



December 19, 2016

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

Subject: Annual Report of Development Impact Fees

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

Pursuant to Government Code § 66006, the following report on the receipt, use and retention of development impact fees for Fiscal Year 2015-2016 is hereby presented to the City Council for review and acceptance. Development impact fees are charged by local governments to defray all or a portion of the cost of public facilities related to development projects. The 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 AB 1600 and thus commonly referred to as "AB 1600 requirements".

In Redlands, development impact fees are collected at the time a building permit is issued for the purpose of mitigating the impacts caused by new development on the City's infrastructure. Fees are used to finance the acquisition, construction, and improvement of public facilities needed as a result of this new development. A separate funding structure has been established to account for the impact of new development on each of the following types of public facilities: Open Space, Parks, Public Facilities (including public safety, library and general government facilities), Transportation, Water, Solid Waste, and Sewer.

Impact fees collected and spent during Fiscal Year 2015-2016 were as approved by Resolution No. 7432 establishing specific amounts of new fees for Open Space and Parks, Transportation Improvements, Storm Drain Facilities and Public Facilities, pursuant to a study entitled, "City of Redlands Development Impact Fee Study", dated December 12, 2013. Resolution No. 7432, which rescinded Resolution Nos. 6602 and 6603, was approved by the City Council on July 1, 2014 and became effective September 1, 2015. State law requires that the City prepare and make available the Development Impact Fee Report within 180 days after the last day of each fiscal year. This report was filed with the City Clerk's Office and available for public review on December 19, 2016.

Respectfully submitted,

Management Services / Finance Staff
City Manager's Office

(227) Open Space Fund – The Redlands Municipal Code Chapter 3.32 establishes an Open Space and Park Development Impact Fee. Twenty-five percent is deposited into an Open Space Fund to be used solely for the purpose of acquisition, improvement, preservation and expansion of open space areas in accordance with the provisions of the recreation, open space and conservation elements of the City’s General Plan. The General Plan sets a standard to provide 5-6 acres of neighborhood, community, and city park areas for each 1000 planning area residents, as well as, half of the area of school playgrounds. The standard excludes specialized recreational areas (i.e. private recreational areas), and natural open space acreage. The General Plan also provides that the fees calculated should enable the purchase of acreage and the provision of off-site improvements for 5 acres of park land per 1000 residents added, and that the fees should continue to be levied on nonresidential development commensurate with expected use of park and recreational facilities by employees. The General Plan also provides a table of existing and proposed park sites and facilities.

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	2,152,059	2,014,259	2,116,029	1,996,509	2,085,506	672,363
Receipts	61,354	103,351	38,407 ⁽¹⁾	151,962	90,710	56,307
Expenditures	(199,154)	(1,581)	(157,927) ⁽¹⁾	(62,965)	(1,503,853)	(546)
Ending Balance	2,014,259	2,116,029	1,996,509	2,085,506	672,363	728,124

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

Receipts include fees of \$27,234 and investment income of \$12,223. A loan repayment in the amount of \$16,760 from the Park and Open Space Development Fund has also been reflected in receipts.

Disbursements include \$546 in administrative charges.

Over the past eleven years, monies collected in the Open Space Fund, along with grant monies, have been spent on restoration and acquisition of open space within San Timoteo Canyon. In Fiscal Year 2003-2004, \$5,176 was spent on a project entitled “What is the Value of San Timoteo Canyon” and \$20,000 was spent in connection with the City’s share of the match fund requirement for the EPA Restoration and Acquisition Grant for the San Timoteo Creek Enhancement Program. The following year, another \$20,000 was spent for the EPA Grant Project and in Fiscal Year 2006-2007; \$9,900 was spent for appraisal services on property for this project and the Santa Ana Regional Trail System. During Fiscal Year 2007-2008, \$348,575 of EPA grant monies were spent to purchase land for the San Timoteo Canyon Creek Habitat Enhancement Project, with another \$38,040 to purchase the Panhwar property. During Fiscal Year 2008-2009, \$796,549 of EPA grant monies were spent to purchase land for the San Timoteo Creek Canyon Habitat Enhancement Project. In Fiscal Year 2010-2011 a payment of

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

During Fiscal Year 2014-2015 the City acquired the Mistretta Property for \$1,500,763 and spent \$1,383 on title and taxes and \$1,257 for administrative costs.

