



February 20, 2018

The Honorable Mayor, Members of the City Council and Residents of Redlands  
Redlands, CA 92373

Subject: Annual Report of Development Impact Fees

Dear Mayor, Members of the City Council and Residents of Redlands,

Pursuant to the Mitigation Fee Act (the "Act") (Government Code section 66000 et seq.), and specifically section 66006 of the Act, the following report on the receipt, use and retention of development impact fees for Fiscal Year 2016-2017 is hereby presented to the City Council for review and approval. Development impact fees are charged by local governments to defray all or a portion of the cost of public facilities related to new development being constructed within the City. The requirements for enactment of a development impact fee program are set forth in the Act, which was enacted by the State Legislature as Assembly Bill No. 1600 (2016) and is commonly referred to as "AB 1600 requirements".

In Redlands, development impact fees may be collected at the time of issuance of a certificate of occupancy or date of final inspection, or earlier as permitted by Government Code section, for the purpose of mitigating the impacts caused by new development on the City's infrastructure. Fees are used to finance the acquisition, construction, and improvement of public facilities needed as a result of this new development. A separate funding structure has been established to account for the impact of new development on each of the following types of public facilities: Open Space, Parks, Public Facilities (including public safety, library and general government facilities), Transportation, Water, Solid Waste, and Sewer.

Impact fees collected and spent during Fiscal Year 2016-2017 were as approved by Resolution No. 7432, establishing specific amounts of new fees for Open Space and Parks, Transportation Improvements, Storm Drain Facilities and Public Facilities, pursuant to a study entitled, "City of Redlands Development Impact Fee Study", dated December 12, 2013 and Resolution No. 7617, establishing an additional calculation methodology for Transportation fees until Resolution No. 7701 was approved by the City Council on January 17, 2017, pursuant to a subsequent study of the same title dated January 9, 2017, which rescinded Resolution Nos. 7432 and 7617. The amount of corresponding fee types, currently established by Resolution No. 7701, is attached hereto. The Act requires the City to prepare an annual report for the City's development impact fees, summarizing the revenues, interest income, and expenditures for each category of funds during the fiscal year. This report was filed with the City Clerk's Office and available for public review on January 25, 2018.

Respectfully submitted,

Management Services / Finance Staff  
City Manager's Office

**(227) Open Space Fund** – Redlands Municipal Code Chapter 3.32 establishes an Open Space and Park Development Impact Fee. Twenty-five percent (25%) of this fee is deposited into an Open Space Fund to be used solely for the purpose of acquisition, improvement, preservation and expansion of open space areas within the City in accordance with the provisions of the recreation, open space and conservation element of the City’s General Plan. The General plan specifies the policy to preserve open space land in order to protect the visual character of the City, provide for public outdoor recreation, conserve natural resources, support groundwater recharge, and manage production of resources. In the General Plan, specific open space areas in the Planning Area include the “Emerald Necklace” concept, San Timoteo Canyon, the Santa Ana Wash, and Live Oak Canyon.

The following table shows the balances, receipts and expenditures of the Open Space Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	2,014,259	2,116,029	1,996,509	2,085,506	672,363	728,124
Receipts	103,351	38,407 <sup>(1)</sup>	151,962	90,710	56,307	50,238
Expenditures	(1,581)	(157,927) <sup>(1)</sup>	(62,965)	(1,503,853)	(546)	(348,306)
Ending Balance	2,116,029	1,996,509	2,085,506	672,363	728,124	430,055

**(1) represents receipts and expenditures of impact fee activity only; other revenues/transfers were received from Nevada Palmetto Grove sale proceeds, \$2,055,704.22 (704-2643 Public Benefit: Natural Open Space) and remaining Measure “O” Open Space funds, \$343,962.52 (Fund 417) and used to pay a majority of the purchase price of the Thompson Property.**

Receipts include fees of \$48,844 and investment income of \$1,394.

Expenditures include \$977 in administrative charges; \$346,080 for land acquisition of property adjacent to the Riverside County nature preserve in furtherance of the “Emerald Necklace” concept, and \$1,249 for professional services to conduct Phase I environmental testing on the acquired property.

Over the past eleven years, monies collected in the Open Space Fund, along with grant monies, have been spent on restoration and acquisition of open space within San Timoteo Canyon. In Fiscal Year 2010-2011 a payment of \$63,574.66 to the City of Loma Linda was approved by the City Council for City of Redlands’ share of the required cash match for the San Timoteo Creek Habitat Enhancement Project, the purpose of which was to assemble properties utilizing grant funds awarded to the cities of Redlands and Loma Linda by the U. S. Environmental Protection Agency (EPA). During Fiscal Year 2012-2013 \$152,183 of Open Space impact fee funds were used to pay a portion (6%) of the purchase price of open space land known as the Thompson Property, along with monies approved by the City Council from the Nevada Palmetto Grove sale proceeds in the amount of \$2,055,704, and the remaining funds held in the Measure “O” Open Space Fund (417) in the amount of \$343,963. Costs incurred in Fiscal Year 2013-2014 included \$48,715 to acquire the Allen property, as well as \$14,250 for consulting services and administrative costs.

