

**CITY OF MORRO BAY
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025**

Government Impact Fees

Government Impact Fees are collected to ensure that new development pays the cost of infrastructure expansion required to meet the needs of that new development, effectively transferring the cost burden of growth from the existing rate and taxpayers.

The collected fees are held in fund 900, Government Impact Fees Fund. They can be used for capital projects for new facilities, vehicles, and rehabilitation and/or renovation of existing facilities, so long as the rehabilitation or renovation increases service capacity.

Beginning Fund Cash Balance FY 2024-25 (07/01/2024)							1,025,342
	Bal 7/1/2024	Fees Collected	Interest Earned	Correction to Prior Years	Fees Used	Remaining Balance	
Administration Fees	\$ 727,350	\$ 67,421	\$ 12,512	\$ (856)	\$ 58,890	\$ 747,537	
Police Fees	\$ 25,942	\$ 22,107	\$ 4,103	\$ 4,219	\$ -	\$ 56,371	
Fire Fees	\$ 30,504	\$ 24,137	\$ 4,479	\$ (958)	\$ 39,309	\$ 18,853	
Street Fees	\$ 136,315	\$ 106,926	\$ 19,844	\$ 5,027	\$ -	\$ 268,112	
Storm Drain Fees	\$ 53,906	\$ 2,817	\$ 523	\$ (31,648)	\$ -	\$ 25,598	
Parks Fees	\$ 51,325	\$ 69,591	\$ 12,915	\$ 40,785	\$ -	\$ 174,616	
	\$ 1,025,342	\$ 292,999	\$ 54,377	\$ 16,568	\$ 98,199	\$ 1,291,087	
Uses of Funds							
Interfund Transfer to General Fund for Development Impact Nexus & Fee Study (100% Cost of Study)					\$ 58,890		
Interfund Transfer to Bonita Fire Station Remodel (89% Cost of Design Project)					\$ 39,309		
Total Use of Funds					\$ 98,199		
Total Ending Balance FY 2024-25 (06/30/2025)							\$ 1,291,087

Corrections to prior years were made to bring the report in balance with the fund balance. Discrepancies in Administration, Police, Fire, and Street Fees are due to cumulative errors in interest earnings distributions. In Storm Drain Fees, expenditures exceeded revenues for three consecutive years; when unspent funds that had been allocated to projects were returned to this fund in FY 2023-24, the existing deficit was not accounted for, resulting in an overstatement of the balance as of 6/30/2024. That is corrected here by reducing the reported balance by \$31,648 and presenting the accurate available balance of \$25,598 in Storm Drain Fees. In Parks Fees, there was a clerical error in the beginning balance at 7/1/2023, erroneously reducing the beginning balance by \$17,000. Additionally, unspent funds that had been allocated to projects were returned to this fund in FY 2023-24. Finally, there were corrections to the cumulative errors in interest earnings distributions. The correction of \$40,785 results in the presentation of the accurate available balance of \$174,616 in Parks Fees.

Potential future projects are provided below. These projects are listed as eligible for funding through development impact fee revenue and not as a statement that development impact fee revenue will be used to fund them. These projects may or may not be approved in the City's current or future budget(s). Any budgeting and/or expenditure of development impact fee revenue would require advance Council authorization and approval.

Government Impact Fees Potential Future Projects

Fund 900

Potential Future Projects	Total Funds Available		
Administration Fees			
City Administration Facility improvements		TBD	
Total Potential Admin Projects	\$	-	\$ 747,537
Police Fees			
Radio Communications Upgrade	\$	1,588,435	
Total Potential Police Projects	\$	1,588,435	\$ 56,371
Fire Fees			
Bonita Fire Station Remodel		TBD	
Total Potential Fire Projects	\$	-	\$ 18,853
Street Fees			
Local Road Safety Plan Implementation and Safety Improvement	\$	300,000	
Total Potential Street Projects	\$	300,000	\$ 268,112
Storm Drain Fees			
Storm Drain Improvements	\$	300,000	
Storm Drain Assessment	\$	1,095,200	
Total Potential Storm Drain Projects	\$	300,000	\$ 25,598
Parks Fees			
Multiple Parks Improvements		TBD	
Total Potential Parks Projects	\$	-	\$ 174,616
Total Potential Future Projects	\$	2,188,435	\$ 1,291,087

Affordable Housing In-Lieu Fees

Affordable Housing In-Lieu Fees are collected from residential development projects when the construction of affordable housing units is impractical. The required in-lieu fee is to be paid to the City prior to the issuance of a building permit (where square footage is added) or a final tract map. The Affordable Housing In-Lieu Fee is \$0.45 per square foot. The collected fees are held in the 941 fund and used solely for the affordable housing program activities, such as the Housing Element development and implementation, or transfer to another public agency for providing affordable housing in the City.