At June 30, 2016, \$113,561 remains outstanding on the original \$130,000 loan made in Fiscal Year 2010-2011 to the Public Facilities Fund for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding.

The current cash balance exceeds the cumulative fee collection over the past five years by \$381,590. As a result, the City must make a "finding" in accordance with the requirements of Government Code Section 66006.

Finding:

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

- 1. Open Space/Citrus Acquisition** – the City is committed to retaining the maximum feasible amount of agricultural land for its contributions to the local economy, lifestyle, air quality, habitat value and sense of Redlands' heritage. Specifically, the City has acquired two properties, one adjacent to Riverview Avenue and the other near the vicinity of Interstate 10 Freeway and Bryn Mawr Avenue, for the planting and farming approximately 7.8 acres of citrus. Future projects include acquisition of Open Space property when suitable properties become available for purchase.
- 2. Emerald Necklace** – the Emerald Necklace is a conceptual framework for a series of green open space and park areas surrounding the City approximately 45 miles in length, joined together with a special scenic road and trails system. Several sites and properties have been purchased under this framework. Additionally, as suitable properties become available for acquisition, the City will evaluate opportunities to purchase such.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(250) Park Development Fund – Park development impact fees are levied for the purpose of acquiring and developing land for parks. The fees are established per the Redlands Municipal Code as noted above for Open Space and per Resolution No. 7432. Seventy-five percent of the Open Space and Parks fees are deposited into the Park Development Fund.

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	2,410,756	2,011,621	1,120,544	902,922	1,071,036	1,049,004
Receipts	142,307	244,364	208,160	351,120	285,038 ⁽¹⁾	103,213 ⁽²⁾
Expenditures	(541,442)	(1,135,441)	(425,782)	(183,006)	(307,070)	(394,428)
Ending Balance	2,011,621	1,120,544	902,922	1,071,036	1,049,004	757,789

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

Receipts consist of \$91,847 in fees and \$11,366 in investment income.

Disbursements during Fiscal Year 2015-2016 totaled \$394,428 and consisted of \$107,288 in principal, interest, and charges associated with the State I-Bank loan for the Sports Park, a loan repayment to the Open Space Fund in the amount of \$16,760, as well as an additional \$264,984 for Orange Street Alley improvements, \$3,559 in special project-related professional services and \$1,837 in administrative costs. Disbursements were made 100% from impact fees collected and related interest earnings.

At June 30, 2016, \$113,561 remains outstanding on the original \$130,000 loan made in Fiscal Year 2010-2011 to the Public Facilities Fund for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(251) Public Facilities Development Fund - Public Facilities Development Fees have been established per the Redlands Municipal Code Chapter 3.60 with the purpose and intent of implementing the Redlands General Plan to ensure that public facilities and related improvements which satisfy City standards are available concurrent with the needs caused by new development within the City. Fees are collected from applicants for development projects for the purpose of constructing, improving, providing and maintaining public facilities as identified in the City's public facilities program. Through Fiscal Year 2006-2007, a fee schedule was included in Chapter 3.60.060 and included fees last updated per a Report on Development Impact Fees for Public Facilities dated May 7, 1996. The City hired a

consultant to perform a new report on development impact fees and that report was completed during Fiscal Year 2006-2007 and implemented in August, 2007 pursuant to Ordinance No. 2661. Although a consultant was hired during Fiscal Year 2008-2009 to perform another update of impact fees, the update was delayed. As noted in the introduction to this report, the City of Redlands Impact Fee Study, dated December 12, 2013, was approved and specific fees identified on July 1, 2014.

Police Facilities

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

On January 6, 2009, the City Council approved the “Safety Hall Interim Location Plan”, a plan that involved the use of Fire Station No. 264 for the patrol, detention facilities and related administrative functions. This option resulted in a cost savings of approximately \$5 to \$12 million dollars due to the use of an existing City facility rather than the purchase or lease of private property.