During Fiscal Year 2014-2015 the City acquired the Mistretta Property for \$1,500,763 and spent \$1,383 on title and taxes and \$1,257 for administrative costs. During Fiscal Year 2016-2017, the City acquired the 12.3 acre Hudson Property that is adjacent to and provides a connection to the Riverside County natural preserve in San Timoteo Canyon. The property was acquired to be held and used for the purposes open space protection and preservation, restoration and management. The Hudson Property purchase price was \$428,080 and was partially offset by a grant in the amount of \$82,000 that the City received from the California Wildlife Conservation Board. The total percentage of the cost of the property acquisition that was funded with Open Space fees was approximately 81%.

At June 30, 2017, \$114,407 remains owed to the Open Space Fund (227) on the original \$130,000 loan made in Fiscal Year 2010-2011 to the Public Facilities Fund (251) for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding. The interest rate for this loan is set by the Local Agency Investment Fund (LAIF) annual interest rate. For fiscal year 2016-2017, the interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.

The current cash balance exceeds the cumulative fee collection over the past five years by \$95,259. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

Monies collected into the Open Space Fund, including the existing excess cash, are expected to be used in accordance with the General Plan for the following projects over the next several years:

- 1. Open Space/Citrus Acquisition** – the City is committed to retaining and improving the maximum feasible amount of agricultural land for its contributions to the local economy, lifestyle, air quality, habitat value and sense of Redlands’ heritage. Where practical, the City’s goal is to establish new groves at the City’s entrances/gateways to announce the City’s citrus heritage. One such project currently being evaluated is the capital improvement replanting of the City’s Mullin Grove, a 10-acre naval citrus grove with declining productivity. Estimated costs of replacing this grove are approximately \$143,000.
- 2. Emerald Necklace** – the Emerald Necklace is a conceptual framework for a series of green open space and park areas surrounding the City approximately 45 miles in length, joined together with a special scenic road and trails system. Several sites and properties have been purchased under this framework. Additionally, as suitable properties become available for acquisition, the City will evaluate opportunities to purchase the same.
- 3. Scenic Routes and Trails** – Completion of the Emerald Necklace system of scenic routes and trails, including the Orange Blossom Trail, Zanja Trail, Santa Ana River Trail, San Timoteo Trail, and other trails linking parks, regional trails, and open space areas are funding priorities.

No refunds of fees are required, and none have been made during Fiscal Year 2016-2017.

**(250) Park Development Fund** – Park development impact fees are levied for the purpose of acquiring and developing land for parks. The fees are established per the Redlands Municipal Code as noted above for Open Space and per Resolution Nos. 7432 and 7701. Seventy-five percent (75%) of the Open Space and Parks fees are deposited into the Park Development Fund. The General Plan sets the policy on park development as one aimed towards creating and maintaining a high-quality, diversified park system that enhances Redlands’ unique attributes. The General Plan prescribes the parkland standard of 5 acres per 1,000 residents and, based on that standard, 82 acres of new parkland would be required to meet the needs of the Planning Area.

The following table shows the balances, receipts and expenditures of the Park Development Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	2,011,621	1,120,544	902,922	1,071,036	1,049,004	757,789
Receipts	244,364	208,160	351,120	285,038 <sup>(1)</sup>	103,213 <sup>(2)</sup>	148,986 <sup>(3)</sup>
Expenditures	(1,135,441)	(425,782)	(183,006)	(307,070)	(394,428)	(138,012)
Ending Balance	1,120,544	902,922	1,071,036	1,049,004	757,789	768,763

- (1) Represents receipts and expenditures of impact fee activity only; miscellaneous revenues/transfers of \$86,180 were received from Nevada Palmetto Grove sales proceeds to reimburse expenditures for Heritage Park.**
- (2) Represents receipts and expenditures of impact fee activity only; miscellaneous revenues/transfers of \$285,318 were received from Nevada Palmetto Grove sales proceeds as transfers for matching funds for both the Barton School House Project (\$250,000) and Skate Park Project (35,318).**
- (3) Represents receipts and expenditures of impact fee activity only; miscellaneous revenues/transfers of \$465,912 were received from Nevada Palmetto Grove sales proceeds to reimburse expenditures for both Heritage Park off-site improvements (\$400,000) and Skate Park Project design costs (65,912).**

Receipts consist of \$2,454 in investment income, \$146,532 in fees.

Disbursements during Fiscal Year 2016-2017 totaled \$138,012 and consisted of \$107,105 in principal, interest, and fees associated with the State I-Bank loan for the Sports Park, \$2,973 in staff costs for project management, \$451 in project-related postage and advertising services, and \$2,931 in administrative costs. As well, disbursements included \$17,202 for Orange Street Alley Park capital improvements, comprising roughly 3.6% of the total Orange Street Alley Park project. Lastly, disbursements were made in the amount of \$7,350 for geotechnical/soils testing and observation for Heritage Park, comprising approximately 0.63% of the total Heritage Park Project.

Disbursements were made 100% from impact fees collected and related interest earnings.

