



Staff Report

City Council

Item No. {{section.number}}.C

Meeting Date: October 9, 2024

From: Andrew Firestine, AICP, Director of Community and Economic Development

Title: Sphere of Influence Fiscal Impact Analysis Update

RECOMMENDATION:

This item is for information and discussion only, no formal action will be taken.

BACKGROUND:

On April 10, 2024, the City Council received a staff report and presentation on an updated fiscal impact analysis for the City's sphere of influence. The analysis examined anticipated annual costs needed to serve the future annexation area at the four phases of development and projected annual revenues together with one-time revenue sources and significant one-time costs associated with public safety facilities and roadway improvements to bring currently substandard streets to City standards for two annexation scenarios. The City Council requested an update in October 2024.

DISCUSSION:

Since the April 2024 presentation to City Council, infrastructure deficiencies in the sphere of influence have become clearer, notably with the Imperial Irrigation District (IID) and the availability of electrical service. IID serves areas in the City's sphere of influence east of Bob Hope Drive. IID has expressed to prospective developers in its service area, including those in unincorporated Riverside County and in the cities of Rancho Mirage and Palm Desert, that it will not issue will-serve letters for new projects without the construction of new electrical substations to add new capacity to the service area. Individual projects are being conditioned to implement these substations at an average cost of \$20 to \$30 million. Clearly, individual projects cannot sustain these costs.

The cities of Rancho Mirage and Palm Desert and Riverside County are working in partnership with IID and five other entities to bring a 100MVA substation to Thousand Palms that would serve the area, including IID service areas within Rancho Mirage and Palm Desert. Both the cities of Rancho Mirage and Palm Desert are financially contributing to the project at a rate of over \$5 million per city. Agreements are currently being executed, including the payment of deposits, that would allow IID to order the long lead items needed

for the project. It is currently estimated that the substation is 24 to 30 months out from the date that the multi-party agreement is executed.

FISCAL IMPACT:

There is no financial impact to the City of Cathedral City. Staff will continue to monitor the availability of electrical service in the City's sphere of influence and projects in the Thousand Palms area.

FIVE-YEAR STRATEGIC PLAN:

Goal C: Fiscal Stability and Sustainability Action C-10: Update the Thousand Palms Fiscal Analysis

ATTACHMENTS:

None