

# Department of Community Affairs

## **Guide to Preparing Annual Updates of the Capital Improvements Element**

*All local governments that utilize an impact fee system under the Georgia Development Impact Fee Act must include a Capital Improvements Element in their comprehensive plans and update this Capital Improvements Element portion of their plan annually.*

## INTRODUCTION

Congratulations on adopting your Capital Improvement Element! You will now be required to complete annual updates of this Capital Improvement Element, referred to hereafter as the CIE Update, in order to continue to charge impact fees within your jurisdiction. The CIE Update is a useful tool that gives your community a clear idea of how and where your Impact Fees are being used.

This guidebook is intended to assist local governments in complying with the requirements for CIE Updates as identified in the Georgia Development Impact Fee Act (DIFA) and the *Development Impact Fee Compliance Requirements* of the Georgia Department of Community Affairs (DCA). DIFA and related requirements and guidebooks can be found on the DCA web site at [www.dca.state.ga.us/planning/impactfees.html](http://www.dca.state.ga.us/planning/impactfees.html)

## PREPARING THE CIE UPDATE

The CIE Update must include two components:

### Annual Financial Report.

DIFA states that: “As part of its annual audit process, a municipality or county shall prepare an annual report describing the amount of any development impact fees collected, encumbered, and used during the preceding year by category of public facility and service area.” §36-71-8(c)

The purpose of the Annual Financial Report is to provide an overview of impact fees collected, encumbered and used by category of public facility and service area for the **last completed fiscal year**. The financial report does not include information for the current year. Therefore, if the **current year** is 2010, the financial report will provide information for 2009.

The Annual Financial Report must be developed as part of the annual audit process normally undertaken by the county or municipality. It must include the following information:

- Impact fee funds balance carried over from the previous completed fiscal year.
- Amount of impact fees collected during the last completed fiscal year.
- Amount of impact fees used during the last completed fiscal year, listed by category of public facility and by service area.
- Interest earned on the impact fee account.

- Amount of impact fees encumbered (i.e., committed to be expended under a contract for construction of a specific capital improvement) during the last completed fiscal year.

*The Annual Financial Report covers one year, the last completed fiscal year.*

Schedule of Improvements/STWP Addendum.

DIFA defines a *capital improvement* as “...an improvement with a useful life of ten years or more, by new construction or other action, which increases the service capacity of a public facility.” § 36-71-2(1)

The purpose of the Schedule of Improvements is to identify all capital improvement projects to be financed in whole or in part by impact fees during the upcoming five years, beginning with the current year. This must include any changes to previously listed capital improvement projects (such as adjustment of project costs, changes in funding sources, construction schedules, or project scope) plus a new fifth year schedule of improvements for projects to be funded with impact fees.

The Schedule of Improvements must include the following information for each project expected to receive funding from impact fees:

- Specify the public facility type (using the DIFA categories, see [link to CIE guidebook](#)) and service area (from your CIE) for each project listed.
- Indicate the time frame (i.e., projected beginning date and ending date) for construction of each project.
- Provide an estimated cost for each project. If a project’s estimated costs have changed since it was originally included in the Schedule of Improvements, the revised costs should be included.
- Portion of project costs chargeable to impact fees (i.e., the portion directly attributable to creating capacity to serve new growth).
- Identify all funding sources to be used to finance each project. Other funding sources must be listed if a project will not be entirely funded with impact fees.
- List the responsible parties (who will oversee, manage and/or fund construction of the facility) for each project.
- Indicate the current status (e.g., under construction, in design, deferred, etc.) for each project.

*The Schedule of Improvements/STWP Addendum covers a 5-year period, i.e., the current year plus the next four years.*

**Using the Standard Forms**

The forms included in Appendix B are intended to be simple to use and understand. DCA strongly encourages communities to use these forms to ensure that all required components are included in their CIE Update. Using these forms can expedite the

compliance review process and help guarantee that your community remains in full compliance with DIFA requirements.

### Annual Financial Report Form

This form can be found in Appendix B and at [www.dca.state.ga.us](http://www.dca.state.ga.us) Use the following instructions for completing each row of this form, and refer to the example in Appendix C as an illustration of how to do it correctly.