The City of Redlands solicited proposals for “As-Needed” Project and Construction Management services (PC/CM Consultant) for the planning, permitting, design, financing and construction of a replacement Safety Hall. The project cost and financing was also identified. The City Council provided direction for a land acquisition strategy that included financial options and structures.

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

Beginning Balance at 07/01/15	\$	316,188
Receipts		33,781
Disbursements		<u>(676)</u>
Ending Balance at 06/30/16	\$	349,293

Receipts consist of \$33,781 in fees.

Disbursements include \$676 in administrative charges.

No refunds are required and none have been made during Fiscal Year 2015-2016.

Fire Facilities (Fire Facilities and Fire Station #3)

Public Facilities impact fees for Fire Facilities are being assessed to partially pay to construct new and/or to upgrade, expand, and retrofit existing fire facilities within the City based on the needs determined per the Development Impact Fee Study that was performed in Fiscal Year 2006-2007 and became effective, August, 2007. In addition, these fees are collected and used to make contributions towards annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP), maturing in 2017. The 2003 COPs refunded prior COPs that were used to finance Fire Station #3, as well as Library Facilities and the City Yard. Prior to implementation of the Fiscal Year 2006-2007 Impact Fee Study, the fees collected for Fire Station #3 were accounted for separately. Fees collected during Fiscal Year 2015-2016 were in accordance with the new impact fee study approved July 1, 2014.

Beginning Balance at 07/01/15	\$	82,144
Receipts		97,007
Disbursements		<u>(179,151)</u>
Ending Balance at 06/30/16	\$	-0-

Receipts consist \$20,780 in fees and an additional loan from the General Fund in the amount of \$79,227.

Disbursements of \$179,151 include \$121,685 in lease payments for equipment, \$57,050 in debt service payments on the 2003 Lease Revenue COPs, and \$416 in administrative charges.

Beginning in Fiscal Year 2004-2005, impact fees of \$32,081 were spent on the design phase for Fire Station #264 and in Fiscal Year 2009-2010 for relocation of the Fire Department from the Fire Station #264 building into temporary trailers so that the Police department could relocate to this building from Safety Hall. Future impact fees may be used in conjunction with this station or others, as well as to make lease payments on various equipment, including 2 Seagrave pumpers, a command vehicle and a Ford 550 reserve vehicle; and debt service payments on the 2003 Lease Revenue COPs which refunded the 1993 Refunding of the 1986/87 Projects Certificates of Participation, issued to finance improvements to the A.K. Smiley Public Library, a 2-story parking structure and a park facility, and to refund 1985 bonds, issued to finance the acquisition/construction of a corporate yard, fire station (#3) and equipment.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

Library Facilities

Impact fees collected for Library Facilities are used to make contributions towards annual debt service of the 2003 Lease Revenue Refunding Certificates of Participation (COP). The 2003 COPs refunded prior COPs that were used to finance these facilities. Future fees collected are earmarked for debt service on these bonds which mature in 2017 and to repay outstanding loans from the General Fund, as well

as loans to the Park Development, Storm Drain Construction, and Water Funds, incurred when development fee revenues have been insufficient to meet the debt service requirements. No specific term or interest rate was established for these loans.

Beginning Balance at 07/01/15	\$	- 0 -
Receipts		325,014
Disbursements		<u>(325,014)</u>
Ending Balance at 06/30/16	\$	- 0 -

Receipts consist of \$32,663 in fees, an additional loan of \$291,276 from the General Fund and \$1,075 in unpaid interest payments added to the principal balance of the non-General Fund loans.

Disbursements include \$1,075 in interest expense on its share of inter-fund loans provided during Fiscal Year 2010-2011, \$653 in administrative charges, and \$323,286 in contributions towards the Library's 34% share of half of the annual debt service on the 2003 Lease Revenue Refunding COPs, which as discussed above under Fire Facilities, financed improvements to A.K. Smiley Public Library.