At June 30, 2017, \$114,407 remains outstanding on the original \$130,000 loan made in Fiscal Year 2010-2011 to the Public Facilities Fund for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding. The interest rate for this loan is set by the Local Agency Investment Fund (LAIF) annual interest rate. For fiscal year 2016-2017, the interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(251) Public Facilities Development Fund** - Public Facilities Development Fees have been established per Redlands Municipal Code Chapter 3.60 with the purpose and intent of implementing the Redlands General Plan to ensure that public facilities and related improvements which satisfy City standards are available concurrent with the needs caused by new development within the City. Fees are collected from applicants for development projects for the purpose of constructing, improving, providing and maintaining public facilities as identified in the City's public facilities program. As noted in the introduction to this report, the City of Redlands Impact Fee Studies, dated December 12, 2013 and January 9, 2017, were approved and specific fees identified on July 1, 2014 and January 17, 2017 respectively.

### **Police Facilities**

In response to unsafe conditions and rain damage events at Safety Hall in Fiscal Years 2007-2008 and 2008-2009, all safety personnel were relocated to the various police facilities located throughout the City.

Staff presented a report to the City Council during Fiscal Year 2011-2012 identifying properties determined to be suitable for a new Safety Hall. A financial strategy was developed and reviewed by the City Council. More recently, during its regular meeting of December 5, 2016, the City Council designated a capital projects fund specifically designated for Safety Hall and City Hall replacement activities. Land sale proceeds from the former Safety Hall (located at 212 Brookside) were deposited into this fund, along with other Council-designated land proceeds for the purposes of acquiring property upon which to eventually construct replacement facilities.

The following table shows the balances, receipts and expenditures of the Police Facilities Fee for the current and last five fiscal years:

	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
Beg. Balance	1,621	505	-	129,397	316,188	349,293
Receipts	142,095	40,676	207,573	190,602	33,781	74,769
Expenditures	(143,211)	(41,181)	(78,176)	(3,812)	(676)	(1,495)
Ending Balance	505	-	129,397	316,187	349,293	422,566

Receipts consist of \$74,769 in fees.

Disbursements include \$1,495 in administrative charges.

No refunds are required and none have been made during Fiscal Year 2016-2017.

### **Fire Facilities (Fire Facilities and Fire Station #3)**

Public Facilities impact fees for Fire Facilities are being assessed to partially pay to construct new and/or to upgrade, expand, and retrofit existing fire facilities within the City based on the needs determined per the Development Impact Fee Studies dated December 12, 2013 and January 9, 2017. In addition, these fees, as well as those collected for Library and General Government Facilities, have been collected and used to make contributions towards annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP), maturing in Fiscal Year 2017-2018. The 2003 COPs refunded prior COPs that were used to finance Fire Station #3, as well as Library Facilities and the City Yard. Prior to implementation of the Fiscal Year 2006-2007 Impact Fee Study, the fees collected for Fire Station #3 were accounted for separately.

The following table shows the balances, receipts and expenditures, including loan activity, of the Fire Facilities Fee for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	-	-	-	-	82,144	-
Receipts	236,859	206,182	272,659	494,169	97,007	117,100
Expenditures	(236,859)	(206,182)	(272,659)	(412,025)	(179,151)	(117,100)
Ending Balance	-	-	-	82,144	-	-

Receipts consist \$117,100 in fees.

Disbursements of \$103,400 include a loan repayment of \$76,227 to the General Fund for one years' prior debt service coverage, \$24,831 in debt service payments on the 2003 Lease Revenue COPs, and \$2,342 in administrative charges.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

### **Library Facilities**

Impact fees collected for Library Facilities are used to make contributions towards annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP). The 2003 COPs refunded prior COPs that were used to finance these facilities. Future fees collected are earmarked for debt service on these bonds which mature in Fiscal Year 2017-2018 and to repay outstanding loans from the General Fund, as well as loans to the Park Development, Storm Drain Construction, and Water Funds, incurred during those fiscal years when development fee revenues were insufficient to meet the debt service requirements.

The following table shows the balances, receipts and expenditures, including loan activity, of the Library Facilities Fee for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	-	-	-	-	-	-
Receipts	326,186	324,946	331,015	328,585	324,014	143,742
Expenditures	(326,186)	(324,946)	(331,015)	(328,585)	(324,014)	(143,742)
Ending Balance	-	-	-	-	-	-

Receipts consist of \$57,195 in fees, an additional loan of \$84,655 from the General Fund and \$1,892 in unpaid interest payments added to the principal balance of the non-General Fund loans from the Storm Drain Construction Fund (405) and the Water Fund (501).

Disbursements include \$1,892 in interest expense on its share of inter-fund loans noted above that were provided during Fiscal Year 2010-2011, \$1,144 in administrative charges, and \$140,706 in contributions towards the Library Facilities category 34% share of half of the annual debt service on the 2003 Lease Revenue Refunding COPs, which as discussed above under Fire Facilities, financed improvements to A.K. Smiley Public Library.

As of June 30, 2017, outstanding loans total \$3,897,289, with \$3,620,449 owed to the General Fund, \$20,922 to the Park Development Fund, \$102,367 to the Storm Drain Construction Fund, and \$153,551 to the Water Fund. As noted, these loans occur when impact fee revenues are insufficient to cover the Library Facilities category 34% share of debt service on the 2003 Lease Revenue Refunding COPs. Historically, no specific term or interest rate has been established for loans owed to the General Fund, however when the City Council approved loans from the Park Development, Storm Drain Construction Fund and Water Funds, they did so with the caveat that as sufficient impact fees become available, the non-General Fund loans would be repaid first, with interest set at the Local Agency Investment Fund (LAIF) annual interest rate. For fiscal year 2016-2017, the interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

### **General Government Facilities**

Impact fee for General Government Facilities was established with the completion of the impact fee study performed in Fiscal Year 2006-2007 and implemented in August, 2007. This fee encompasses City Hall Facilities and the City Yard, previously collected as separate fees. City Yard fees have been collected to fund contributions towards annual debt service on the 2003 Lease Revenue Refunding COPs, which refunded prior COPs issued to finance the City Yard facility, as well as the Library and Fire Station #3, as noted above.



