



December 21, 2021

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 2020-2021 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 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 police, fire, community center, library and general government facilities), Transportation, Water, Non-Potable Water, Solid Waste, and Sewer.

Impact fees collected and spent during Fiscal Year 2020-2021 were set by Resolution No. 7951 as approved by the City Council on April 2, 2019, which rescinded Resolution No. 7907. The amount of corresponding fee types, currently established by Resolution No. 7951, 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 A. K. Smiley Public Library and available for public review on December 6, 2021.

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. Fee amounts are set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	672,363	727,643	428,728	505,631	1,508,088	1,622,321
Receipts	55,826	49,392	78,399	1,003,881 ¹	185,482	126,661
Expenditures	(546)	(348,306)	(1,496)	(1,424)	(71,249)	(2,416)
Ending Balance	727,643	428,728	505,631	1,508,088	1,622,321	1,746,567 ¹

¹Includes non-DIF revenue of \$785,000 deposit of land sale proceeds designated by the City Council for acquisition of open space and received from the sale of the City’s Mullin grove property.

DIF Receipts include fees of \$120,778 and investment income of \$5,883.

Expenditures include \$2,415 in administrative charges.

Over the ten 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, including the San Timoteo Creek Habitat Enhancement Project, the Thompson Property, the Allen property, the Mistretta property and most recently, the Hudson property.

The current cash balance exceeds the cumulative fee collection over the past five years by \$598,100, when adjusting for the \$785,000 deposit of land sale proceeds as detailed above¹. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

Fees 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. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for anticipated funding sources or amounts to complete the projects listed below. 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 3-5 years:

1. **Open Space/Citrus Acquisition** – the City is committed to retaining and improving the maximum feasible amount of open space property for recreational opportunities, conservation, agricultural uses and resource protection. In terms of agricultural open space, one of the City’s goals is to increase City acreage of citrus groves to an approximate target of 200 acres. As of FY 2021, the City owned 184 acres.
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. The City has identified gaps in the Emerald Necklace and is working collaboratively to prioritize land acquisition or other resource preservation strategies in those areas. 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** – The City has several project priorities: develop a linear parkway/recreational corridor centered along San Timoteo Creek and extending throughout the canyon, coordinate with San Bernardino County and the Santa Ana River Conservancy on implementing the objectives of the Santa Ana River Trail Parkway and Open Space Plan, and to complete the Emerald Necklace system of scenic routes and trails, including the Zanja Trail, Santa Ana River Trail, San Timoteo Trail, and other trails linking parks, regional trails, and open space areas.

No refunds of fees, as a result of the cumulative cash balance in the Open Space fund, are required, and none have been made during Fiscal Year 2020-2021.

(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. Fee amounts are set by Resolution No. 7951. 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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	1,049,004	555,525	760,793	708,482	477,392	609,313
Receipts	102,732 ⁽¹⁾	614,052 ⁽²⁾	326,477 ⁽³⁾	1,020,460 ⁽⁴⁾	454,596	382,923
Expenditures	(596,211)	(408,784)	(378,788)	(1,251,551)	(322,674)	(113,907)
Ending Balance	555,525	760,793	708,482	477,392	609,313	878,329

- (1) 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).
- (2) Includes miscellaneous revenues/transfers of \$465,912 that 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).
- (3) Includes miscellaneous revenues/transfers of \$101,531 that were received from Nevada Palmetto Grove sales proceeds and community donations to reimburse expenditures for the Skate Park Project design & project-related costs (\$16,850 to date).
- (4) Includes miscellaneous revenues/transfers of \$635,613 that were received from Nevada Palmetto Grove sales proceeds and community donations of \$38,723 to fund construction of the Skate Park.

Impact fee revenue in this category consist of \$379,519 in fees and \$3,404 in investment income.

Disbursements during Fiscal Year 2020-2021 totaled \$113,907, including a payment of \$60,940 in principal, \$41,347 in interest, and \$4,029 in fees associated with the State I-Bank loan for the Sports Park. Park Development impact fees will represent approximately 35% of the total cost for the Sports Park design & construction once the debt service is fully satisfied. Other disbursements included \$7591 in administrative charges.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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. Fee amounts are set by Resolution No. 7951. 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.

