

Morgan Hill Unified School
District

Annual and Five Year Developer Fee Report 2020-21





Background

Education Code Section 17620, et seq., and Government Code Section 65995, et seq., authorize school districts to impose fees on residential, commercial, and industrial developments to mitigate the impact of the development on a school district's facilities.

Level I developer fees may be levied by school districts pursuant to Education Code section 17620 et.seq. and Government Code section 65995 et.seq. ("School Fee Legislation"). At the January 22, 2020 State Allocation Board meeting there was an increase in the Level I fee for residential and commercial/industrial construction.

The District performed its Developer Fee Justification Study and adopted a resolution on March 3, 2020 increasing the Level I developer fees to conform to the maximum amounts permissible. Beginning May 2, 2020, the District began collecting \$4.08 per square foot for residential construction and \$0.66 per square foot for commercial/industrial construction.

Government Code Section 66001 and Section 66006 require districts to be accountable for the fees that are collected and expended on both an annual and five-year basis. The annual report focuses on the amount of developer fees collected and expended throughout the fiscal year. The five-year report requires a more detailed analysis of a district's overall use of developer fees. The purpose of the five-year report is to illustrate to what extent the fees collected for the development are necessary in meeting the district's facility program needs with respect to housing students and mitigating the impact of growth associated with development.

The annual report must be made within 180 days from the last day of the fiscal year. The five-year findings are presented for approval to the governing board in conjunction with an annual report. The completed reports and applicable findings must be available for public review at least 15 days prior to approval by the governing board. This report has been posted on the District's Website since Monday, August 16, 2021.



Annual Report

A. Brief Description of the Type of Fee in the Account or Fund

The developer fees consist of statutory school facility fees which were collected by the Morgan Hill Unified School District from new residential and commercial/industrial development in the amounts noted below. The Capital Facilities Fund is used to segregate fees collected pursuant to Education Code Section 17620, et seq., and Government Code Section 65995, et seq., from other District funds.

B. Amount of the Fee

The developer fees were authorized to be levied on development by the Board of Education. As shown in the District's Developer Fee Justification Study the developer fees only partially mitigate the impacts to the District caused by development because the developer fees amounts do not adequately fund the District's school facilities needs resulting from additional development within the District.

Statutory School Facility Fees (Government Code Section 66006(b)(1)(B)) from July 1, 2020 to June 30, 2021:

Residential	\$4.08 per square foot
Commercial	\$0.66 per square foot*

*Except for Rental Self-Storage projects for which the fee is \$0.09 per square foot

C. Beginning and Ending Balance, Developer Fees Collected, Interest Earned and Expenditures of the Fund

Audited Beginning Balance (7/1/2020)	\$9,533,936.53
Amount of Developer Fees Collected	\$1,507,972.14
Interest Earned	\$99,243.24
Change in Fair Market Value of Cash Assets	-\$65,191.03
Expenditures	\$121,024.35
Ending Balance (6/30/2021)	\$10,954,936.53

D. Identification of Each District Project on Which Developer Fees Were Expended Including the School Facilities Project Total and Percentage of the Project Cost that was Funded with Developer Fee

Expense Description	Project Total	Percentage of Project Total Funded with Reportable Fees
Reimbursement of Administrative	\$45,239.16	100%

Costs ¹		
School Facilities Needs Analysis and/or Fee Justification Study ¹	\$9,875.00	100%
S.G. Borello Elementary School	\$59,036.25	100%
Traffic Analysis New Development Project	\$5,556.25	100%
Legal Fees	\$1,317.69	100%
Total	\$121,024.35	

E. When the District Accumulates Sufficient Funds to Complete Project(s) for Which It Previously Identified as Intending to Spend Developer Fees the District Needs to Identify the Approximate Date It Will Commence Construction on Such Project(s)

There are no projects that meet this criteria.

F. Description of Each Interfund Transfer or Loan Made From the Fund

Interfund Transfers:

Description of Project for which Interfund Transfer was Used	Fund(s) to Which Developer Fees Were Transferred	Amount Transferred
Reimbursement of Administrative Costs ¹	General Fund	\$45,239.16

¹ Pursuant to Education Code 17620(a)(5), Level 1 Fees collected may also be spent on the following non-facility costs: the costs of conducting a School Facilities Needs Analysis and/or Fee Justification Study; and preparing the Annual and FiveYear Report. In addition, a school district may also retain “an amount not to exceed, in any fiscal year, three percent of the fees collected in that fiscal year. . . .” The three percent amount is for the reimbursement of administrative costs incurred in collecting the fee.

Interfund Loans:

Description of Project for Which Interfund Loan was Used	Fund(s) to Which Developer Fees Were Loaned	Amount Loaned	Date Loan Repaid	Rate of Interest
N/A	N/A	N/A	N/A	N/A

G. The amount of refunds made pursuant to subdivision (e) of Section 66001 and any allocations pursuant to subdivision (f) of Section 66001.

No refunds were given during FY 2020-21.



Five Year Report


Government Code 66001 requires that for the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, the local agency shall make all of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted.

A. Identification of All Projects for Which the Developer Fees Will be Expended in the Future

The purpose of the developer fees imposed and collected on development within the District is to fund additional school facilities required to serve the students of the District generated by development within the District.

Specifically, the developer fees will be used for the construction and/or acquisition of additional school facilities, remodeling existing school facilities to accommodate new growth from new development including, but not limited to, adding additional classrooms, technology and acquiring and installing additional portable classrooms.

Further information regarding such Project(s) is set forth in the following chart:



Project Name	Source of Funds	Percent Anticipated Funding From Each Source	Project Total
S.G. Borello Elementary School	Developer Fees	100%	\$43,919,832 ²

B. Demonstration of a Reasonable Relationship Between the Developer Fees and the Purposes for Which They Are Charged:

As shown in the District's Developer Fee Justification Study approved on March 3, 2020 there is a roughly proportional, reasonable relationship between the development upon which the developer fees are charged and the need for additional school facilities by reason of the fact that additional students will be generated by additional development within the District, and the District does not have student capacity in its existing school facilities to accommodate these new students.

Furthermore, the developer fees charged on development will be used to fund school facilities which will be used to serve the students generated from development. The developer fees do not exceed the costs of providing such school facilities for new students.

C. Identification of All Sources and Amounts of Funding Anticipated to Complete Incomplete Projects Identified by the District in Paragraph A Above and Approximate Date Funding Is Expected to Be Deposited.

² McKim Design Estimate 2/14/2020

Source of Funding	Amount of Funding Anticipated to Complete Incomplete Projects	Approximate Date Funding Expected to Be Deposited
State Funding Program Funds		
State Hardship Funds		
Community Facilities Districts		
General Obligation Bond Proceeds		
Redevelopment Pass-Through		
Existing Developer Fees	\$10,918,358	
Anticipated Developer Fees	\$5,000,000	As collected
Mitigation Payments		
Certificates of Participation		
SB-201 Fees (Government Code Section 65970, et seq.)		
Total Funding	\$15,918,358	
Total Costs of All Incomplete Projects	\$43,919,832	
Minus Total of All	\$15,918,358	



Funding Sources		
Unfunded Balance	\$28,001,474	

Additional Information

Revenue expenditure information for 2020-21 and 2021-22 budget information is provided on the attached State reporting forms.