- Row 1 Public Facility Type – For the column headings across the top of the form, please list each type of public facility for which your local government collects impact fees. DIFA allows seven major categories of eligible public facilities: Water Supply, Waste Water Treatment, Roads, Storm Water, Parks, Public Safety, and Libraries. Public safety facilities may be broken out into sub-categories such as police, fire and emergency medical facilities if desired. The financial report information (rows 2 through 10 below) must be broken out by each type of public facility, using the separate columns on the reporting form.
- Row 2 Service Area – If your CIE only provides for one service area for each type of public facility, simply enter “City-wide” or “County-wide” across this row of the reporting form. However, if your CIE includes more than one service area for one or more public facility types, you will need to further break out your Annual Financial Report by these service areas. This can be done by adding columns to the reporting form. For example if you have two service areas for Roads you would create two columns in the reporting form, both with “Roads” listed at the top of the column, but with the separate service area names listed in the second row.
- Row 3 Beginning Impact Fee Fund Balance – Enter the impact fee fund balance brought forward from the **year prior to the last completed fiscal year** for each separate public facility type and service area. This amount should match the numbers reported on row 9 of your previous Annual Financial Report.
- Row 4 Impact Fees Collected – Record the total dollar amount of impact fees collected, for each separate public facility type and service area, during the **last completed fiscal year**.
- Row 5 Accrued Interest – Report all interest earned on impact fee collections during the last completed fiscal year. Again, this information must be broken out for each separate public facility type and service area across this row of the reporting form.

- Row 6 Project Expenditures – Record the total impact fees expended on capital projects during the last completed fiscal year, broken out by public facility type and service area.
- Row 7 Administrative Costs – Enter the total cost of administering your impact fee, allocated among the separate public facility types and service areas. Note that DIFA specifies that your administrative costs may not exceed 3% of total impact fees collected during the last completed fiscal year.
- Row 8 Impact Fee Refunds – Report any impact refunds given during the last completed fiscal year, broken out again by public facility type and service area. DIFA requires these refunds in situations where the developer paid fees for public facility projects that are not either under contract (i.e., encumbered – see row 10 below) or under construction within 6 years after the date the fee was collected
- Row 9 Ending Impact Fee Fund Balance – Enter the sum of rows 3, 4 and 5 minus the quantities recorded in rows 6, 7 and 8. This is the balance that will be brought forward to next year’s Annual Financial Report.
- Row 10 Impact Fees Encumbered – Record the total of all impact fee funds, regardless of year they were collected, that have been encumbered for planned construction of public facilities identified in the Schedule of Improvements. (*“Encumbered” means that the funds are legally obligated by contract or otherwise committed to use by appropriation or other official act of a municipality or county.*) Again, these numbers must be broken out by public facility type and service area, and the number recorded should be the total funds that were encumbered at the end of the last completed fiscal year.

### Schedule of Improvements Form

This form can be found in Appendix B and at [www.dca.state.ga.us](http://www.dca.state.ga.us) Use the following instructions for completing this form, and refer to the example in Appendix C as an illustration of how to do it correctly. Note that the first year of the 5-year period covered by the Schedule of Improvements must be the **current year**.

- Column 1 Project Description – For the row headings down the left side of the form, please list all capital facility projects:
- Funded (wholly or partially) with impact fees and currently underway but not yet completed.
  - That will be funded (wholly or partially) with impact fees, are not yet underway but planned to commence sometime within the next five years.

- Column 2 Service Area – If your CIE only provides for one service area for each type of public facility, simply enter “City-wide” or “County-wide” in this column of the reporting form. However, if your CIE includes more than one service area for one or more public facility types, you will need to name the service area that this particular facility (listed in column 1) is intended to serve.
- Column 3 Project Start Date – the year the project began (may be outside the 5-year schedule of this CIE Update if already underway) or is expected to begin.
- Column 4 Project Completion Date – the year the project is expected to be completed (may be outside the 5-year schedule of this CIE Update).
- Column 5 Estimated Project Cost – the estimated total cost for this project. Keep in mind that this estimate may be adjusted in future annual CIE Updates as more details and final planning for the project become available.
- Column 6 Portion Chargeable to Impact Fees- Impact fees can only be used to pay for public facilities that create capacity to serve new growth. Therefore, if this project includes costs that add no capacity to serve new growth, such as replacement costs, capacity needed to make up service deficiencies, etc, (see item 5 in the Schedule of Improvements chapter of *How to Address Georgia’s Impact Fee Requirements*) the full cost of the project cannot be paid from impact fees. Indicate, in this column, the portion of project costs that may be paid from impact fees by subtracting any costs not directly related to creating new capacity from the Estimated Project Cost in column 5. This portion may be stated as either as a percentage of the Estimated Project Cost or as an adjusted dollar figure.
- Column 7 Sources of Funding (& Share) – Precisely identify each funding source that will be used to pay for completion of this project. For example, list a specific grant source not “grants,” and general revenues, SPLOST, or revenue bonds rather than “local government funds.” For each funding source listed, indicate in parentheses the percentage of total project cost that will be paid from this particular source.
- Column 8 Responsible Party – Specify which department of local government, authority, agency or other organization is responsible for overseeing completion of this project.