Police Facilities

The purpose of this fee is to provide a revenue source that will provide funds to acquire vehicles/aircraft that will mitigate the impacts of new residential and non-residential development to the City's Police facilities. A complete listing of proposed facilities is contained within the City's Development Impact Fee Justification Study, dated January 9, 2017.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	316,188	349,293	422,566	428,533	440,922	464,906
Receipts	33,781	74,769	6,088	12,641	24,474	6,939
Expenditures	(676)	(1,495)	(122)	(253)	(489)	(139)
Ending Balance	349,293	422,566	428,532	440,922	464,906	471,706

Receipts consist of \$6,939 in fees. Disbursements include \$139 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$319,953. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Findings:

Fees deposited into the Public Facilities Fund – Police Facilities category are to be used solely for the purpose of costs related to police facilities, vehicles and equipment. The largest cost, by far, will be the development of a new safety hall center. The current buildings that house police staff are aged, not ADA-compliant and represent barriers to effectively managing the department’s resources. As a result, plans have been underway to conceptualize and fund a new Safety Hall. This project is estimated to cost somewhere between \$40 and \$60 million dollars, including construction, commissioning and furnishing. Impact fees will be used to help fund the project once it commences and their expenditure will reflect a portion of new development’s share in the cost of the new facility. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for anticipated funding sources or amounts, in total, that are needed to complete the Safety Hall project. The City anticipates developing a timeline for this project during its Strategic Planning initiative in early 2022. From that point, timelines for project construction/completion are likely to be established.

No refunds are required and none have been made during Fiscal Year 2020-2021.

Fire Facilities

The purpose of this fee to establish a revenue source that will provide funds to construct various Fire facilities, and acquire equipment and vehicles that will mitigate the impacts of new residential and non-residential development to the City’s Fire facilities. A complete listing of proposed facilities is contained within the City’s Development Impact Fee Justification Study, dated January 9, 2017.

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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	82,144	-	13,700	69,271	315,622	399,928
Receipts	97,007	117,100	75,378	251,379	196,707	140,752
Expenditures	(179,151)	(103,399)	(19,807)	(5,028)	(112,401)*	(77,123)
Ending Balance	-	13,700	69,271	315,622	399,928	463,557

*Represents a correction from the prior year report on expenditures. An additional \$108,467 was expended on a deployment study and the purchase of a ladder truck.

Receipts consist \$140,752 in fees.

Disbursements include \$2,815 in administrative charges. In addition, the completion of a deployment study and fire department organizational assessment was partially funded in the amount of \$26,057. The study will identify resource, capital, planning and coverage needs for effective service delivery for the subsequent 5-year period. As well, the partial outfitting of a ladder truck was included for \$48,251.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

Library Facilities

The library facility impact fees were established to provide a revenue source that will generate funds to acquire various library collection items and remodel/refurbish existing facilities that will mitigate the impacts of new residential development to the City's Library facilities. Uses to which the fee is to be put include Expansion of library collection items and remodel/refurbishment of existing facilities. Collection items include, but are not limited to, books, periodicals, newspapers, DVDs, e-books, etc.

Impact fees collected for Library Facilities were also 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. The past fees collected were earmarked to pay debt service on these bonds, which matured in Fiscal Year 2017-2018 and are now designated to repay outstanding loans from the General Fund, as well as loans that were provided by the Storm Drain Construction, and Water funds. Those loans were incurred during those fiscal years when library impact 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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	-	-	-	-	0	0
Receipts	324,014	143,742	108,011	26,890	42,926	33,427
Expenditures	(324,014)	(143,742)	(108,011)	(26,890)	(42,926)	-33,427
Ending Balance	-	-	-	-	0	0

Receipts consist of \$33,427 in fees.

Disbursements include \$1,134 in interest expense on its share of inter-fund loans noted above that were provided during Fiscal Year 2010-2011, \$669 in administrative charges, and \$31,624 repaid on outstanding loans from the Storm Drain and Water Funds.

As of June 30, 2021, outstanding loans total \$3,882,568, with \$3,711,846 owed to the General Fund, \$58,078 owed to the Storm Drain Construction Fund, and \$112,643 owed 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 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 2020-2021, the interest rate was 0.56%. 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 2020-2021.

