

## COUNCIL AGENDA REPORT

**TO:** Mayor and City Council

**FROM:** Rebecca Campbell, Director of Finance

**DATE:** December 2, 2025

**SUBJECT: Growth Mitigation Annual and Five-Year Compliance Report – AB 1600.**

Description:

The City Council will consider receiving, reviewing, and filing the Growth Mitigation Annual and Five-Year Compliance Report.

Environmental Notice: The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

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**RECOMMENDATION:**

Receive, review, and file the Receive and File the Growth Mitigation Annual and Five-Year Compliance Report – AB 1600.

**BACKGROUND:**

State of California Assembly Bill 1600 (AB 1600) - the Mitigation Fee Act (Government Code Section 66000 et seq.) established the criteria by which municipal governments may charge developments for the future cost of providing services to new residents. The philosophy of AB 1600 is that all residents of a community deserve the same level of service. As residents are added to a community, the increased cost incurred by the municipal government to provide the same level of service to the community should be borne by the development.

The purpose of the City’s Growth Mitigation Fee Program is to finance the design, construction, and acquisition of facilities and equipment to maintain the City’s level of service and mitigate the impacts of growth.

Once collected, growth mitigation fees are segregated and placed in special funds that earn interest and are held for the facilities and equipment for which the fees are collected. Santa Maria Municipal Code, Title 8, Section 8-15.07(a) states:

“Monies from these funds shall be expended solely for the design, construction, and acquisition of the corresponding facilities and equipment, including reimbursement for such expenditures. Any financing mechanism used to finance the cost of capital improvements identified as eligible for funding under the Growth Mitigation Fee Program may be charged to growth mitigation fees...”.

The Santa Maria City Council adopted the first Capital Improvement Plan and implemented Ordinances for the Growth Mitigation Fee Program on July 6, 1993, and the last update to this Program was on October 20, 2020.

**DISCUSSION:**

As required by law, staff is reporting the accounting, compliance, and reconciliation of AB 1600 Growth Mitigation Fees for fiscal year (FY) 2024-25. Growth mitigation fees, in effect during FY 2024-25, were established with the adoption of the 2020 Growth Mitigation Fee Program. All changes to the City's Mitigation Fee Program are separately handled from this report and are subject to public hearing requirements. By way of this Council Agenda Report, staff is not requesting that the City Council adopt new development fees, just to receive and file the report.

Pursuant to Government Code Section 66006(b)(1) local agencies shall, within 180 days after the last day of each FY, make available to the public the following AB 1600 information for the FY:

- A) A brief description of the type of fee in the account or fund;
- B) The amount of the fee (in effect on June 30, 2025);
- C) The beginning and ending balance of the account or fund;
- D) The amount of the collected fee and interest earned;
- E) An identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that were funded with fees;
- F) An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in Paragraph (2) of Subdivision (a) Section 66001 of the Government Code, and the public improvement remains incomplete;
- G) A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid and the rate of interest that the account or fund will receive on the loan; and
- H) The amount of refunds made pursuant to Government Code Subdivision (e) Section 66001 and any allocation pursuant to Government Code Subdivision (f) of Section 66001.

To comply with Government Code Section 66006, staff has prepared and incorporated herein, reports disclosing the above-outlined information in Attachment A. State legislation requires that the City:

- Identify an approximate date for starting construction on a public improvement within 180 days of determining that sufficient funds have been collected to complete the financing of the improvement; and
- Annually update its capital improvement plan pertaining to improvements financed by developer fees.

The City updates its Capital Improvement Plan as part of the bi-annual update of the Growth Mitigation Program Fees and reviews the Capital Improvement Plan during the City's two-year budget cycle. To date, sufficient funds have not been collected to complete financing of improvements on the individual project lists.

In addition to the annual compliance reporting, pursuant to Government Code Section 66001(d)(1), local agencies shall make all of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted the fifth FY following the first deposit into the account or fund, and every five years thereafter:

- A) Identify the purpose to which the fee is to be put;
- B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged;
- C) Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements identified in paragraph (2) of subdivision (a); and
- D) Designate the approximate dates on which the funding referred to in subparagraph (C) is expected to be deposited into the appropriate account or fund.

To comply with Government Code Section 66001, staff has prepared and incorporated herein, reports disclosing the above-outlined information in Attachment B.

Compliance Report Format:

Each Growth Mitigation fee is incorporated in Attachment A of this report. Items "A" through "H" that are listed in the Discussion section of this Council Agenda Report are reproduced in Attachment A for each account or fund to ensure accuracy, understanding, and compliance to the annual reporting. In Attachment B of this report, items "A" through "D" that are listed in the Discussion section of this staff report are reproduced to ensure accuracy, understanding, and compliance to the five-year reporting.

Fiscal Considerations

There is no fiscal impact related to this report requirement. This is a required annual reporting and compliance report. The Growth Mitigation Fund as a whole has a positive fund balance of approximately \$46,926,150. It's important to note as of June 30, 2024, the Police Mitigation fee and Library Mitigation fee have negative fund balances of \$4.6 million and \$4.3 million respectively. Additionally, as a result of City Council's action on October 21, 2025, appropriating \$5.5 Million to the Sports Complex project, the Recreation and Parks Mitigation fee is anticipated to end FY 2025-26 with a negative fund balance of \$3.3 million. The following chart shows the FY 2024-25 year-end balances:

<b>Mitigation Fee</b>	<b>June 30, 2025 Balance</b>
Traffic Improvement Fee	\$ 36,393,479
City Hall	\$ 1,358,551
Buildings/ Corporation Yard	\$ 1,841,561
Recreation and Parks	\$ 2,199,816
Police	\$ (4,628,556)
Library	\$ (4,277,571)
Fire	\$ 520,433
Water	\$ 4,252,617
Wastewater	\$ 9,265,819
<b>Total</b>	<b>\$ 46,926,150</b>

More information is provided in Attachments A and B.

Impact on the Community

The purpose of this report, per the Mitigation Fee Act, as it applies to compliance reporting, is to provide the community with information as to the status and use of fees collected through the Growth Mitigation Fee Program.

ATTACHMENT(S)

- A. Annual Compliance Report for Growth Mitigation Fees
- B. Five-Year Compliance Report for Growth Mitigation Fees