As of June 30, 2016, outstanding loans total \$3,810,742, with \$3,535,794 owed to the General Fund, \$20,922 to the Park Development Fund, \$101,610 to the Storm Drain Construction Fund, and \$152,416 to the Water Fund. As noted, these loans occur when impact fee revenues are insufficient to cover Library's share of debt service on the COPs. Historically, no specific term or interest rate has been established for loans owed to the General Fund, however when the City Council approved loans from the Park Development, Storm Drain Construction Fund and Water Funds, they did so with the caveat that as sufficient impact fees become available, the non-General Fund loans would be repaid first, with interest set at the annual LAIF rate.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

General Government Facilities

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

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

Beginning Balance at 07/01/15	\$	- 0 -
Receipts		575,291
Disbursements		<u>(575,291)</u>
Ending Balance at 06/30/16	\$	- 0 -

Receipts consist of \$26,701 in fees an additional loan of \$546,335 from the General Fund and \$2,255 in unpaid interest payments added to the principal balance of the non-General Fund loans.

Disbursements include \$2,255 in interest expense on its share of inter-fund loans provided during Fiscal Year 2010-2011, \$534 in administrative charges, \$1,997 in special financial consulting services, \$570,505 in contributions towards General Government Facilities' 60% share of half of the annual debt service on the 2003 Lease Revenue Refunding COPs.

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

As of June 30, 2016, outstanding loans total \$4,871,710, with \$4,664,217 owed to the General Fund, \$113,561 to the Open Space Fund and \$92,639 to the Park Development Fund. Historically, no specific term or interest rate has been established for loans owed to the General Fund, however when the City Council approved loans from the Open Space and Park Development Funds, they did so with the caveat that as sufficient impact fees become available, the non-General Fund loans would be repaid first, with interest set at the annual LAIF 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 LAIF rate, interest was also applied in the same manner to the General Fund loan made in that year. To date, \$4,843 in interest has been added to the General Fund loan principal balance, with \$1,293 added in the current fiscal year.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

Community Center Facilities

Community Center Facilities impact fees 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.

Beginning Balance at 07/01/15	\$	32,506
Receipts		14,872
Disbursements		<u>(297)</u>
Ending Balance at 06/30/16	\$	47,081

Receipts consist of \$14,872 in fees.

Disbursements include \$297 in administrative expenses.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

At June 30, 2016 the Public Facilities Fund has Advances Payable to Other Funds for loans received as follows:

Advance Payable To:

General Fund	\$ 8,277,530
Open Space Fund	113,561
Park and Open Space Fund	113,561
Storm Drain Construction Fund	101,610
Water Operating Fund	<u>152,416</u>
Total	\$ 8,758,678

As noted above, no specific terms have been established for these loans; however the non-General Fund loans are to be repaid before the General Fund loan, as soon as sufficient impact fees become available. No interest rate has been set for the General Fund loans, except for the General Fund loan that was approved in Fiscal Year 2010-2011 along with the non-General Fund loans. That General Fund loan and the non-General Fund loans will accrue interest at the annual LAIF rate.

Transportation Fees

The City of Redlands Public Facilities Fee Study, dated May 15, 2007, contained an updated analysis of the need for transportation facilities and capital improvement to support new development within the City and per Resolution No. 6603 established a Transportation Facilities Fee for new development projects in the amount of \$260.00 per vehicle trip generated by new development. Resolution No. 7432 rescinded Resolution 6603 and developed impact fees for transportation improvements that included 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 SANBAG 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. Resolution No. 7432 implements the new/current DIF, and establishes a new allocation for the impact fees collected. This allocation was based on a weighted average for each improvement type based on cost. Within the nexus report, Table 3.5, it outlines the following allocation: Regional Arterials (55.33%); Interchanges (44.04%); and RR Crossings (0.63%). However, this allocation did not factor the Local Arterial Streets category into the calculation. Once this category is included, the allocation split changes slightly to the following, and is the allocation used.

252	Regional Arterial	45%
252	RR Crossings	1%
252	Local Streets	10%
253-	Signals	7%
254-	Interchanges	37%

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

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

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	994,820	1,077,684	1,208,374	1,583,497	1,782,833	1,788,989
Receipts	84,229	133,096	382,548	203,178	1,050,236	531,873
Expenditures	(1,365)	(2,406)	(7,425)	(3,842)	(1,044,080)	(10,546)
Ending Balance	1,077,684	1,208,374	1,583,497	1,782,833	1,788,989	2,310,316

Receipts consist of \$509,738 in fees and \$22,135 in investment income.