General Government Facilities

Impact fees for General Government Facilities were first established with the completion of the impact fee study performed in Fiscal Year 2006-2007 and implemented in August, 2007 and the most recent fee justification study is the City's Development Impact Fee Justification Study dated January 9, 2017. The purpose of this fee is to establish a revenue source that will provide funds to purchase and install additional IT hardware and construct a government center/safety hall building and public parking facility that will mitigate the impacts of new residential and non-residential development to the City's general government 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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	-	-	-	-	535	0
Receipts	575,291	258,296	197,046	299,241	233,858	159,044
Expenditures	(575,291)	(258,296)	(197,046)	(299,241)	(234,392)	-159,044
Ending Balance	-	-	-	-	(0)	

Receipts consist of \$159,044 in fees, and a residual cash balance adjustment of negative \$537, reflecting accounts payable from the prior fiscal year.

Disbursements include \$241 in total interest expense on its share of inter-fund loans provided during Fiscal Year 2010-2011, \$3,181 in administrative charges, and a loan repayment of \$155,327 to the General Fund. For fiscal year 2020-2021, the interest rate was 0.56%.

As of June 30, 2021, the remaining outstanding loan totals \$4,406,334 and is owed to the General Fund. Previous loans in place from the Open Space Fund (227) and Park Development Fund (250) have been repaid in full, including current year interest and all outstanding principal. As noted, these loans occur when impact fee revenues are insufficient to cover the General Government Facilities category 60% share of debt service on the 2003 Lease Revenue Refunding COPs. 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. Since that time, \$22,763 in interest has been added to the General Fund loan principal balance, including an additional \$241 that has been added for fiscal year 2020-2021. For fiscal year 2020-2021, the Local Agency Investment Fund interest rate was 0.56%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which this loan from the General Fund will be repaid.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

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 most recent fee justification study is the City's Development Impact Fee Justification Study, dated January 9, 2017, which contains a complete listing of proposed community center facilities.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	32,506	47,081	67,644	68,208	68,208	68,208
Receipts	14,872	21,031	576	-	-	0
Expenditures	(297)	(468)	(12)	-	-	0
Ending Balance	47,081	67,644	68,208	68,208	68,208	68,208

There were no receipts or disbursements made from this category in fiscal year 2020-2021.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

At June 30, 2021 the Public Facilities Fund has Advances Payable (Interfund Loans) to Other Funds for loans received as follows:

<u>Advance Payable To:</u>	
General Fund	\$ 8,118,180
Open Space Fund	-
Park and Open Space Fund	-
Storm Drain Construction Fund	58,078
Water Operating Fund	<u>112,643</u>
Total	\$ 8,288,901

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), which matured during Fiscal Year 2017-2018. The 2003 COPs refunded prior COPs that were used to finance Fire Station #3 (6% of total debt service), as well as Library Facilities (34% of total debt service) and the City Yard (60% of total debt service). 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 2020-2021, the interest rate was 0.56%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which each loan will be repaid.

Transportation Fees

During Fiscal Year 2020-2021, Resolution No. 7951 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. The City's Development Impact Fee Study, dated January 9, 2017, estimated transportation improvement costs in each component category and allocated them according to the tables below.

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

These development fees are utilized in conjunction with revenue generated under the Measure “I” half cent sales tax to fund regional transportation projects. These fees establish a revenue source that will provide funds to construct various transportation projects that will mitigate the impacts of new development on the City's circulation system. The uses to which the fees are to be put to include the funding of new roadways within the City limits.

(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. A complete listing of proposed facilities is contained within the City's Development Impact Fee Justification Study, dated January 9, 2017.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	1,788,988	2,310,315	3,015,544	3,141,989	3,721,696	3,954,816
Receipts	531,874	721,613	133,137	592,243	597,315	398,827
Expenditures	(10,547)	(16,384)	(6,692)	(12,536)	(364,193)	(425,207)
Ending Balance	2,310,315	3,015,544	3,141,989	3,721,696	3,954,816	3,928,436

Receipts consist of \$386,216 in fees and \$12,611 in investment income.

Disbursements consist of a \$7,724 in administrative charges. Additionally, a funding adjustment from a State grant program required a disbursement from this fund of \$417,483 for construction costs related to the Redlands Boulevard, Alabama Street and Colton Avenue Intersection Improvement Project. This project widened and realigned the intersection and added additional lanes of travel. The overall Level of Service at the intersection improved from a pre-project Level of Service “F” to post-project Level of Service “C”.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,650,933. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

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. 7951 and the Development Impact Fee Study dated January 9, 2017. The project list includes improvements to regional and local arterials with a total estimated cost allocated to new development of \$21,087,242.

A complete listing of proposed facilities is contained within the City’s Development Impact Fee Justification Study, dated January 9, 2017.