The purpose of this fee is to ensure new development pays its fair share of general government facilities, which include, but are not limited to, government administrative offices (e.g. City Hall), city-owned vehicles, and city storage facilities.

The following table shows the balances, receipts and expenditures, including loan activity, of the General Government Facilities Fee for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	-	-	-	-	-	-
Receipts	578,076	574,969	586,607	876,439	575,291	258,296
Expenditures	(578,076)	(574,969)	(586,607)	(876,439)	(575,291)	(258,296)
Ending Balance	-	-	-	-	-	-

Receipts consist of \$176,119 in fees, an additional loan of \$78,208 from the General Fund and \$1,692 in unpaid interest payments added to the principal balance of the non-General Fund loans from the Open Space Fund (227) and Park/Open Space Fund (250) and \$2,277 in unpaid interest added to the General Fund loan.

Disbursements include \$3,969 in total interest expense on its share of inter-fund loans provided during Fiscal Year 2010-2011, \$3,523 in administrative charges, \$2,499 in staff time charged for the administration of the fund, and \$248,305 in contributions towards General Government Facilities' 60% share of half of the annual debt service on the 2003 Lease Revenue Refunding COPs.

Future fees collected will be accumulated and used for the construction of new and/or to upgrade, expand, and retrofit existing general government facilities, to pay debt service on the 2003 Lease Revenue Refunding COPs, which mature in Fiscal Year 2017-2018, and to repay loans from the General Fund incurred in years when development fee revenues have been insufficient to meet the debt service requirements.

As of June 30, 2017, outstanding loans total \$4,953,887, with \$4,745,995 owed to the General Fund, \$114,407 to the Open Space Fund and \$93,485 to the Park Development Fund. Historically, no specific term or interest rate has been established for loans owed to the General Fund, however when the City Council approved loans from the Open Space and Park Development Funds, they did so with the caveat that as sufficient impact fees become available, the non-General Fund loans would be repaid first, with interest set at the annual Local Agency Investment Fund rate. Although no specific term or interest rate has historically been established for General Fund loans, in Fiscal Year 2010-2011 when non-General fund loans were made and interest approved on these loans at the Local Agency Investment Fund rate, interest was also applied in the same manner to the General Fund loan made in that year. To date, \$7,120 in interest has been added to the General Fund loan principal balance, with \$2,277 thereof added in the current fiscal year. For fiscal year 2016-2017, the Local Agency Investment Fund interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.



No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**Community Center Facilities**

Community Center Facilities impact fees were established in Fiscal Year 2014-2015 and are collected using a replacement cost per capita for the City’s existing community centers as the basis for the fees. The fees charged to future residential development are set at a level needed to maintain the existing level of service as the City grows. The purpose of these fees collected from future development is to approximately cover the cost of adding community center space while maintaining the current ratio of community center asset value to population.

The following table shows the balances, receipts and expenditures of the Community Center Facilities Fee for the current and last two fiscal years, being that these fees were first established in Fiscal Year 2014-2015:

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
Beg. Balance	-	32,506	47,081
Receipts	33,174	14,872	21,031
Expenditures	(664)	(297)	(421)
Ending Balance	32,510	47,081	67,692

Receipts consist of \$21,031 in fees.

Disbursements include \$421 in administrative expenses.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

At June 30, 2017 the Public Facilities Fund has Advances Payable (Interfund Loans) to Other Funds for loans received as follows:

Advance Payable To:

General Fund	\$ 8,366,444
Open Space Fund	114,407
Park and Open Space Fund	114,407
Storm Drain Construction Fund	102,367
Water Operating Fund	<u>153,551</u>
Total	\$ 8,851,176

As noted above, fees collected for Fire, Library and General Government Facilities have been collected and used to make contributions towards annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP), maturing in Fiscal Year 2017-2018. The 2003 COPs refunded prior COPs that were used to finance Fire Station #3, as well as Library Facilities and the City Yard. In years

when the revenue from these fee categories was insufficient to meet debt service obligations, the Public Facilities Fund was loaned amounts from the General Fund, Open Space, Park Development, Storm Drain Construction, and Water Funds. For fiscal year 2016-2017, the interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.

**Transportation Fees**

During Fiscal Year 2016-2017, Resolution Nos. 7432, 7617 and 7701 each prescribed the methodologies and amounts of Transportation fees. Impact fees in this category are intended to fund transportation improvements, including the following components: interchange improvements, railroad crossing improvements, improvements to regional arterials, and improvements to local streets. The first three components are intended to satisfy the requirement, pursuant to Measure I (2010-2041) and the San Bernardino County Transportation Authority (SBCTA) Congestion Management Plan, that the City assess new development for its fair share of the cost of those improvements. The local street component is based on data provided by the City that represents the full cost of local street improvement projects needed entirely to serve future development. Allocations are established based on a weighted average for each improvement type based on cost. Each applicable Development Impact Fee Study, one dated December 12, 2013 and another dated January 9, 2017, estimated transportation improvement costs in each component category and were allocated according to the tables below.