Disbursements consist of a \$10,195 in administrative charges and \$351 for micro-imaging of files.

During Fiscal Year 2014-2015 the City used approximately for \$1,000,000 for street construction and spent \$20,590 on for administrative costs to offset the costs of the Redlands Boulevard and Alabama Street/Colton Avenue Reconstruction.

The current cash balance exceeds the cumulative fee collection over the past five years by \$528,864. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Finding:

Monies collected into the Arterial Street Construction Fund, including the existing excess cash, are expected to be used for the following projects that have been approved by the City Council for construction under this program, as a part of the adoption of Resolution No. 7432.

The San Bernardino Associated Governments (SANBAG) Development Mitigation Nexus Study identified several regional arterial street improvement projects within the City. Below is a partial listing from that study:

- Alabama Street from the northerly City limit to Palmetto Avenue
 - Estimated Cost - \$10,653,00
 - New Development Fair Share – 23.1%
- Orange Street from Lugonia Avenue to Interstate 10 freeway
 - Estimated Cost - \$2,960,000
 - New Development Fair Share – 23.1%
- San Bernardino Avenue from Church Street to Wabash Avenue
 - Estimated Cost - \$2,744,000
 - New Development Fair Share – 23.1%
- Ford Street from 5th Avenue to Interstate 10 freeway
 - Estimated Cost - \$2,058,000
 - New Development Fair Share – 23.1%

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(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:

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	538,196	584,654	612,595	678,545	764,890	904,729
Receipts	46,841	28,378	67,187	88,012	153,723	77,304
Expenditures	(383)	(437)	(1,237)	(1,667)	(13,884)	(4,429)
Ending Balance	584,654	612,595	678,545	764,890	904,729	977,604

Receipts consist of \$65,751 in fees, and \$11,553 in investment income.

Disbursements consist of \$176 in micro-imaging of files, \$2,938 in special consulting services, and \$1,315 in administrative charges.

The current cash balance exceeds the cumulative fee collection over the past five years by \$679,294. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Finding:

Monies collected into the Traffic Signals Fund, including the existing excess cash, are expected to be used in accordance with the AB 1600 traffic signal nexus report. As part of that report, 16 intersections needing signals have been identified; of these signals, it is estimated that on average 60.5 percent of the cost will be recovered by new development.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(254) Freeway Interchange Fund – As discussed above, thirty-seven percent of the transportation fees collected per Resolution No. 7432 are to meet the City’s responsibility for collecting developer fees to contribute toward the construction of major freeway interchange improvements on I-10 and one freeway interchange on the I-210 freeway. These projects are funded through the collection of multi-jurisdictional development fees and through the collection of regional Measure “I” revenue, under the 2010-2040 Measure “I” voter approved ½ cent sales tax transportation program. This \$1.9 billion dollar regional transportation improvement program, all of which is to be funded by development fees. The City has been identified as the lead agency regarding the implementation of improvements associated with the University Avenue and I-10 Freeway Interchange Improvement. On September 3, 2013, the City entered into a memorandum of understanding to commence the design of the project. Based on projections, it is estimated the project will be completed in 2018.

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	261,030	320,009	388,085	573,860	903,781	2,390,005
Receipts	60,089	69,386	189,488	336,566	1,520,288	372,614
Expenditures	(1,110)	(1,310)	(3,713)	(6,645)	(34,064)	(347,348)
Ending Balance	320,009	388,085	573,860	903,781	2,390,005	2,415,271

Receipts consist of \$346,380 in fees and \$26,234 in investment income.

Disbursements consist of \$337,633 on construction for the University Street Freeway Off-ramp project, \$6,928 in administrative charges, \$37 in micro-imaging of files, and \$2,750 for a cooperative agreement

for project planning, reporting, and other preliminary costs for the construction phases of the University Street Freeway Off-ramp project.