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%

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	904,729	1,122,990	1,210,815	1,223,302	1,283,765	1,382,585
Receipts	222,690	89,357	16,708	72,366	99,412	62,910
Expenditures	(4,429)	(1,532)	(4,221)	(11,903)	(591)	(507)
Ending Balance	1,122,990	1,210,815	1,223,302	1,283,765	1,382,585	1,444,989

Receipts consist of \$24,020 in fees, \$34,300 in developer deposits, and \$4,590 in investment income.

Disbursements consist of \$507 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,232,381. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

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 \$4,996,610. A complete listing of proposed facilities is contained within the City’s Development Impact Fee Justification Study, dated January 9, 2017.

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%

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(254) Freeway Interchange Fund – As discussed above, thirty-seven percent of the transportation fees collected 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.

Two projects are currently underway. The first is the I-10/University Street Interchange project. The San Bernardino County Transportation Authority (SBCTA) and the City, in coordination with Caltrans District 8, will widen the I-10 westbound on-ramp and I-10 eastbound off-ramp at University Street, as well as restripe University Street from Citrus Avenue to Central Avenue. The project is designed to reduce congestion, improve safety, and improve traffic operations along University Street between Citrus Avenue and Central Avenue. It will also install new traffic signals at the I-10 eastbound off-ramp at University Street and the I-10 westbound on-ramp at University Street and provide street improvements within the project limits including drainage improvements, pavement construction, and landscaping replacement.

On September 3, 2013, the City entered into a memorandum of understanding to commence the design of the project. The initial estimate to design and construct the Project was estimated to cost \$5.2 million. Pursuant to the Cooperative Agreement, the City is responsible for 17.9% (\$912,900) of the total \$5.1 million project cost, with the remaining 82.1% (\$4,188,000) to be funded by SBCTA. The remaining \$100,000 is for project management costs that is the sole responsibility of the City. In May 2019, SBCTA informed the City that an amendment to the Cooperative Agreement would be needed as the total project cost for the Project had increased from \$5.2 million to \$5,812,935. Increases in costs were mainly attributable to planning & design stages, project management and additional paving requirements. Project planning and design has been completed, the construction work has started and is anticipated to conclude in late 2021.

In addition to the University I-10 Interchange project, on February 16, 2016 the City entered into the City entered into a memorandum of understanding to commence the alternative Interstate 10 – Alabama Street Interchange project. When constructed, the Project will improve the Interstate 10 at Alabama Street Interchange between Orange Tree Lane and Industrial Park Avenue, with on and off ramp widening, addition of turning lanes, new pavement and striping. As part of the MOU, funding responsibilities for the development of the estimated \$10.96 million Project were delineated for the parties. Per SBCTA's 10-Year Delivery Plan and SBCTA's Development Mitigation Nexus Study, the City, SBCTA and County of San Bernardino have funding responsibilities for the Project. Specifically, SBCTA has 49.5% of the Public Share of funding responsibilities (~\$5.26m) for the Project and the City and County share the remaining 50.5% (~\$5.70m) Development Share, with City responsible for 34.9% ~

(\$1.99m) and County 65.1% (~\$3.71m). In November 2016, City Council approved a Development Mitigation Cooperative Agreement with the County in order to memorialize the financial responsibilities between the City and County for their shared Development Share responsibilities.

In mid to late 2019, SBCTA approached City and County about cost increases identified during design with the Project. Total Project cost has risen from the original estimate of \$10.96 million to a new estimate of \$15.15 million, a rise of \$4.19 million. With this new estimate, City costs for the Project have risen from \$1,990,065 million to \$2,506,921, an increase of ~\$516,856. City has been in contact with both SBCTA and County and both entities have the funding necessary and desire to move forward with the Project. SBCTA is still working on the design phase, with construction to follow in late 2021 or early 2022.

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:

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	2,390,005	2,418,020	2,855,127	2,766,083	2,941,748	3,815,420
Receipts	372,614	491,600	156,368	559,907	1,293,437	243,103
Expenditures	(344,599)	(54,493)	(245,412)	(384,243)	(419,765)	(1,012,257)
Ending Balance	2,418,020	2,855,127	2,766,083	2,941,748	3,815,420	3,046,266

Receipts consist of \$10,439 in investment income and \$232,664 in fees.

Disbursements consist of \$5,169 in administrative charges. Expenses also included \$44,776 was disbursed in connection with the City's cooperative cost sharing agreement for project management services associated with the I-10 Alabama Street Project, as well as a payable for the same in the amount of \$74,817. Capital expenditures were also made from this account: \$762,267 for the University I-10 Interchange project, and \$128,229 for the I-10 Alabama Street Project.