<u>Resolution No. 7432, DIF Study Dec. 2013</u>			<u>Resolution No. 7701, DIF Study Jan. 2017</u>		
Fund 252 -	Regional Arterial	45%	Fund 252 -	Regional Arterial	43%
Fund 252 -	RR Crossings	1%	Fund 252 -	RR Crossings	1%
Fund 252 -	Local Streets	10%	Fund 252 -	Local Streets	19%
Fund 253 -	Signals	7%	Fund 253 -	Signals	4%
Fund 254 -	Interchanges	37%	Fund 254 -	Interchanges	36%

The only impact of Resolution No. 7617 was to add the ability for the Director of Municipal Utilities and Engineering to allow applicants for non-residential projects the option to provide an approved traffic engineering study to identify the specific trip generation for its project in order to determine the Transportation Improvement Fees at the fee rate of \$333.29 per trip.

Resolutions 7432 and 7617 were in effect at the beginning of Fiscal Year 2016-2017 and both were rescinded as of January 18, 2017 by Resolution No. 7701.

These development fees are combined with revenue generated under the Measure “I” half cent sales tax to fund regional transportation projects.

**(252) Arterial Street Construction Fund** – This fund includes development fees, as discussed above, for both the regional (SBCTA) and local transportation development fees which, in concert with the Regional Measure “I” sales tax revenue, when needed, are used to construct transportation improvements. Both development and Measure “I” funds are required to construct the transportation improvement projects.

The following table shows the balances, receipts and expenditures of the Arterial Street Construction Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	1,077,684	1,208,374	1,583,497	1,782,833	1,788,989	2,310,316
Receipts	133,096	382,548	203,178	1,050,236	531,873	721,613
Expenditures	(2,406)	(7,425)	(3,842)	(1,044,080)	(10,546)	(16,337)
Ending Balance	1,208,374	1,583,497	1,782,833	1,788,989	2,310,316	3,015,593

Receipts consist of \$692,141 in fees and \$29,472 in investment income.

Disbursements consist of a \$16,337 in administrative and managerial oversight charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$792,661. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

Monies collected into the Arterial Street Construction Fund, including the existing excess cash, are based on a detailed breakdown of citywide transportation projects needed to mitigate the impacts of new development through the year 2035. These projects have been approved by the City Council for construction under this program, as a part of Resolution No. 7701 and the Development Impact Fee Study dated January 9, 2017. The project list includes improvements to regional and local arterials as well as railroad crossings with a total estimated cost allocated to new development of \$4,253,865.

Below is a partial listing from that study.

- Alabama Street from the northerly City limit to Palmetto Avenue
  - Estimated Cost - \$10,653,000
  - New Development Fair Share – 23.1%
- Orange Street from Lugonia Avenue to Interstate 10 freeway
  - Estimated Cost - \$2,960,000
  - New Development Fair Share – 23.1%
- San Bernardino Avenue from Church Street to Wabash Avenue
  - Estimated Cost - \$2,744,000
  - New Development Fair Share – 23.1%
- Ford Street from 5th Avenue to Interstate 10 freeway

- Estimated Cost - \$2,058,000
- New Development Fair Share – 23.1%

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(253) Traffic Signals Fund** – This fund includes seven percent of the transportation development impact fees collected and is for the purpose of constructing traffic signals and signal improvements.

The following table shows the balances, receipts and expenditures of the Traffic Signals Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	584,654	612,595	678,545	764,890	904,729	977,604
Receipts	28,378	67,187	88,012	153,723	77,304	89,346
Expenditures	(437)	(1,237)	(1,667)	(13,884)	(4,429)	(1,532)
Ending Balance	612,595	678,545	764,890	904,729	977,604	1,065,418

Receipts consist of \$76,593 in fees, and \$12,753 in investment income.

Disbursements consist of \$1,532 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$720,516. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

Monies collected into the Traffic Signals Fund, including the existing excess cash, are based on a detailed breakdown of citywide transportation projects needed to mitigate the impacts of new development through the year 2035. These projects have been approved by the City Council for construction under this program, as a part of Resolution No. 7701 and the Development Impact Fee Study dated January 9, 2017. The project list includes local signal projects with a total estimated cost allocated to new development of \$1,515,505.

Below is a partial listing from that study.

