



Agenda Report

MEETING DATE: Tuesday, May 11, 2021

TO: City Council
Successor Agency

FROM: ADMINISTRATIVE SERVICES DIRECTOR CZERWIN
MARISSA DURAN

SUBJECT: IMPACT FEES AND SUCCESSOR AGENCY APPROPRIATIONS
REQUEST TO BE ABLE TO TRANSFER BETWEEN FUNDS

STATEMENT OF ISSUES:

Staff recommends that the City Council appropriate funds to allow staff to transfer between funds.

RECOMMENDED ACTION:

Staff recommends that Council and Successor Agency appropriate the following funding request to able to transfer between funds to correct negative cash balances and a transfer correction to the Redevelopment Agency fund.

Impact Fee Funds

In the late 90's the City began negotiating developer agreements that were alternatives to or superseded the existing Impact Fees for some residential subdivisions. As a result, the City collects a 1% Transfer Fee at the time of the sale of the homes within those subdivisions. The existing developer agreements for the 1% transfer fee will expire 30 years after they were ratified.

The first implemented was the Sunset Cove Development Agreement in 1999 (8 years remaining), Vista Montana in 2001 (10 years remaining), Bay Breeze in 2002 (11 years remaining) and Seaview Ranch in 2003 (12 years remaining). The existing developer agreements for the 1% transfer fee will expire 30 years after they were ratified.

The Impact fees funds that need budgetary correction are namely: Airport Industrial, Crestview Area and the Watsonville Slough Fund. This is because neither the Airport Industrial nor the Crestview Area are receiving any additional revenues and currently have negative balances. The Watsonville Slough Fund is still receiving revenue but not at a rate expected to correct the current negative balance in a reasonable time frame.

Below is a list of projects that these funds addressed:

Project Name from Project List	Fund	#	Expenses
AIRPORT BLVD/WESTGATE SIGNAL	339	64712	\$114,877
AIRPORT BLVD/NIELSON SIGNAL	339	64713	\$103,481
AIRPORT/HANGER SIGNAL LIGHT	339	74711	\$27,863
INSTALL TRAFFIC SIGNAL @ AIRPORT BLVD & HANGAR WAY	339	84712	\$94,322
MAIN ST/CLIFFORD AVE SIGNAL	339	65481	\$105,163
AIRPORT BLVD/LOMA PRIETA SIGNAL	339	64714	\$44,500
TOTAL			\$490,206
PENNSYLVANIA AND CLIFFORD OPERATIONAL IMPR	342	02191	\$25,340

This fund received grant funds to cover the Watsonville Slough Bridge Construction, but the City's share was estimated at about \$2,000,000.

	346	00000	\$28,982
WATSONVILLE SLOUGH BRIDGE DESIGN	346	06002	\$113,365
WATSONVILLE SLOUGH BRIDGE DESIGN CONSTRUCTION	346	35681	\$9,572,328
WATSONVILLE SLOUGH BRIDGE CONSTRUCTION	346	60371	\$0
TOTAL			\$9,714,675

The expenses were higher than the revenues collected in these funds over the years. Most of these projects were completed in the early 2000's. It is anticipated that about \$1,413,261 is needed to correct the over spending in the 3 Impact Fee funds. This is a summary of the estimated funds needed:

Fund	Name	Amount
339	Airport Indust.	(198,107)
342	Crestview	(15,154)
346	Wat. Slough	(1,200,000)
TOTAL ESTIMATED NEED		(1,413,261)

RDA transfer to General Fund

In FY 2017, the City received an e-mail from the County of Santa Cruz noting an amendment the City filed with the State for additional ROPS funding which would result in an additional payment in the following year. At the end of FY 2017 the City posted a receivable for this revenue. The payment was recorded in full at the time the wire was received in January 2018. An error occurred during the audit period, in which an additional journal was recorded that posted the same revenue to the RDA fund and transferred funds from the General Fund. This double payment caused the RDA fund to receive a duplicate payment \$1,005,834.50. The RDA fund needs to reimburse the general fund for this error. The revenue was taken from the City's General Fund Property Taxes. The RDA fund currently does not have the appropriation to make this one-time repayment.

Fiber Optic Fund

In 2013 the City awarded a Citywide Fiber Optic Project. The scope of the project was to excavate and construct Citywide Fiber Optics project.

Prior to this project, the City received fiber optic data services at no cost as part of the original franchise agreement with Charter Communications. However, on June 30, 2014 this franchise agreement would have expired and the service would have no longer been free.

The fiber optic system provides data and communication services at many City and other public facilities, and provides essential technology services throughout the City. Some of the more critical systems include internet access, data connection, security systems, and gate controls for all City facilities. It also includes wireless access for the public, and a wireless system used by the Police Department to access secure data at remote locations throughout the City.

City staff identified two options to address the loss of this free fiber optic service.

1. The City can choose to build its own fiber optic system, or
2. The City may continue utilizing the Charter data fiber through a lease agreement.

Council authorized the City to build its own system. The Citywide Fiber Optic project involved running new fiber optic lines to critical locations throughout the City. This was completed in two phases. Phase 1 included upgrading existing conduits and utility boxes and installing new conduits by directional boring. A second project (Phase 2) installed the new fiber optic lines to key facilities. The total project costs were \$706,929.

Summary of Request

From	Fund Name	To	Fund Name	Amount
150	General Fund	339	Airport Industrial	198,107.00
150	General Fund	342	Crestview Area	15,154.00
150	General Fund	346	Watsonville Slough	1,200,000.00
202	RDA	150	General Fund	1,005,834.50
150	General Fund	789	Fiber Optic Fund	75,939.56
250	Library	789	Fiber Optic Fund	143,572.91
710	Wastewater	789	Fiber Optic Fund	148,051.28
720	Water	789	Fiber Optic Fund	144,404.20
730	Airport	789	Fiber Optic Fund	16,032.05
Net affect to the General Fund				(483,366.06)

Staff recommends that Council and Successor Agency appropriate the following funding request to able to transfer between funds to correct negative cash balances and a transfer correction to the Redevelopment Agency fund.

ALTERNATIVE ACTION:

Council and Successor Agency can choose not to approve these appropriation requests for fund transfers and the funds will continue to carry negative balances that will have to be corrected at some point in the future.

ATTACHMENTS AND/OR REFERENCES (If any):

None.