The expenditures detailed above for the I 10 Alabama Freeway Improvements Project brings total costs of the project to date to \$1,102,905, representing approximately 56% of the City's estimated share of total project costs, estimated at \$1,967,347. At this time, staff is unable to ascertain when all required funding amounts will be received by the City. The project is expected to be completed within calendar year 2022.

The expenditures detailed above for the I 10 University Freeway Improvements Project brings total costs of the project to date to \$11,460, representing approximately 86% of the City's estimated share of total project costs, estimated at \$897,078. At this time, staff is unable to ascertain when all required

funding amounts will be received by the City. The project is expected to be completed within calendar year 2022.

During Fiscal Year 2020-2021, the current cash balance exceeds the cumulative fee collection over the past five years by \$1,457,368. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

Monies collected into the Freeway Interchanges 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. 7951 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 \$6,029,266. A complete listing of proposed facilities is contained within the City’s Development Impact Fee Justification Study, dated January 9, 2017.

Below is a partial listing from that study.

- I-10 at Mountain View:
 - Estimated Cost - \$53,214,296
 - New Development Fair Share – \$784,485 (3.9%)
- I-10 at California
 - Estimated Cost - \$46,562,380
 - New Development Fair Share – \$3,249,495 (14.6%)
- I-10 at Wabash
 - Estimated Cost - \$41,822,810
 - New Development Fair Share – \$1,871,571 (12.5%)
- I-10 at Live Oak
 - Estimated Cost - \$19,478,974
 - New Development Fair Share – \$72,072 (1%)
- I-10 at 5th Street
 - Estimated Cost - \$8,364,562
 - New Development Fair Share – \$51,643 (1.4%)

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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 Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	1,799,917	1,789,457	1,832,744	1,832,238	1,985,305	1,975,112
Receipts	186,788	94,186	112,404	206,098	227,799	151,397
Expenditures	(197,247)	(50,899)	(112,910)	(53,032)	(237,992)	(7,538)
Ending Balance	1,789,457	1,832,744	1,832,238	1,985,305	1,975,112	2,118,971

Receipts include \$127,781 in fees, \$7,651 in investment income. Also included is the net difference from the prior year of accounts receivable, \$15,964, reflecting repayment of an interfund loan from the Public Facilities Fund (251).

Disbursements consist of \$7,538 in administrative costs.

At June 30, 2019, 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 \$58,078. Interest of \$8,667 has been added to the principal over the last eight years, with \$415 added in the current year. For fiscal year 2020-2021, the Local Agency Investment Fund (LAIF) interest rate was 0.56%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which the remaining principal of the loan will be repaid.

During Fiscal Year 2020-2021, the current cash balance exceeds the cumulative fee collection over the past five years by \$631,997. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

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. Fees are to be used on the costs associated with construction of regional and local facilities, based on the amount estimated costs allocable to new development and new service population.

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. Still, the Opal Basin remains a project under consideration. In 2014, the City adopted a Drainage Master Plan. The outlines scope and priority of various projects. Timelines for completing these projects is difficult to estimate due mainly to each project's significant costs and the unpredictability of the timing of adequate impact fee revenue.

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%.

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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. Fee amounts are set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	-	131,549	112,116	258,120	753,768	898,102
Receipts	132,333	232,384	146,004	495,649	144,333	45,534
Expenditures	(784)	(251,817)	-	-	-	-
Ending Balance	131,549	112,116	258,120	753,768	898,102	943,363

Receipts include \$42,504 in fees and \$3,030 in investment income.

There were no disbursements for fiscal year 2020-2021.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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 set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	25,371	(0)	51,246	(0)	(0)	(0)
Receipts	468,987	604,149	654,396	2,191,906	1,132,991	772,122
Expenditures	(494,358)	(552,902)	(705,643)	(2,191,906)	(1,132,991)	(772,122)
Ending Balance	(0)	51,246	(0)	(0)	(0)	(0)

Receipts include \$768,417 in fees and \$3,705 in investment income.

Disbursements include a payment to the Water Fund (501) in the amount of \$772,122. This represents a 4% share of that fund's debt service, with the Water Operating Fund picking up the other 96% share of debt service. 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.