Affordable Housing in-Lieu Fees

Fund 941					
Beginning Fund Cash Balance FY 2024-25 (07/01/2024)					\$ 162,146
Sources of Funds					
	Bal 7/1/2024	Fees Collected	Interest Earned	Fees Used	Remaining Balance
	\$ 162,146	\$ 17,627	\$ 10,281	\$ -	\$ 190,054
Uses of Funds					
No Funds Used in FY 2024-25					\$ -
Total Use of Funds					\$ -
Total Ending Balance FY 2024-25 (06/30/2025)					\$ 190,054
Potential Future Projects					
Local Housing Agency or affordable housing/homelessness project					\$ 55,000
7th cycle Housing Element Update					\$ 125,000
Total Potential Projects					\$ 180,000

Sewer Impact Fees

Pursuant to Government Code, revenues derived from the City's impact fees can only be used for the purpose for which the charges are collected. Wastewater impact fees recover costs for buying in to existing facilities and assets. As such, this share of each fee represents a reimbursement to the City's existing customer base for previously funded facilities and may potentially be used for any purpose. However, the City's practice is conservative and uses these fees to exclusively fund capital improvements. The collected fees are held in the 922 fund and are used solely for wastewater capital improvements.

Sewer Impact Fees

Fund 922-5251-3950					
Beginning Fund Cash Balance FY 2024-25 (07/01/2024)					\$0.00
Sources of Funds					
	Bal 7/1/2024	Fees Collected	Fees Used	Remaining Balance	
	\$ -	\$ 97,546	\$ 97,546	\$ -	
Uses of Funds					
Interfund Transfer to WRF Capital Project				\$ 97,546	
Total Use of Funds					\$ 97,546
Total Ending Balance FY 2024-25 (06/30/2025)					\$0.00
Potential Future Projects					
Beachcomber Sewer Improvements					\$ 6,200,000
Total Potential Projects					\$ 6,200,000

Water Impact Fees

Pursuant to Government Code, revenues derived from the City’s impact fees can only be used for the purpose for which the charges are collected. Water impact fees are designed to recover the cost of existing water system facilities and assets as well as the cost of system upgrades and expansion needed to serve the City. The collected fees are held in the 921 fund and are restricted to be used solely for water system facilities, assets and system upgrades and expansion.

Water Impact Fees

921-5240-3950				
Beginning Fund Cash Balance FY 2024-25 (07/01/2024)				\$0.00
Sources of Funds				
	Bal 7/1/2024	Fees Collected	Fees Used	Remaining Balance
	\$ -	\$ 97,184	\$ 97,184	\$ -
Uses of Funds				
Interfund Transfer to WRF Capital Project				\$ 97,184
Total Use of Funds				\$ 97,184
Total Ending Balance FY 2024-25 (06/30/2025)				\$0.00
Potential Future Projects				
Nutmeg Tank and other Pressure Zone Improvements				\$1,800,000
Morro Basin Wellfield Improvements				\$1,250,000
Total Potential Projects				\$3,050,000

Trust & Agency Fund Impact Fee Revenues

The city has historically used the Trust & Agency fund (fund 515) to hold funds with restricted purposes. Three impact fees remain in the Trust & Agency fund: traffic impact, sewer master plan impact, and flood hazard plan impact. In addition, previous years balances exist for the Highway 41/Main Impact, Storm Drain Impact and Calvary Baptist Drain Impact. These funds are restricted to use of related projects and improvements.

Trust & Agency Impact Fees

Fund 515				
Beginning Fund Cash Balance FY 2024-25 (07/01/2024)				\$119,082
Sources of Funds				
	Bal 7/1/2024	Fees Collected	Fees Used	Remaining Balance
Highway41/Main (2600)	\$ -	\$ -	\$ -	\$ -
Traffic Impact/All Sources (2607)	\$ 49,973	\$ -	\$ -	\$ 49,973
Storm Drain (2613)	\$ 14,374	\$ -	\$ -	\$ 14,374
Calvary Baptist Drain Impact (2616)	\$ 314	\$ -	\$ -	\$ 314
Sewer Master Plan (2622)	\$ 51,073	\$ -	\$ -	\$ 51,073
Flood Hazard Plan (2740)	\$ 3,348	\$ 855	\$ -	\$ 4,203
	\$ 119,082	\$ 855	\$ -	\$ 119,937
Uses Of Funds				
No Funds Used in FY 2024-25				\$0
Total Use of Funds				\$0
Total Ending Balance FY 2024-25 (06/30/2025)				\$119,937

Potential future projects are provided below. These projects are listed as eligible for funding through development impact fee revenue and not as a statement that development impact fee revenue will be used to fund them. These projects may or may not be approved in the City's current or future budget(s). Any budgeting and/or expenditure of development impact fee revenue would require advance Council authorization and approval.

Potential Future Projects		Funds Available
Traffic Impact/All Sources		\$ 49,973
Pavement Improvement Project	\$ 5,000,000	
Potential Future Projects	\$ 5,000,000	\$ 49,973
Storm Drain Impact		\$ 14,374
Storm Drain Improvements Citywide	\$ 1,000,000	
Potential Future Projects	\$ 1,000,000	\$ 14,374
Calvary Baptist Drain Impact		\$ 314
Local Road Safety Plan Plan Impementation and Safety Improvements	\$ 367,000	
Potential Future Projects	\$ 367,000	\$ 314
Sewer Master Plan Impact		
One Water Plan Update	\$ 190,000	\$ 51,073
Potential Future Projects	\$ 190,000	\$ 51,073
Flood Hazard Plan Impact		\$ 4,203
Storm Drain Improvements Citywide	\$ 1,000,000	
Potential Future Projects	\$ 1,000,000	\$ 4,203
Total Potential Future Projects & Available Funds	\$ 7,557,000	\$ 119,937