## **SUBMITTAL AND REVIEW OF THE CIE UPDATE**

Once completed, the CIE Update must be submitted to your Regional Development Center (RDC) for compliance review by the RDC and DCA, following the procedures described below.

### Local Public Hearing

The local government must hold at least one public hearing for the CIE Update once completed. The purpose of the public hearing is to inform the public of the contents of the draft CIE Update to receive suggestions and comments on the document. Copies of the draft CIE Update must be available to the public sufficiently in advance of this hearing to allow time for citizens to review and formulate their comments prior to the hearing. Local governments should follow the public hearing notification procedures they normally use in announcing and conducting public hearings.

### Transmittal Resolution

The governing body (e.g., city council, county commission, etc.) of the local government must take official action to adopt a resolution authorizing transmittal of the draft CIE Update to their RDC for review and comment. This resolution must also certify that the required public hearing referenced above was held. DCA provides a standard transmittal resolution form that can be utilized by any local government, although any similar resolution format that includes all the necessary information may be used (see Appendix A for a copy of this sample resolution).

The local government must submit its draft CIE Update to the RDC no later than **60 days** before its recertification date. This is the minimum time required to complete the RDC and DCA review process. However, the local government should also allow sufficient time after this review is completed to adopt the update before its Qualified Local Government (QLG) status lapses. (QLG status expires on the day after the local government's official recertification deadline.) In no event shall a local government adopt or put into effect a CIE Update until at least **60 days** after the CIE Update is first submitted to the RDC for review.

### Compliance Review

If the draft CIE Update is determined by DCA to be in compliance with DIFA rules then the local government may officially adopt the CIE Update without any revisions and skip to step 3 below.

If the CIE Update is determined not to be in compliance by DCA, then:

1. The local government must revise the CIE Update to address any compliance findings and submit the revisions to the RDC for review and recommendation. The RDC must, in turn, forward the revisions to DCA for review.
2. The process of revising the CIE Update and submitting the revisions for review continues until the CIE Update is approved by DCA as meeting the compliance

requirements. Any revisions to the draft CIE Update must also be reviewed by the RDC for internal consistency, conflicts with other plans, or opportunities for cooperation. Also, the local government should review any changes made to the CIE Update to decide whether or not the changes are substantial enough that they should be presented in a public hearing before they are included in the plan.

3. Once approved by DCA, the revised CIE Update must be officially adopted. The local government must notify the RDC, in writing, within seven days after adopting its CIE Update. The notification to the RDC shall include a copy of the adopting resolution along with the adopted CIE Update.
4. After verifying that the approved CIE Update was adopted by the local government, the RDC will send notification of adoption to DCA along with a copy of the adopted CIE Update.
5. Once DCA has received a copy of the notification of adoption along with a copy of the adopted CIE Update from the RDC, DCA will officially notify the local government that its QLG status has been extended.

NOTE: The loss of a local government's QLG status may effect the local government's ability to collect impact fees since compliance with the provisions of the Georgia Planning Act and the Development Impact Fee Act are prerequisites to establishing and maintaining local impact fee programs.

Common Deficiencies *(that can delay review and possibly result in loss of QLG status)*

- Incomplete/missing financial report.
- Incomplete information provided for each project listed in the Schedule of Improvements.
- No transmittal resolution provided by the local government and/or confirmation of adoption.

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# **APPENDIX A**

*Model Transmittal Resolution for CIE Updates*

**TRANSMITTAL RESOLUTION**

WHEREAS, the Local Government Name has prepared an annual update to a Capital Improvements Element; and

WHEREAS, the annual update of the Capital Improvements Element was prepared in accordance with the Development Impact Fee Compliance Requirements established by the Georgia Department of Community Affairs, and a Public Hearing was held on Date, at Location;

BE IT THEREFORE RESOLVED, that the Local Government Council or Commission does hereby submit the annual update of the Capital Improvements Element and covering the five-year period Year - Year to the Name of Regional Commission for review, as per the requirements of the Georgia Planning Act of 1989.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_.