- Texas Street and Pioneer Avenue
  - Estimated Cost - \$350,000
  - New Development Fair Share – 32.32%
- University Street and Brockton Avenue
  - Estimated Cost - \$300,000
  - New Development Fair Share – 32.32%
- Intelligent Traffic Management System

- Estimated Cost - \$5,400,000
- New Development Fair Share – 23.1%
- Automated Fire/Police Emergency Vehicle Preemption System
  - Estimated Cost - \$150,000
  - New Development Fair Share – 32.32%

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(254) Freeway Interchange Fund** – As discussed above, thirty-seven percent of the transportation fees collected per Resolution Nos. 7432 and 7701 are to meet the City’s responsibility for the construction of major freeway interchange improvements on I-10 and one freeway interchange on the I-210 freeway. These projects are funded through the collection of multi-jurisdictional development fees and through the collection of regional Measure “I” revenue, under the 2010-2040 Measure “I” voter approved ½ cent sales tax transportation program. This \$1.9 billion dollar regional transportation improvement program, all of which is to be funded by development fees. The City has been identified as the lead agency regarding the implementation of improvements associated with the University Avenue and I-10 Freeway Interchange Improvement. On September 3, 2013, the City entered into a memorandum of understanding to commence the design of the project. Based on projections, it is estimated the project will be completed in 2018-2019. At this time, staff are unable to ascertain when all required funding amounts will be received by the City. This is due to the fact that the rate and pace of development is difficult to determine with respect to the deposit of impact fees by developers.

The following table shows the balances, receipts and expenditures of the Freeway Interchange Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	320,009	388,085	573,860	903,781	2,390,005	2,415,271
Receipts	69,386	189,488	336,566	1,520,288	372,614	491,600
Expenditures	(1,310)	(3,713)	(6,645)	(34,064)	(347,348)	(51,160)
Ending Balance	388,085	573,860	903,781	2,390,005	2,415,271	2,855,711

Receipts consist of \$457,554 in fees, \$4,990 in cost recovery from the County of San Bernardino and \$29,056 in investment income.

Disbursements consist of \$34,344 in staff costs related to project management the University Street Freeway Off-ramp project, \$9,151 in administrative charges, and \$7,665 for a cooperative agreement for project planning, reporting, and other preliminary costs for the construction phases of the University Street Freeway Off-ramp project.

The current cash balance exceeds the cumulative fee collection over the past five years by \$418,543. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

1. **Interstate 10 at Alabama Street Interchange Project** – The reconstruction of this interchange was deemed a priority by the San Bernardino County Transportation Authority (SBCTA), being placed 6th on a list of top ten replacement needs throughout most of San Bernardino County. Originally, SBCTA estimated the project costs at \$36.1 million. City staff and SBCTA worked together to develop and refine the scope into a more feasible project with the current available funding. The solution includes widening of Alabama Street up to the Interstate 10 Bridge and the on/off ramps to and from Interstate 10. The construction estimate was decreased to \$10.9 million. Of this amount, the Freeway Interchange Fund will provide \$1,921,070 in construction costs. At this time, the project engineering and environmental work has begun and it is anticipated that construction will start in June 2020 and be completed in June 2021. Staff is unable to ascertain when all required funding amounts will be received by the City. This is due to the fact that they are deposited from various sources and authorities outside the City’s control. As well, the rate and pace of development is difficult to determine with respect to the deposit of impact fees by developers.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(405) Storm Drain Fund** – New development generates additional storm water runoff by increasing the amount of land that is not penetrable to precipitation. Consequently, new development generates the need for, and benefits from, expanded storm drain facilities. Storm Drain Development Fees have been established per Redlands Municipal Code Chapter 3.56 with the purpose and intent of implementing the Redlands General Plan to ensure that storm drain facilities and improvements which satisfy City standards are available concurrent with the needs caused by new development within the City. This chapter establishes the methods of financing the construction of the required storm drain facilities. Fees are established by this Chapter and are set forth in a table contained therein.

The following table shows the balances, receipts and expenditures of the Storm Drain Fund for the current and last five fiscal years:

	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
Beg. Balance	2,337,473	2,263,105	2,057,850	2,053,911	1,807,009	1,876,684
Receipts	30,795	13,981	168,723	45,595	187,210	94,943
Expenditures	(105,163)	(219,236)	(172,662)	(292,497)	(117,535)	(50,490)
Ending Balance	2,263,105	2,057,850	2,053,911	1,807,009	1,876,684	1,921,137

Receipts include \$88,477 in fees and \$6,466 in investment income.

Disbursements of \$50,490 consist of \$6,192 in administrative charges, \$32,913 in staff costs related to the Opal Basin construction project management and oversight, \$1,325 for software purchased from

Advanced Engineering Software to allow for new storm drain analysis, and \$1,200 for a license agreement with San Bernardino County Transit Authority (SBCTA) related to the Redlands Blvd. & Alabama Street improvement project for a new storm drain line that was installed. Another \$8,860 in staff costs was related to general storm drain construction and administration attributed to new development.

\$32,913 in staff costs for the Opal Basin Construction Project brings total costs of the project to date to \$496,066 and representing 3.8% of the total estimated \$13 million Opal Basin Construction Project cost. At this time, staff is unable to ascertain when all required funding amounts will be received by the City. This is due to the fact that they are deposited from various sources and authorities outside the City's control. As well, the rate and pace of development is difficult to determine with respect to the deposit of impact fees by developers.

At June 30, 2017, a loan made from the Storm Drain Construction Fund in Fiscal Year 2010-2011 to the Public Facilities Fund for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding at \$102,367. Unpaid interest of \$2,367 has been added to the principal over the last six years, with \$757 added in the current year. For fiscal year 2016-2017, the Local Agency Investment Fund (LAIF) interest rate was 0.75%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan will be repaid.

During Fiscal Year 2016-2017, the current cash balance exceeds the cumulative fee collection over the past five years by \$1,571,747. As a result, the City must make a "finding" in accordance with the requirements of Government Code Section 66006.