The current cash balance exceeds the cumulative fee collection over the past five years by \$269,208. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Finding:

1. **Interstate 10 at Alabama Street Interchange Project** – The reconstruction of this interchange was deemed a priority by the San Bernardino Associated Governments (SANBAG), being placed 6th on a list of top ten replacement needs throughout most of San Bernardino County. Originally, SANBAG estimated the project costs at \$36.1 million. City staff and SANBAG worked together to develop and refine the scope into a more feasible project with the current available funding. The solution includes widening of Alabama Street up to the Interstate 10 Bridge and the on/off ramps to and from Interstate 10. The construction estimate was decreased to \$10.9 million. At this time, it is estimated that the engineering and environmental work will start in 2017 and construction will start in June 2020 and be completed in June 2021.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(405) Storm Drain Fund – Storm Drain Development Fees have been established per the Redlands Municipal Code Chapter 3.56 with the purpose and intent of implementing the Redlands General Plan to ensure that storm drain facilities and improvements which satisfy City standards are available concurrent with the needs caused by new development within the City. This chapter establishes the methods of financing the construction of the required storm drain facilities. Fees are established by this Chapter and are set forth in a table contained therein.

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	2,453,852	2,337,473	2,263,105	2,057,850	2,053,911	1,807,009
Receipts	26,062	30,795	13,981	168,723	45,595	187,210
Expenditures	(142,441)	(105,163)	(219,236)	(172,662)	(292,497)	(117,535)
Ending Balance	2,337,473	2,263,105	2,057,850	2,053,911	1,807,009	1,876,684

Receipts include \$159,210 in fees and \$28,710 in investment income.

Disbursements of \$117,535 consist of \$44,173 in expenditures for the Opal Basin Construction Project, bringing total costs of the project to date to \$463,153 and representing 3.5% of the total estimated \$13 million Opal Basin Construction Project; \$398 in expenditures for the Citywide Drainage Master Plan,

\$68,360 in storm drain construction repairs. Additional costs included \$1,420 in special consulting services and \$3,184 for administrative charges.

At June 30, 2016, a loan made in Fiscal Year 2010-2011 to the Public Facilities Fund for a portion of its half-share of annual debt service on the 2003 Lease Revenue Refunding Certificates of Participation remains outstanding at \$101,610. Unpaid interest of \$1,440 has been added to the principal over the last four years, with \$530 added in the current year.

During Fiscal Year 2015-2016, the current cash balance exceeds the cumulative fee collection over the past five years by \$1,684,418. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Finding:

Storm drain construction is an ongoing effort. Projects are generally large in scope and require several years’ worth of receipts. Projects in progress at June 30, 2016 include:

1. **Opal Basin** – This project 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.
2. **Citywide Drainage Master Plan** – This project involves studying the hydrology and hydraulics of flood water throughout the City. This study identifies development’s share of necessary infrastructure needs. The contract amount for the Plan is \$295,000, of which 1/3 is being funded by Storm Drain impact fees, with the remaining 2/3 funded by the General Fund.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(508) Water Source Acquisition Fund - The Water Source Acquisition Fund is established per the 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 Chapter 13.40.040 of the Code.

Beginning Balance at 07/01/15	\$	-0-
Receipts		65,774
Disbursements		<u>(65,774)</u>
Ending Balance at 06/30/16	\$	-0-

Receipts include \$65,214 in fees, \$560 in investment income.

Disbursements include a loan repayment to the Water Operating Fund (501) in the amount of \$65,774, bringing the outstanding balance of the loan to \$119,378.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(509) Water Capital Improvement Fund – The Water Capital Improvement Fund is established per the Redlands Municipal Code Chapter 3.48 to implement the Redlands General Plan and finance the construction of water capital facilities and improvements to provide new capacity required to serve new development requiring water service from the city. This chapter establishes the methods of collecting fees for financing construction of the water facilities. Fee amounts are established per Chapter 3.48.040 of the Code.

Beginning Balance at 07/01/15	\$	101,923
Receipts		485,865
Disbursements		<u>(494,357)</u>
Ending Balance at 06/30/16	\$	93,431

Receipts include \$457,021 in fees and investment income of \$1,844.

