



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Consent
 November 18, 2008

Honorable Mayor and
 Members of the City Council

Title: Sacramento Regional County Sanitation District Audit Reconciliation

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing the City Manager to pay Sacramento Regional County Sanitation District an amount not to exceed \$111,684 for repayment of uncollected sewer impact fees as required by the Master Interagency Agreement.

Contact: Ryan Pham, Support Services Manager, (916) 808-2278; William Thomas, Director of Development Services, (916) 808-1918

Presenters: Not applicable

Department: Development Services

Division: Administration

Organization No: 21001011

Description/Analysis

Issue: The City of Sacramento Development Services Department collects residential sewer impact fees for Sacramento Regional County Sanitation District (SRCSD) in various areas as designated by SRCSD as provided by a Master Interagency Agreement.

In 2005, SRCSD conducted an audit on its contributing agencies, including the City of Sacramento, City of Folsom, and the Sacramento Area Sewer District (formerly known as County Sanitation District 1). The draft report stated that from June 1, 2002 to June 30, 2005, uncollected sewer impact fees totaled \$3.3 million (\$2 million residential, and \$1.3 million commercial fees).

The audit data provided by SRCSD included significant numbers of properties having uncollected impact fees that were outside of the City of Sacramento's fee collection boundaries. Additionally, the audit data included uncollected impact fees for commercial permits, of which the City does not collect fees. The data; as

provided by SRCSD, was not based on individual permit data, but rather on a sampling of permits.

Development Services staff researched the audit data and concluded that there were 39 permits on which impact fees should have been collected, but were not. The amount owed for the uncollected impact fees totals \$111,684. On April 21st, 2008, Development Services staff met with SRCSD staff and conveyed the findings. It was agreed by both parties that the City would remit payment for the uncollected fees of the 39 permits.

Policy Considerations: The action requested in this report is in compliance with the guidelines specified in the Master Interagency Agreement between the City and SRCSD. It has been noted that the Agreement, which is in place until 2024, failed to provide a liability protection. Therefore, it should be reconsidered to include an administrative fee for the fee collection process.

Environmental Considerations:

California Environmental Quality Act (CEQA): Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: There are no sustainability considerations applicable to this report.

Commission/Committee Action: None.

Rationale for Recommendation: The City is required by Master Interagency Agreement between SRCSD and City to collect sewer impact fees for designated areas per agreement. The City owes payment to SRCSD for fees that were uncollected. It is in the best interest of the City to be in good standing with its partnering agencies.

Financial Considerations: The City's Development Services Department assesses, collects and transmits sewer impact fees to SRCSD as part of the building permit process, pursuant to the Master Interagency Agreement. The uncollected impact fees due SRCSD are for prior periods. The payment to SRCSD of \$111,684 will be charged to the Development Services Department's Fiscal Year 2007/08 operating budget.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Respectfully Submitted by: _____



Ryan Pham
Support Services Manager

Approved by: William Thomas

William Thomas
Director of Development Services

Recommendation Approved:

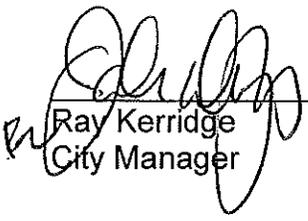

Ray Kerridge
City Manager

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Attachment 1

Background

The City of Sacramento Development Services Department (DSD) collects residential sewer impact fees for Sacramento Regional County Sanitation District (SRCSD) in various areas as designated by SRCSD as provided by Master Interagency Agreement.

Between 2003 and 2005, the years of the subject audit, DSD issued 8,651 permits for single-family, half-plex, and duplex product types. DSD researched 777 permits during the audit that had uncollected fees. The 39 permits that should have had sewer impact fees collected on them, but did not, represent 0.45% of the 8,651 permits issued.

Additionally, between 2003 and 2005, DSD collected \$3,918,742 for SRCSD. The uncollected amount for the 39 permits totals \$111,684, which represents approximately 2.9% of the total collected.

Due to the age of the audit years, current staff has had a difficult time identifying the exact cause for why fees were missed on the 39 permits. Also, a number of staff that were involved in the original collection are no longer with the City, and their institutional knowledge did not get transferred to new staff. Some of the various reasons include:

- The collection boundary was not populated in an electronic GIS database as is the case today, rather staff had to manually identify whether a property was in the collection boundary or not using a map;
- The collection boundary map changes periodically, and staff may have not used the most current map when processing permit fees;
- Existing staff at the time may have not been properly trained and therefore missed the fee;
- DSD hired a number of new staff during those years that may have not been properly trained and therefore missed the fee.

DSD has made a number of proactive changes to prevent this from occurring in future audits, which SRCSD has said they will be pursuing, and are allowed by the conditions of the Master Interagency Agreement.

The boundary collection map is now populated in a GIS database in the permitting system, Accela. Also, the workflow process in Accela has been revised to include a "check-off" for Regional Sanitation fees, so that staff is reminded of them. Additionally, permits will not be "finaled" until those fees have been collected.

RESOLUTION NO.

Adopted by the Sacramento City Council

Sacramento Regional County Sanitation District Audit Reconciliation

BACKGROUND

- A. The City of Sacramento Development Services Department collects residential sewer impact fees for Sacramento Regional County Sanitation District (SRCSD) in various areas as designated by SRCSD, as provided by Master Interagency Agreement.
- B. In 2005, SRCSD conducted an audit on its contributing agencies, including the City of Sacramento.
- C. Development Services staff researched the audit data and concluded that there were 39 permits on which impact fees should have been collected, but were not.
- D. The amount owed for the uncollected impact fees totals \$111,684.
- E. On April 21st, 2008, Development Services staff met with SRCSD staff and conveyed the findings. It was agreed that the City would remit payment for the uncollected fees of the 39 permits.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or the City Manager's designee is authorized to pay Sacramento Regional County Sanitation District an amount not to exceed \$111,684 for uncollected residential sewer impact fees pursuant to the Master Interagency Agreement.