#### **Finding:**

Storm drain construction is an ongoing effort. Projects are generally large in scope and require several years' worth of receipts. For the last two years, the City has been preparing to further develop the Opal basin project. However, recent investigation suggests a reprioritization of storm drain projects to better meet current conditions. However, it remains a project under consideration. The project list includes local and regional projects in terms of the City's share, with a total estimated cost allocated to new development of \$10,724,400.

1. **Reservoir Canyon** – The Reservoir Canyon Channel is the second largest watershed area tributary to downtown. The total costs to fund new and upgrade existing storm drain facilities that would mitigate the flooding potential specific to this watershed have been estimated at \$16,510,000; new Development Fair Share – 27%.
2. **Downtown Watershed** – The Downtown watershed consists of the local drainage systems in the downtown area. The total costs to fund new and upgrade existing storm drain facilities that would mitigate the flooding potential specific to this watershed have been estimated at \$10,210,000 ; new Development Fair Share – 27%.



3. Redlands **Opal Basin** – This project addresses the Mission Zanja watershed (the largest watershed tributary) and consists of the construction of a retention basin and is one of two major facilities needed to protect the City during a 100 year storm event. When completed, the facility will retain up to 825 acre feet of water. Additional funds to complete the \$13 million project will come from the Storm Drain Fund and other sources as they become available ; new Development Fair Share – 27%.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(508) Water Source Acquisition Fund** - The Water Source Acquisition Fund is established per Redlands Municipal Code Chapter 13.40.020 to implement the Redlands General Plan and finance acquisition of approved water stock and water rights to assist the City in maintaining an adequate supply of water to meet the needs of development requiring water service from the city. Water Source Acquisition charges are established per Section 13.40.040 of the Redlands Municipal Code.

The following table shows the balances, receipts and expenditures of the Water Source Acquisition Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	489,462	267,156	-	-	-	-
Receipts	77,694	32,844	300,009	300,332	65,774	232,384
Expenditures	(300,000)	(300,000)	(300,009)	(300,332)	(65,774)	(120,268)
Ending Balance	267,156	-	-	-	-	112,116

Receipts include \$231,183 in fees, \$1,201 in investment income.

Disbursements include a full loan repayment to the Water Operating Fund (501) in the amount of \$120,268 (\$119,378 in principal and \$889 in accrued interest), bringing the outstanding balance of the loan to \$0. The intra-fund loan from the Water Fund (501) was for the purpose of purchasing 2,000 shares of Bear Valley Mutual Water Company Stock for \$300,000, which was originally authorized as part of an agreement approved by the City Council on March 1, 2011. The cost to purchase water stock in the 508 Fund is allocated in proportion to benefit for new and existing users. For fiscal year 2016-2017, the Local Agency Investment Fund interest rate was charged on this loan at 0.75%.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(509) Water Capital Improvement Fund** – The Water Capital Improvement Fund is established per Redlands Municipal Code Chapter 3.48 to implement the Redlands General Plan and finance the construction of water capital facilities and improvements to provide new capacity required to serve new development requiring water service from the city. This chapter establishes the methods of

collecting fees for financing construction of the water facilities. Fee amounts are established per Section 3.48.040 of the Redlands Municipal Code.

The following table shows the balances, receipts and expenditures of the Water Capital Improvement Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	248,539	219,606	(0)	(0)	101,923	93,430
Receipts	653,396	302,168	1,619,073	897,374	485,865	604,149
Expenditures	(682,329)	(521,774)	(1,619,073)	(795,451)	(494,358)	(511,497)
Ending Balance	219,606	(0)	(0)	101,923	93,430	186,082

Receipts include \$602,526 in fees and investment income of \$1,623.

Disbursements include a full loan repayment to the Water Debt Service Fund (506) in the amount of \$511,497 (\$507,715 in principal and \$3,782 in accrued interest). This represents a 26% share of that fund's debt service, with the Water Operating Fund picking up the other 74% share of debt service, bringing the outstanding balance of the loan to \$0. For fiscal year 2016-2017, the Local Agency Investment Fund interest rate was 0.75%. Projects financed through this debt service include the Agriculture Drainage Water Management Loan Program, used to finance the Texas Street Wellhead Treatment Project, and the Clean Water State Revolving Fund loan agreement that financed construction of the Hinckley water treatment plant upgrade.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(519) Solid Waste Capital Improvement Fund** - The Solid Waste Capital Improvement Fund is established per the Redlands Municipal Code Chapter 3.70 to implement the Redlands General Plan and finance the cost of solid waste capital facilities and equipment to provide new capacity required to serve development requiring solid waste service from the city. Included are landfill, material recovery and transfer station facilities, solid waste collection equipment, transfer equipment and other capital facilities equipment. Solid Waste Capital Improvement charges are established per Section 3.70.032 of the Redlands Municipal Code.

The following table shows the balances, receipts and expenditures of the Solid Waste Capital Improvement Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	2,429,115	2,635,761	2,077,552	2,357,372	3,526,448	3,924,397
Receipts	247,762	152,440	343,458	1,233,199	487,610	320,261
Expenditures	(41,116)	(710,649)	(63,638)	(64,123)	(89,661)	(91,771)
Ending Balance	2,635,761	2,077,552	2,357,372	3,526,448	3,924,397	4,152,887

Receipts include \$307,375 in fees and \$12,886 in investment income.

