



December 19, 2023

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 the Fiscal Year 2022-2023 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 legal requirements for enactment of a Development Impact Fee program are set forth in Government Code §§ 66000- 66025 (the "Mitigation Fee Act"), the bulk of which was adopted as 1987's Assembly Bill 1600 and thus commonly referred to as "AB 1600 requirements".

In the City of 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 66000 et seq., 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 related to new development projects. 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during Fiscal Year 2022-23 were set by Resolution No. 7951 as approved by the City Council on April 2, 2019, which rescinded Resolution No. 7907.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. Government Code Section 66006 requires local agencies to submit annual and five-year reports detailing the status of development impact fees, summarizing the revenues, interest income, and expenditures for each category of funds. This report was filed with the City Clerk's Office and A. K. Smiley Public Library and was available for public review on December 5, 2023.

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 otherwise preserve open space areas. 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. California Govt. Code 65301(a) requires general plan planning areas to include all land within a city or county’s limits, and territory outside its boundaries “which in its judgment bears relation to its planning.” Redlands’ Planning Area encompasses 46 square miles, including all land within the Redlands city limits, the area within the City’s Sphere of Influence (SOI), and an unincorporated island known as the “Donut Hole” that is located in the northwestern portion of the city. 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	428,728	505,631	1,508,088	1,622,321	1,746,567	2,156,054
Receipts	78,399	1,003,881 ¹	185,482	126,661	419,086 ²	107,615
Expenditures	(1,496)	(1,424)	(71,249)	(2,416)	(9,599)	(1,782)
Ending Balance	505,631	1,508,088	1,622,321	1,746,567	2,156,054	2,261,887

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

²Receipts also include a GASB 31 Adjustment.

Receipts include fees of \$89,098 and investment income of \$18,517.

Expenditures include \$1,782 in administrative charges.

Over the last ten years, monies collected in the Open Space Fund, along with grant monies, have been spent on the 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 \$588,786, 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 are 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 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 the City’s acreage of citrus groves to an approximate target of 200 acres. As of FY 2023, the city owns 184 acres.
2. **Emerald Necklace** – the Emerald Necklace is a conceptual framework for a series of green open spaces and park areas surrounding the city approximately 45 miles in length, joined together with a special scenic road and trail 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, because of the cumulative cash balance in the Open Space fund, are required, and none have been made during Fiscal Year 2022-2023.

(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.

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

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	760,793	708,482	477,392	609,313	878,329	2,042,124
Receipts	326,477 ⁽¹⁾	1,020,460 ⁽²⁾	454,596	382,923	1,408,479	315,063
Expenditures	(378,788)	(1,251,551)	(322,674)	(113,907)	(244,684)	(321,930)
Ending Balance	708,482	477,392	609,313	878,329	2,042,124	2,035,257

⁽¹⁾ 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).

⁽²⁾ Includes miscellaneous revenues/transfers of \$635,613 that were received from Nevada Palmetto Grove sales proceeds and community donations of \$38,723 to fund the construction of the Skate Park.

Impact fee revenue in this category consists of \$294,300 in fees and \$20,763 in investment income.

Disbursements during Fiscal Year 2022-23 totaled \$321,930, including a payment of \$64,839 in principle, \$37,386 in interest, and \$3,658 in fiscal agent fees associated with the State I-Bank loan for the Sports Park. In addition to this loan repayment for the Sports Park, this fund also made a payment of \$207,768 for the unexpired portion of the term of the City’s field use agreement with American Youth Soccer Organization (AYSO).

