

# Staff Report

## Agenda Item #

November 13, 2025 | 9:30 a.m.

- San Joaquin Hills Transportation Corridor Agency
- Foothill/Eastern Transportation Corridor Agency

## Foothill/Eastern Development Impact Fees: Agency Audits and Mitigation Fee Act Information

### Recommendation

Foothill/Eastern Transportation Corridor Agency Recommendation:

1. Receive and file the Foothill/Eastern Transportation Corridor Agency audits for the County of Orange and the cities of Anaheim, Irvine, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, and Tustin for the period of January 1, 2024 through December 31, 2024.
2. Direct staff to include the County of Orange, and the cities of Irvine, Lake Forest, and Santa Ana in the next audit cycle covering the period of January 1, 2025 through December 31, 2025.
3. Receive and file the Mitigation Fee Act information regarding development impact fees during Fiscal Year 2025 (July 1, 2024 – June 30, 2025).

### Summary

Nine current and former member agencies of the Foothill/Eastern Transportation Agency (F/ETCA) were selected for audit for the period of January 1, 2024 through December 31, 2024. Seven exceptions were noted in the permits reviewed resulting in underpayments totaling \$20,684, and overpayments totaling \$100,318. These audits are conducted by the F/ETCA's Internal Audit Department to ensure that development impact fees (DIFs) are properly collected and sent to the Agency. In addition, the Agency is required by the Mitigation Fee Act, California Government Code section 66006(b), to annually review certain information regarding DIF activity, including beginning and ending balance of fees on deposit, the amount of fees collected, interest earned and expenditures during the fiscal year. That information is included in this report.

### Committee Discussion

On October 22, 2025, staff updated the Joint Finance and Investment Committee on the results of this year's development fee audits, presented recommendations for next year's audits, and briefly discussed the reporting required by the Mitigation Fee Act, California Government Code, Section 66006(b).

The Committee requested an overview of how the program works with respect to TCA and the current and former member agencies that collect fees on TCA's behalf. Staff described the property categories for which fees are charged, the fee zones, the timing of fee collection, and the interaction between TCA staff and staff at the current and former member agencies.

The Committee asked if all discrepancies had been resolved. Staff responded that all underpayments have been collected, and all over payments have been refunded. Discussion also occurred regarding developer impressions of the program, the appeal process, and affordable housing considerations. The Committee unanimously recommended approval of the item at a future Joint Boards of Directors meeting.

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## Budget

N/A

## Background

Section 66484.3 of the California Government Code authorizes the Foothill Eastern Transportation Corridor Agency (F/ETCA), through its existing and former member agencies, to require by ordinance the payment of a DIF as a condition of issuing a building permit, for the purpose of defraying the cost of constructing the Foothill/Eastern Transportation Corridors (State Routes (SRs) 133, 241 and 261).

The F/ETCA Major Thoroughfare and Bridge Fee Program (Development Impact Fee Program) was established by the County of Orange in 1985 and adopted by the existing and former member agencies through the Joint Exercise of Powers Agreement. F/ETCA was able to construct the SRs 133, 241 and 261 Toll Roads by issuing toll revenue bonds that are being repaid with tolls and DIFs. The DIFs are used to repay the toll revenue bonds for the roads already built, as well as to pay the cost of future anticipated improvements and ongoing planning and environmental requirements.

The program collects one-time fees on new residential dwellings, or new non-residential square footage in areas identified as the area of benefit surrounding the corridors. Fees are collected by existing or former member agencies when a building permit is issued within the area of benefit. Fees are assessed on a per unit basis for single family and multi-family dwellings, and on a per square foot basis for non-residential buildings.

Pursuant to the Second Amended and Restated Joint Exercise of Powers Agreement creating the F/ETCA, the Board of Directors may authorize an audit of an existing or former member agency to determine whether it has accurately collected and remitted DIFs to the F/ETCA. For agencies selected for audit, typically all building permits are reviewed for the period audited. Agencies are selected for audit based on volume of fees, rotation of the audit cycle and results of the previous year's audits. Due to the volume of building permits processed, the County of Orange and the City of Irvine are audited each year, with the other agencies audited on a rotational cycle. The audits are performed by or at the direction of the F/ETCA's Internal Audit department.

Nine agencies, including the County of Orange and the cities of Irvine, Anaheim, Mission Viejo, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, and Tustin were selected for audit for the period of January 1, 2024 through December 31, 2024.

## Discussion

### I. Agency Audits

As approved by the Board of Directors for calendar year 2024, the following information reflects the audits conducted for the applicable agencies and recommendations as to inclusion in the next audit period.

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### County of Orange

1. All permits issued for the audit period were tested. A total of 285 permits generating \$1,906,738 in fees collected and remitted to the Agency, or paid in fee credits, were reviewed. No discrepancies were noted.
2. All tested permits were traced to remittances to F/ETCA with no exceptions noted.
3. It is recommended that the County of Orange be included in the next cycle of audits due to the anticipated volume.

### City of Irvine

1. All permits issued for the audit period were tested. A total of 1101 permits which generated \$16,831,446 in fees collected and remitted to the Agency were reviewed. The audit revealed one overpayment totaling \$2,500, which was due to charging for a non-residential addition on a property-tax-exempt parcel. The audit also revealed one underpayment of \$13,710 due to not charging for 5 units in a multi-family complex.
2. All tested permits were traced to remittances to F/ETCA with the two exceptions noted above.
3. It is recommended that the City of Irvine be included in the next cycle of audits due to the anticipated volume.