Additionally, the disbursements accounted for in the prior year were consolidated into the Water Operating Fund as a result of the conversion of the City's financial accounting system. This had the effect of combining cash balances in the new accounting system. This required correction to reconcile

the true amounts for each fund. As a result, financial records in the new system will show disbursements from FY 2019-20 and FY 2020-21 although the 2019-20 activity was accounted for in the City's legacy accounting system in the correct year.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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. Fee amounts are set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	3,526,448	3,924,397	4,152,887	4,259,811	4,556,559	4,452,524
Receipts	487,610	320,261	106,924	446,896	453,305	163,410
Expenditures	(89,661)	(91,771)	-	(150,148)	(557,340)	(15,477)
Ending Balance	3,924,397	4,152,887	4,259,811	4,556,559	4,452,524	4,600,457

Receipts include \$146,874 in fees and \$16,536 in investment income.

Disbursements include \$15,477 towards the construction to expand the Landfill office facilities, representing 20% of the costs expended on the project (approximately \$77,400).

Additionally, the disbursements accounted for in the prior year were consolidated into the Solid Waste Operating Fund (511) as a result of the conversion of the City's financial accounting system. This had the effect of combining cash balances in the new accounting system. This required correction to reconcile the true amounts for each fund. As a result, financial records in the new system will show disbursements from FY 2019-20 and FY 2020-21 although the 2019-20 activity was accounted for in the City's legacy accounting system in the correct year.

The current cash balance exceeds the cumulative fee collection over the past five years by \$3,159,996. As a result, the City must make "findings" in accordance with the requirements of Government Code Section 66006.

Findings:

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 \$1,220,000.

1. **Phase V landfill expansion** (FY 2024) –costs estimated at approximately \$5 million. New Development Fair Share – 20% (\$1,000,000).
2. **Expansion of the leachate and landfill gas recovery systems** (FY 2023) 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 – 20% per project (\$120,000 - \$140,000).
3. **Landfill operation heavy equipment** (ongoing) 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 and Graders as well as on-road vehicles such as Fuel Trucks and Water Trucks. New Development Fair Share – 20% per project (\$300,000 - \$460,000).

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(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. Fee amounts are set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	2,513,523	2,624,406	2,633,256	2,846,876	5,041,145	6,115,482
Receipts	876,471	777,381	508,336	2,395,041	1,275,108	845,212
Expenditures	(765,588)	(768,532)	(294,716)	(200,771)	(200,771)	(6,960,694)
Ending Balance	2,624,406	2,633,256	2,846,876	5,041,145	6,115,482	0

Receipts consist of \$819,385 in fees and \$25,827 in investment income.

Disbursements included a single, large interfund transfer of \$6,960,694 to the Sewer Operating Fund for new development's share of a major redesign and reconstruction of the City's Wastewater

Treatment Plant located of 1950 Nevada Street in Redlands. The total project cost is estimated to range between \$40 and \$45 million for the completion of all project phases. The reconstruction of the plant will result in operation efficiencies for optimal flexibility in treating evolving influent and extension of the life of the plant by 20-25 years, handling all future forecasted growth. The anticipated timeline for completion is 7-8 years (approximately FY 2026).

Additionally, the disbursements accounted for in the prior year were consolidated into the Sewer Operating Fund (521) as a result of the conversion of the City’s financial accounting system. This had the effect of combining cash balances in the new accounting system. This required correction to reconcile the true amounts for each fund. As a result, financial records in the new system will show disbursements from FY 2019-20 and FY 2020-21 although the 2019-20 activity was accounted for in the City’s legacy accounting system in the correct year.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.

(539) 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. Fee amounts are set by Resolution No. 7951.

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

	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Beg. Balance	710,277	852,751	1,117,268	1,150,025	1,254,427	1,331,477
Receipts	142,474	264,517	32,757	104,402	77,050	205,446
Expenditures	-	-	-	-	-	-
Ending Balance	852,751	1,117,268	1,150,025	1,254,427	1,331,477	1,536,923

Receipts consist of \$200,192 in fees and \$5,254 in investment income.

No disbursements were made in Fiscal Year 2020-2021.

For continuity, it is worth noting that with the conversion of the City’s financial accounting system, this fund was renumbered from Fund 549 Nonpotable Capital Improvement Fund to Fund 539 Nonpotable Capital Improvement Fund.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,053,160. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

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.

Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which project will be completed. At this time, no other sources of revenue are projected.

No refunds of fees are required and none have been made during Fiscal Year 2020-2021.