The City and AYSO entered into a Field Use and Youth Soccer Program Agreement for the Redlands Sports Park (“Agreement”) on March 4, 2008. The Agreement provided AYSO sole access to certain City soccer fields throughout the term of the Agreement. In exchange, among other things, AYSO was required to pay to the City a lump sum payment of \$500,000, equivalent to \$20,000 per year for each year under the 25-year Agreement (“Payment”). The Agreement indicates that these funds were applied toward reimbursing the City for the City’s costs in connection with construction of the fields at the City’s Sports Park, including construction of Sports Park restroom facilities. The Agreement requires the City to reimburse AYSO on a pro-rata basis, with interest, for the portion of the \$500,000 representing the unexpired portion of the term of the Agreement, should the City terminate the Agreement early. On December 6, 2022, after providing notice of termination of the Agreement to AYSO, the City authorized reimbursement of \$207,768 to AYSO (“Termination Fee”).

This termination fee was designed specifically to reimburse AYSO for its contribution of monies for park facilities that could have been funded with proceeds from the Park Development Impact Fee fund. Pursuant to Sections 3.32.010 and 3.32.050 of the Municipal Code, the Fee may be spent on “costs incurred by the city for acquiring, developing, improving and expanding...parks, playgrounds and recreational facilities...” and to “reimburse the city for expenditures previously made...” Other disbursements included payment of a construction retention of \$2,393 for prior year projects involving pickleball court improvements and \$5,886 in administrative charges.

No refunds of fees, because of the cumulative cash balance in the Park Development fund, are required, and none have been made during Fiscal Year 2022-2023.

(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 sufficient and keep pace with needs that arise as new development occurs within the City. Fee amounts are set by Resolution No. 7951. Fees are collected from applicants for development projects to construct, improve, and maintain public facilities as identified in the City’s Development Impact Fee Justification Study, dated January 9, 2017.

Police Facilities

The purpose of this fee is to provide a revenue source that will provide funds to acquire vehicles, equipment, and facilities that will mitigate the impacts of new residential and non-residential development on the City’s Police resources. 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	422,566	428,533	440,922	464,906	471,706	493,582
Receipts	6,088	12,641	24,474	6,939	22,322	6,090
Expenditures	(122)	(253)	(489)	(139)	(446)	(122)
Ending Balance	428,532	440,922	464,906	471,706	493,582	499,550

Receipts consist of \$6,090 in fees. Disbursements include \$122 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$427,086. 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 costs related to police facilities, vehicles, and equipment. The largest cost, by far, will be the development of a new safety hall facility. 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. In spring 2022, the City acquired a property at 1625 West Redlands Boulevard to retrofit into a new safety hall facility. The total project to convert this building into a new police facility 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 retrofit project once it commences and their expenditure will reflect a portion of new development’s share in the cost of the new facility. The City anticipates drawing down the balance of

cash in this fee category in total once capital expenditures start on this project. A timeline for project construction/completion will be established sometime in early 2024.

No refunds are required, and none have been made during Fiscal Year 2022-2023.

Fire Facilities

The purpose of this fee is 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 on 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	13,700	69,271	315,622	399,928	463,557	862,051
Receipts	75,378	251,379	196,707	140,752	427,545	113,486
Expenditures	(19,807)	(5,028)	(112,401)	(77,123)	(29,051)	(2,270)
Ending Balance	69,271	315,622	399,928	463,557	862,051	973,267

Receipts consist of \$113,486 in fees.

Disbursements include \$2,270 in administrative charges.

No refunds are required, and none have been made during Fiscal Year 2022-2023.

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 on the City's Library facilities. Planned uses from the proceeds of these fees include the expansion of library collection items as well as the remodeling and refurbishment of existing facilities. Collection items include, but are not limited to, books, periodicals, newspapers, DVDs, e-books, etc.

Previously, impact fees collected for Library Facilities were also used to make contributions towards the annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP). The 2003 COPs refunded prior COPs that were used to finance major improvements to the Library's 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	-	-	-	-	-	-
Receipts	108,011	26,890	42,926	33,427	133,379	25,616
Expenditures	(108,011)	(26,890)	(42,926)	-33,427	(133,379)	(25,616)
Ending Balance	-	-	-	-	-	-

Receipts consist of \$25,616 in fees.