Disbursements include an interest charge of \$2,115, special program expenditures of \$365 for micro-imaging of project files and a debt service payment of \$491,877 to the Water Debt Service Fund (506). This represents a 26% share of that fund's debt service, with the Water Operating Fund picking up the other 74% share of debt service, bringing the outstanding balance of the loan to \$507,715.

Expenditure detail is found in the Expenditure Report for the 506 Fund for debt service on projects in the 505 Fund that have been funded by financed debt proceeds, in accordance with the Fiscal Year 2015-2016 Adopted Budget. The debt service in the 506 Fund is allocated in proportion to benefit for new and existing users. The allocation is reflected in the end of year transfers which are consistent with the Funding Plan in the Fiscal Year 2015-2016 Adopted Budget for the Water Fund Group.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

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

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

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Beg. Balance	2,402,787	2,429,115	2,635,761	2,077,552	2,357,372	3,526,448
Receipts	45,849	247,762	152,440	343,458	1,233,199	487,610
Expenditures	(19,521)	(41,116)	(710,649)	(63,638)	(64,123)	(89,661)
Ending Balance	2,429,115	2,635,761	2,077,552	2,357,372	3,526,448	3,924,397

Receipts include \$423,841 in fees and \$63,769 in investment income.

Disbursements include transfers of \$89,661 to the Solid Waste Projects Fund (513) to fund the capital purchase of heavy duty off-road landfill operations equipment, representing approximately 31% of the total purchase amounts of \$288,242. The cost of various projects in the 513 Fund, designed to meet the capital needs at the landfill, is allocated in proportion to benefit for new and existing users. Estimated allocations are reflected in the end of year transfers which are consistent with the approved funding plan in the Fiscal Year 2015-2016 Adopted Budget for the Solid Waste Fund Group.

The current cash balance exceeds the cumulative fee collection over the past five years by \$1,999,313. As a result, the City must make a “finding” in accordance with the requirements of Government Code Section 66006.

Finding:

Monies collected into the Solid Waste Capital Improvements Fund, including the existing excess cash, are expected to be used for the developer paid portion of major capital improvements. These improvements include Phase IV landfill expansion – design, engineering, construction and quality assurance; expansion of the leachate and landfill gas recovery systems, expansion and replacement of the landfill gas flare system, and the purchase of landfill operation heavy equipment.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

(529) Sewer Capital Improvement Fund - The Sewer Capital Improvement Fund is established per the Redlands Municipal Code Chapter 3.44 to implement the Redlands General Plan and finance the construction of wastewater capital facilities to provide new capacity required to serve development requiring sewer service from the City. Included are wastewater treatment plant facilities, sewer trunk lines sized larger than the eight inch local collection mains and appurtenances used to serve property frontage, and other capital facilities and appurtenances. Sewer Capital Improvement charges are established per Chapter 3.48.040 of the Code.

Beginning Balance at 07/01/15	\$	2,558,189
Receipts		876,471
Disbursements		<u>(765,588)</u>
Ending Balance at 06/30/16	\$	2,669,072

Receipts consist of \$833,312 in fees and \$43,159 in investment income earned.

Disbursements include special program expenditures of \$3,876 for micro-imaging of project files and transfers of \$761,712 to fund 526, representing a 55% share of that fund's debt service, with the Sewer Operating Fund picking up the other 45% share of debt service. The debt service in the 526 Fund is allocated in proportion to benefit for new and existing users. Estimated allocations for the end of year transfers are included with the funding plan in the Fiscal Year 2015-2016 Adopted Budget for the Sewer Fund Group.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.

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

Beginning Balance at 07/01/15	\$	710,277
Receipts		142,474
Disbursements		<u>-0-</u>
Ending Balance at 06/30/16	\$	852,751

Receipts consist of \$129,467 in fees and \$13,007 in investment income.

The current cash balance exceeds the cumulative fee collection over the past five years by \$345,256. As a result, the City must make a "finding" in accordance with the requirements of Government Code Section 66006.

Finding:

Monies collected into the Nonpotable Capital Improvements Fund, including the existing excess cash, are expected to be used for the construction of a nonpotable reservoir, booster station and pipeline needed to operate the 1350 and 1570 pressure zones.

No refunds of fees are required and none have been made during Fiscal Year 2015-2016.