### City of Anaheim

1. All permits issued for the audit period were tested. A total of 4 permits which generated \$8,815 in fees collected and remitted to the Agency were reviewed. The audit revealed one underpayment of \$37 which was due to using the wrong square footage in calculating fees.
2. All tested permits were traced to remittances to F/ETCA with one exception noted above.
3. It is recommended that the City of Anaheim be excluded from the next cycle of audits.

### City of Mission Viejo

1. All permits issued for the audit period were tested. A total of 15 permits which generated \$110,259 in fees remitted to the Agency were reviewed. No discrepancies were noted.
2. All tested permits were traced to remittances to F/ETCA with no exceptions noted.
3. It is recommended that the City of Mission Viejo be excluded from the next cycle of audits.

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### City of San Clemente

1. All permits issued for the audit period were tested. A total of 21 permits which generated \$43,463 in fees remitted to the Agency were reviewed. The audit revealed one underpayment of \$1,162 which was due to not collecting fees for an accessory dwelling unit.
2. All tested permits were traced to remittances to F/ETCA with one exception noted above.
3. It is recommended that the City of San Clemente be excluded from the next cycle of audits.

### City of San Juan Capistrano

1. No relevant permits for fee collection were found during the review, so no discrepancies were noted.
2. It is recommended that the City of San Juan Capistrano be excluded from the next cycle of audits.

### City of Santa Ana

1. All permits issued for the audit period were tested. A total of 54 permits, which generated \$169,828 in fees collected and remitted to the Agency, were reviewed. The audit revealed one overpayment of \$97,818 which was due to using the wrong rate in calculating fees.
2. All tested permits were traced to remittances to F/ETCA with the one exception noted above.
3. It is recommended that the City of Santa Ana be included in the next cycle of audits.

### City of Tustin

1. All permits issued for the audit period were tested. A total of 59 permits, which generated \$1,142,409 in fees collected and remitted to the Agency, were reviewed. The audit revealed two underpayments totaling \$5,775 which was due to using the wrong rate in calculating fees and not charging for added non-residential mezzanine square footage.
2. All tested permits were traced to remittances to F/ETCA with two exceptions noted above.
3. It is recommended that the City of Tustin be excluded from the next cycle of audits.

### City of Rancho Santa Margarita

1. No relevant permits for fee collection were found during the review, so no discrepancies were noted.
2. It is recommended that the City of Rancho Santa Margarita be excluded for the next cycle of audits.

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## II. Mitigation Fee Act Information

Pursuant to the Mitigation Fee Act, California Government Code section 66006(b), the Agency is required to review the following information annually regarding DIFs: a brief description of the type and amount of the fee imposed; the beginning and ending balance of fees on deposit with the Agency; the amount of fees collected and interest earned during the fiscal year; an identification of the public improvement(s) on which fees were expended, the amount of fees expended on such improvement(s), and the total percentage of the cost of the improvement(s) funded with such fees. As required by section 66006(b), that information, which is contained in this staff report, was made available to the public 15 days in advance of the November 13, 2025 Board of Directors meeting. The information was posted on the Agency's website and physically in front of the Agency premises.

### Information Regarding Development Impact Fees for the Fiscal Year Ended June 30, 2025

DIFs are collected for the purpose of planning, designing, financing, and constructing the SR 133, 241 and 261 Toll Roads, and their improvements, including repayment of debt issued to finance construction of the roads, as authorized by section 66484.3 of the Government Code and the provisions of the Major Thoroughfare and Bridge Fee Program for San Joaquin Hills Transportation Corridor and Foothill/Eastern Transportation Corridors (the "Fee Program").

The DIF rates during Fiscal Year 2025 were as follows:

#### Foothill/Eastern Transportation Corridor Agency

##### Zone A:

Single Family	\$6,610/unit
Multi-Family	\$3,858/unit
Non-Residential	\$9.19/sq. ft.

##### Zone B:

Single Family	\$4,702/unit
Multi-Family	\$2,742/unit
Non-Residential	\$5.32/sq. ft.

The following is an accounting of DIFs during Fiscal Year 2025:

Balance of fees on deposit as of 7/1/24:	\$78,112,400
Fees collected 7/1/24 – 6/30/25:	\$18,943,680
Interest earned on fees 7/1/24 – 6/30/25:	\$4,059,210
Amount of fees expended on Foothill/Eastern Corridor 7/1/24 – 6/30/25:	\$5,392,073
 Percentage of 7/1/24 – 6/30/25 total corridor	

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capital expenditures, including debt service, paid with fees:	5.0%
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Balance of fees on deposit as of 6/30/25:	\$95,723,217
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Consistent with the language in the statute, as of the end of Fiscal Year 2025 sufficient funds had not been collected to complete financing of the Foothill/Eastern Transportation Corridors (SRs 133, 241 and 261).

During Fiscal Year 2025, there were no loans or transfers made from the account in which DIFs were deposited for any project other than the Foothill/Eastern Transportation Corridors, and no refunds made pursuant to Government Code section 66001(e).

## Report Written By

Greg Walker, Manager, Internal Audit

## Reviewed By

Howard Mallen, Chief Financial Officer  
(949) 754-3432

## Approved By

Ryan Chamberlain, Chief Executive Officer

Attachment: None