Disbursements include \$229 in interest expense on its share of inter-fund loans noted above that were provided during Fiscal Year 2010-2011, \$512 in administrative charges, and \$24,875 repaid on outstanding loans from the Storm Drain and Water Funds.

As of June 30, 2023, outstanding loans total \$3,727,937, with \$3,711,847 owed to the General Fund, and \$16,090 owed to the Water Fund. During fiscal year 2021-22, the outstanding loan from the Storm Drain Construction Fund in the amount of \$58,078 was fully repaid by the Library Facilities category of Fund 251. As noted, these loans occurred when impact fee revenues were 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 2022-2023, the interest rate was 2.33%. Because development impact fee revenue fluctuates and is difficult to forecast, there is no estimate for the date on which the remaining outstanding balances of the interfund loans will be repaid.

No refunds of fees are required, and none have been made during Fiscal Year 2022-2023.

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 on 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	-	-	535	-	-	-
Receipts	197,046	299,241	233,858	159,044	511,327	138,580
Expenditures	(197,046)	(299,241)	(234,392)	(159,044)	(511,327)	(138,580)
Ending Balance	-	-	-	-	-	-

Receipts consist of \$138,580 in fees.

Disbursements include \$138,809 in interest expense on its share of inter-fund loans provided during Fiscal Year 2010-2011 and \$2,772 in administrative charges. This year, impact fee revenue was not sufficient to cover the interest accrued in this fee category was not sufficient to cover the interest expense. Therefore, an additional amount of \$42,206 will be added to the loan payable, representing unpaid interest expenses accrued during the year. For fiscal year 2022-2023, the interest rate was 2.33%.

As of June 30, 2023, the remaining outstanding loan totals \$3,978,694 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. As noted, these loans occurred when impact fee revenues were 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, \$232,033 in interest has been added to the General Fund loan principal balance, including an additional \$178,015 that has been added for fiscal year 2022-2023. For fiscal year 2022-2023, the Local Agency Investment Fund interest rate was 2.33%. 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 2022-2023.

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 fee is to collect the proportion of new

development’s share in 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 details 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 five fiscal years:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	67,644	68,208	68,208	68,208	68,208	68,208
Receipts	576	-	-	0	-	-
Expenditures	(12)	-	-	0	-	-
Ending Balance	68,208	68,208	68,208	68,208	68,208	68,208

There were no receipts or disbursements made from this category in fiscal year 2022-2023.

The current cash balance exceeds the cumulative fee collection over the past five years by \$67,632. 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 – Community Center Facilities category are to be used solely for the purpose of costs related to adding community center space to maintain the current ratio of community center asset value to population.

The largest cost, by far, will involve the construction of a new community center. The cost estimate developed in 2016 to complete the construction of a new community center was \$7,488,046 according to the most recent fee justification study - the City’s Development Impact Fee Justification Study, dated January 9, 2017. Timelines for completing this project are difficult to estimate due mainly to the significant costs and the unpredictability of the timing of adequate impact fee revenue.

No refunds are required, and none have been made during Fiscal Year 2022-2023.

At June 30, 2023, the Public Facilities Fund has Advances Payable (Interfund Loans) to Other Funds for loans received as follows:

<u>Advance Payable To:</u>	
General Fund	\$ 7,690,541
Open Space Fund	-
Park and Open Space Fund	-
Storm Drain Construction Fund	-
Water Operating Fund	<u>16,090</u>
Total	\$ 7,706,631

As noted above, fees collected for Police, Fire, Library, and General Government Facilities have been collected and used to make contributions towards the 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 2022-2023, the interest rate was 2.33%. 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 2022-2023, 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 impact 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 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 impact fees 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	3,015,544	3,141,989	3,721,696	3,954,816	3,928,436	4,444,102
Receipts	133,137	592,243	597,315	398,827	528,723	343,623
Expenditures	(6,692)	(12,536)	(364,193)	(425,207)	(13,058)	(148,469)
Ending Balance	3,141,989	3,721,696	3,954,816	3,928,436	4,444,102	4,639,255

Impact fee revenue in this category consists of \$304,832 in fees and \$38,791 in investment income.

