \$571,506. The fund balance and continued collection of commercial linkage fees will be used to provide housing affordable to very low income, lower income, and moderate income households in the City, consistent with the goals and policies contained in the City's housing element and the purposes for which the fees were collected, and for administration and compliance monitoring of the affordable housing program.