BY:

\_\_\_\_\_

ATTEST:

\_\_\_\_\_

# EXAMPLE

## TRANSMITTAL RESOLUTION

WHEREAS, the City of Bayside has prepared an annual update to a Capital Improvements Element; and

WHEREAS, the annual update of the Capital Improvements Element was prepared in accordance with the Development Impact Fee Compliance Requirements established by Georgia Department of Community Affairs, and a Public Hearing was held on April 24, 2005 at City Hall.

BE IT THEREFORE RESOLVED, that the Mayor and the Council of the City of Bayside do hereby submit the annual update of the Capital Improvements Element covering the five-year period 2005 - 2009 to the Northwest Georgia Regional Development Center for review, as per the requirements of the Georgia Planning Act of 1989.

Adopted this 26th day of April, 2005.

BY:

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ATTEST:

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# **APPENDIX B**

*Forms for CIE Updates*



**SCHEDULE OF IMPROVEMENTS-STWP ADDENDUM**

<b>(1) Project Description</b>	<b>(2) Service Area</b>	<b>(3) Project Start Date</b>	<b>(4) Project Completion Date</b>	<b>(5) Estimated Project Cost</b>	<b>(6) Portion Chargeable to Impact Fees</b>	<b>(7) Sources of Funds (&amp; Share)</b>	<b>(8) Responsible Party</b>
(add rows as needed)							

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# **APPENDIX C**

*Completed Examples of CIE Update Forms*

**ANNUAL FINANCIAL REPORT FOR 2008**

<b>(1) Public Facility Type</b>	<b>Fire Protection</b>	<b>Fire Protection</b>	<b>Sheriff's Office</b>	<b>County Jail</b>	<b>Parks &amp; Recreation</b>	<b>Roads</b>
<b>(2) Service Area</b>	North Central Road Development	East Side Park area	city-wide	city-wide	city-wide	city-wide
<b>(3) Beginning Impact Fee Fund Balace</b>	\$232,402.81	\$254,302.81	\$157,890.53	\$122,777.62	\$181,586.08	\$0.00
<b>(4) Impact Fees Collected</b>	\$295,648.52	\$301,648.52	\$108,886.98	\$341,727.57	\$323,540.86	\$328,944.59
<b>(5) Accrued Interest</b>	\$1,051.33	\$951.33	\$1,481.93	\$1,465.19	\$1,485.76	\$2,894.59
<b>(6) Project Expenditures</b>	-\$4,657.54	-\$4,657.54	-\$8,362.91	-\$12,425.96	-\$13,093.34	-\$8,799.59
<b>(7) Administrative Costs</b>	-\$1,234.24	-\$1,324.24	-\$2,667.59	-\$2,667.92	-\$3,259.47	-\$4,359.50
<b>(8) Impact Fee Refunds</b>	\$0.00	\$0.00	\$0.00	-\$2,529.24	\$0.00	\$0.00
<b>(9) Ending Impact Fee Fund Balance</b>	\$523,210.88	\$550,920.88	\$257,228.94	\$448,347.26	\$490,259.89	\$318,680.09
<b>(10) Impact Fees Encumbered</b>	\$512,030.89	\$525,350.89	\$250,000.00	\$15,789.00	\$320,890.26	\$256,650.00

**SCHEDULE OF IMPROVEMENTS-STWP ADDENDUM**

<b>(1) Project Description</b>		<b>(2) Project Start Date</b>	<b>(3) Project Completion Date</b>	<b>(4) Estimated Project Cost</b>	<b>(5) Portion Chargeable to Impact Fees</b>	<b>(6) Sources of Funds (&amp; Share)</b>
<b>Parks and Rec</b>						
Future Park A (120 acres)		2012	2012	\$1,440,000	100%	Impact Fee 100%
Future Park B (120 acres)		2018	2018	\$1,440,000	100%	Impact Fee 100%
Future Park C (105 acres)		2024	2024	\$1,260,000	100%	Impact Fee 100%
<b>Transportation</b>						
I-85: new interchange at Amlajack Blvd		2015	2017	\$27,798,000	41%	GADOT 59% Impact Fee 41%
(add rows as needed)						