Disbursements consist of \$14,344 for project management, procurement support, and construction support for the California Street and Redlands Boulevard Widening Project. Another \$128,028 was also spent on preliminary & final engineering, drawings and environmental technical studies for the same project. Lastly, the fund was charged \$6,097 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$2,524,517. 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 \$17,801,728.

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 the 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 2022-2023.

(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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	1,210,815	1,223,302	1,283,765	1,382,585	1,444,989	1,449,748
Receipts	16,708	72,366	99,412	62,910	40,123	33,351
Expenditures	(4,221)	(11,903)	(591)	(507)	(35,363)	(279,963)
Ending Balance	1,223,302	1,283,765	1,382,585	1,444,989	1,449,748	1,203,136

Impact fee revenue in this category consists of \$18,788 in fees and \$14,563 in investment income.

Disbursements consist of \$375.76 in administrative charges, \$37,792 for engineering and design services for the Cypress Avenue and Cajon Street traffic signal construction project, and \$241,796 for the construction in progress related to the University Street and Brockton Avenue traffic signal installation.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,028,041. 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. 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 the 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 2022-2023.

(254) Freeway Interchange Fund – As discussed above, thirty-six 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 the collection of regional Measure “I” revenue, under the 2010-2040 Measure “I” voter-approved half-cent sales tax transportation program.

The I-10/University Street Interchange project has been completed as of the close of calendar year 2022. The San Bernardino County Transportation Authority (SBCTA) and the City, in coordination with Caltrans District 8, completed widening on the I-10 westbound on-ramp and I-10 eastbound off-ramp at University Street, as well as restriping on University Street from Citrus Avenue to Central Avenue.

The project is intended to reduce congestion, improve safety, and improve traffic operations along University Street between Citrus Avenue and Central Avenue. The project includes new traffic signals at the I-10 eastbound off-ramp at University Street and the I-10 westbound on-ramp at University Street and street improvements within the project limits including drainage improvements, pavement construction, and landscaping replacement.

In addition to the University I-10 Interchange project, on February 16, 2016, the City entered into a memorandum of understanding (MOU) to commence the alternative Interstate 10 – Alabama Street Interchange project. The project is designed to improve Interstate 10 at the Alabama Street Interchange between Orange Tree Lane and Industrial Park Avenue, with on and off-ramp widening, the 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 involved. 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 the design of the Project. The 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. SBCTA has completed the construction of the project, which began in January 2022 and finished in December 2022.

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

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	2,855,127	2,766,083	2,941,748	3,815,420	3,046,266	1,618,566
Receipts	156,368	559,907	1,293,437	243,103	479,165	2,948,193
Expenditures	(245,412)	(384,243)	(419,765)	(1,012,257)	(1,906,865)	(2,511,366)
Ending Balance	2,766,083	2,941,748	3,815,420	3,046,266	1,618,566	2,055,393

Impact fee revenue in this category consists of \$181,987 in fees, reimbursement from the County of San Bernardino of \$2,697,068 for a share of the portion of construction costs related to the I-10 Alabama Street Project, and \$69,138 in investment income.

Disbursements consist of \$3,640 in administrative charges. Expenses also included \$34,894 that was disbursed in connection with the City's cooperative cost-sharing agreement for project management

services associated with the I-10 Alabama Street Project. Capital expenditures were also made from this account in the amount of \$2,472,832 for the I-10 Alabama Street Freeway Project.

During Fiscal Year 2021-2022, the current cash balance exceeds the cumulative fee collection over the past five years by \$769,218. 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 \$14,668,387. 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 the 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 2022-2023.