Disbursements of \$91,771 include transfers to the Solid Waste Projects Fund (513) of \$39,921 for 31% of motor vehicle additions to the solid waste fleet, \$47,170 for 31% of the cost of capital improvements to the landfill gas flare and gas collection system, and \$4,680 for 31% of the cost of the solid waste rate study. These projects include system enhancements for the developer paid portion of additional capacity, upgrading the system to handle the additional waste streams generated by new development. The cost of various projects in the 513 Fund, designed to meet the capital needs at the landfill and solid waste operation, is allocated in proportion to benefit for new and existing users (31% for new users and 69% for existing users). Estimated allocations are reflected in the end of year transfers which are consistent with the approved funding plan in the Fiscal Year 2016-2017 Adopted Budget for the Solid Waste Fund Group.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,824,382. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

Monies collected into the Solid Waste Capital Improvements Fund, including the existing excess cash, are expected to be used for the developer paid portion of major capital improvements. The project list includes capital improvement projects as well as capital equipment replacement, with a total estimated cost allocated to new development of approximately \$1,891,000.

1. **Phase IV landfill expansion** (FY 2018-2019) – costs estimated at \$3.4 million. New Development Fair Share – 31%.
2. **Expansion of the leachate and landfill gas recovery systems** is necessary to provide extraction and collection on landfill expansion areas as well as capital improvement to existing system layout in order to maintain regulatory compliance with State and Federal requirements. Estimated costs depend on the scope of the project and are estimated at \$600,000 to \$700,000 for construction and engineering. New Development Fair Share – 31% per project.
3. **Landfill operation heavy equipment:** The projected expense for capital replacement of landfill equipment ranges from \$1.5 to \$2.3 million dollars and covers off-road vehicles such as Loaders, Graders, and Compactors as well as on-road vehicles such as Fuel Trucks and Water Trucks. New Development Fair Share – 31% per project.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(529) Sewer Capital Improvement Fund** - The Sewer Capital Improvement Fund is established per Redlands Municipal Code Chapter 3.44 to implement the Redlands General Plan and finance the construction of wastewater capital facilities to provide new capacity required to serve development

requiring sewer service from the City. Included are wastewater treatment plant facilities, sewer trunk lines sized larger than the eight-inch local collection mains and appurtenances used to serve property frontage, and other capital facilities and appurtenances. Sewer Capital Improvement charges are established per Section 3.48.040 of the Redlands Municipal Code.

The following table shows the balances, receipts and expenditures of the Sewer Capital Improvement Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	1,686,819	1,298,989	919,629	1,632,906	2,558,189	2,669,072
Receipts	580,946	436,364	1,456,081	1,617,545	876,471	777,381
Expenditures	(968,776)	(815,724)	(742,804)	(692,262)	(765,588)	(768,531)
Ending Balance	1,298,989	919,629	1,632,906	2,558,189	2,669,072	2,677,922

Receipts consist of \$769,382 in fees and \$7,999 in investment income earned.

Disbursements include transfers of \$768,531 to fund 526, representing a 55% share of that fund's debt service, with the Sewer Operating Fund picking up the other 45% share of debt service. The debt service in the 526 Fund is allocated in proportion to benefit for new and existing users. Projects financed through this debt service include the 2012A Wastewater Revenue Refunding Bonds, used to refinance debt originating from the expansion of the City's wastewater treatment plant and collection system master plan; and the Recycled Water Project loan agreement with the California Water Resources Control Board for the construction of advanced wastewater treatment facilities at the existing treatment plant.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.

**(549) Nonpotable Capital Improvement Fund** - The Nonpotable Capital Improvement Fund is established per the Redlands Municipal Code Chapter 3.53 to implement the Redlands General Plan and finance the construction of nonpotable capital facilities to provide new capacity required to serve development requiring nonpotable water service from the City. Included are mains and appurtenances used to serve property frontage, and other capital facilities and appurtenances. Nonpotable Capital Improvement charges are established per Section 3.53.060 of the Redlands Municipal Code.

The following table shows the balances, receipts and expenditures of the Nonpotable Capital Improvement Fund for the current and last five fiscal years:

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Beg. Balance	212,791	215,134	215,311	517,943	710,277	852,751
Receipts	2,343	177	508,520	212,075	142,474	264,517
Expenditures	-	-	(205,888)	(19,741)	-	-
Ending Balance	215,134	215,311	517,943	710,277	852,751	1,117,268

Receipts consist of \$261,673 in fees and \$2,844 in investment income.

No disbursements were made in Fiscal Year 2016-2017.

The current cash balance exceeds the cumulative fee collection over the past five years by \$480,306. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

**Finding:**

Monies collected into the Nonpotable Capital Improvements Fund, including the existing excess cash, are expected to be used for a number of projects that will enhance and expand the nonpotable water distribution system pressure zones. Specifically, major projects under evaluation include:

1. Construction of a nonpotable reservoir, booster station and pipeline needed to operate Pressure Zones 1350 and 1570. These two pressure zones are the City’s two lowest and, as such, are particularly sensitive to increases in demand from new growth and development. Cost estimates for the project total \$4.8 million.

No refunds of fees are required and none have been made during Fiscal Year 2016-2017.