(405) Storm Drain Fund – New development generates additional stormwater 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. 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	1,832,744	1,832,238	1,985,305	1,975,112	2,118,971	2,405,945
Receipts	112,404	206,098	227,799	151,397	299,402	206,750
Expenditures	(112,910)	(53,032)	(237,992)	(7,538)	(12,428)	(67,373)
Ending Balance	1,832,238	1,985,305	1,975,112	2,118,971	2,405,945	2,545,321

Impact fee revenue in this category consists of \$189,041 in fees and \$17,709 in investment income.

Disbursements consist of \$9,316 in administrative costs and \$54,457 in professional engineering services to prepare a focused storm drainage study and corresponding drainage solutions for the vicinity of Garden Street and Westwood Lane. Additionally, the fund was charged \$3,600 in fees related to improvements at the Colton Avenue & Redlands Boulevard intersection.

During Fiscal Year 2022-2023, the current cash balance exceeds the cumulative fee collection over the past five years by \$1,726,670. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

New development generates additional stormwater 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 the construction of regional and local facilities, based on the amount of estimated costs allocable to new development and new service population.

In 2014, the City adopted a Drainage Master Plan. The outlines scope and priority of various projects. Timelines for completing these projects are 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 \$15 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 the 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 2022-2023.

(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 the 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	112,116	258,120	753,768	898,102	943,636	1,444,054
Receipts	146,004	495,649	144,333	45,534	500,418	44,181
Expenditures	-	-	-	-	-	-
Ending Balance	258,120	753,768	898,102	943,363	1,444,054	1,488,235

Receipts include \$31,178 in fees and \$13,003 in investment income.

There were no disbursements for fiscal year 2022-2023.

During Fiscal Year 2022-2023, the current cash balance exceeds the cumulative fee collection over the past five years by \$233,371. As a result, the City must make “findings” in accordance with the requirements of Government Code Section 66006.

Findings:

The Water Source Acquisition Fund is intended to provide funds for the purchase of approved water stocks and rights, as set forth in the Redlands Municipal Code. As the City expands its housing stock and non-residential development, it is critical that the City plan on acquiring supplies sufficient, not just to serve development needs, but also to meet its annual groundwater recharge/replenishment requirements, which are affected by new development.

Most recently, this fund was used to repay the Water Fund (501) for an intra-fund loan. 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 Fund 508 is allocated in proportion to the benefit for new and existing users.

To date, the City’s 2022 Water Systems Master Plan has identified that, as service areas and demands grow, the City may need an additional five to six (5-6) million gallons daily of supply capacity to meet the peak hour demand in 2045. Plans to develop a strategy for water rights purchase is in development and the City anticipates adopting a plan of action during fiscal year 2025. To this end, the following sources for water rights and stocks have been identified.

- West Redlands Water Company
- Redlands Water Company
- Crafton Water Company
- Redlands Heights Water Company
- Lugonia Water Company
- South Mountain Water Company
- Bear Valley Mutual Water Company

No refunds of fees are required, and none have been made during Fiscal Year 2022-2023.

(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 the 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	51,246	-	-	-	-	-
Receipts	654,396	2,191,906	1,132,991	772,122	1,624,228	574,653
Expenditures	(705,643)	(2,191,906)	(1,132,991)	(772,122)	(1,624,228)	(574,693)
Ending Balance	-	-	-	-	-	-

Receipts include \$574,653 in fees.

Disbursements include a payment to the Water Fund (501) in the amount of \$574,653. This represents a 55% share of that fund's debt service, with the Water Operating Fund picking up the other 45% 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 the construction of the Hinckley water treatment plant upgrade.

No refunds of fees are required, and none have been made during Fiscal Year 2022-2023.

(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 added capacity required to serve new 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	4,152,887	4,259,811	4,556,559	4,452,524	5,157,797	4,352,597
Receipts	106,924	446,896	453,305	163,410	284,311	339,309
Expenditures	-	(150,148)	(557,340)	(15,477)	(1,089,511)	-
Ending Balance	4,259,811	4,556,559	4,452,524	4,600,457	4,352,597	4,691,907

Receipts include \$266,670 in fees and \$72,639 in investment income.

There were no disbursements for fiscal year 2022-2023.

The current cash balance exceeds the cumulative fee collection over the past five years by \$3,400,640. 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 \$2,060,000.

1. **Phase V landfill expansion (FY 2025)** –costs estimated at approximately \$6 million. New Development Fair Share – 20% (\$1,200,000).
2. **Expansion of the landfill gas recovery & flare systems (FY 2025-2028)** – these projects are necessary to provide extraction and collection on landfill expansion areas as well as capital improvement to the existing systems in order to maintain regulatory compliance with State and Federal requirements. Estimated costs depend on the scope of the project and are estimated at \$1,500,000 to \$2,000,000 for construction and engineering. New Development Fair Share – 20% per project (\$300,000 - \$400,000).
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, Scrapers and Compactors as well as on-road vehicles such as Fuel Trucks and Water Trucks. New Development Fair Share – 20% per project (\$300,000 - \$460,000).

The estimated time for completion of these projects and purchases is FY 2025 - 2028 for the landfill operation heavy equipment and the landfill gas recovery & flare systems. The completion of the Phase V landfill expansion is dependent on the rate at which the current phase is filled, but estimates indicate it may start as early as FY 2024, but it is more likely that the project will be started in FY 2025 and completed in FY 2026.

No refunds of fees are required, and none have been made during Fiscal Year 2022-2023.

(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 added capacity required to serve new 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	2,633,256	2,846,876	5,041,145	6,115,482	-	1,594,334
Receipts	508,336	2,395,041	1,275,108	845,212	1,650,192	568,884
Expenditures	(294,716)	(200,771)	(200,771)	(6,960,694)	(55,858)	(333,475)
Ending Balance	2,846,876	5,041,145	6,115,482	-	1,594,334	1,829,742

Receipts include \$566,205 in fees and \$2,679 in investment income.

Disbursements include a payment to the Wastewater Debt Service Fund (521) in the amount of \$200,771. This represents a 55% share of that fund's debt service, with the Water Operating Fund picking up the other 45% share of debt service. This debt financed the construction of advanced wastewater treatment facilities at the City's existing Wastewater Treatment Plant. The note carries an annual interest rate of 2.5 percent. The note matures in November 2025. Additionally, a disbursement of \$132,704 was made in project cost-sharing to install a large sewer trunk line parallel to Alabama Street between Pioneer Avenue and Palmetto Avenue. This project expands the capacity of the current trunk line from 24 to 36 inches, which will be needed as the property through which the line runs is currently under development.

No refunds of fees are required, and none have been made during Fiscal Year 2022-2023.

(532) 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 added capacity required to serve new 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:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Beg. Balance	1,117,268	1,150,025	1,254,427	1,331,477	1,536,923	1,514,107
Receipts	32,757	104,402	77,050	205,446	30,445	128,615
Expenditures	-	-	-	-	(53,262)	(343,992)
Ending Balance	1,150,025	1,254,427	1,331,477	1,536,923	1,514,107	1,298,730

Receipts include \$104,920 in fees and \$23,695 in investment income.

Disbursements include \$343,992 expended on the design and preparation of plans and specifications for two recycled water reservoirs to be constructed at the City’s Wastewater Treatment Plant. The intent is to engineer two 1.5-million-gallon recycled water reservoirs at the Plant to store water for more beneficial use. The estimated timeline for completion for both reservoirs is the end of calendar year 2024.

For continuity, it is worth noting that with the conversion of the City’s financial accounting system, this fund was renumbered from Fund 539 Nonpotable Capital Improvement Fund to Fund 532 Nonpotable Capital Improvement Fund.

The current cash balance exceeds the cumulative fee collection over the past five years by \$892,261. 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 several 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 the 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 2022-2023.