



Staff Report

City Council

Item No. {{section.number}}.E

Meeting Date: May 22, 2024

From: Kevin Biersack, Financial Services Director

Title: AB1600 Development Impact Fee Fund Transfers and Restructuring

RECOMMENDATION:

To approve the restructuring of Assembly Bill (AB) 1600 Development Impact Fee (DIF) Funds for FY 2023/2024.

BACKGROUND:

Development Impact Fees are one-time fees charged to new development. These fees are intended to pay for backbone infrastructure and capital facilities required to serve the new developments and new residents. They must be accounted for, set aside, and saved until the municipality has the required funding to build the needed facilities. This study analyzed the following fees to provide: (i) Parks, (ii) Transportation, (iii) General Government Facilities, (iv) Fire Facilities, and (v) Police Facilities. Municipalities are prohibited from using these fees to fund ongoing operations, maintenance, and/or make up for existing service deficiencies.

City staff issued a DIF Request For Proposal (RFP). After receiving and reviewing multiple qualified responses, the City selected the Clearsource Financial/Harris & Associates team (Harris). Work on updating the AB1600 DIF schedule began in 2022.

During the June 28, 2023, Study Session, Council reviewed the first draft of the AB1600 Fee Justification Nexus Study. Harris provided a detailed overview of the Nexus Study, contrasting allowable new development impact fees with current fees and comparing proposed development impact fees with fees charged by surrounding jurisdictions. The Nexus Study was sent to the Desert Valley Builder's Association (DVBA) Building Industry Association, Southern California Edison, and Southern California Gas. The DVBA provided two comment letters and the Nexus Study was modified to address their concerns.

During the August 9, 2023, Study Session, City Council directed staff to, after analyzing and addressing stakeholder concerns, prepare the Nexus Study for Council adoption.

As a result, of the September 27, 2023, Council meeting, City staff implemented the

recommended fees on all qualified new development beginning January 1, 2024.

DISCUSSION:

Restructuring Fund Balance

City staff completed the reclassification of the 11 Development Impact Fees. Based on the Fee Study, these fees were then consolidated into five (5) funds. This restructuring consisted of reassigning each DIF a fund balance as of FY 2022/2023 year end, consistent with the AB 1600 FY 2022/2023 reporting to City Council.

REPORT	OLD DIF NAME	OLD FUND - PROJECT	FUND BALANCE 7/1/2023	NEW FUND NAME	NEW FUND
AB 1600	Park and Rec Facilities	235 - A01408	\$ 981,330	Park Facilities	271
AB 1600	Road Traffic Facilities	235 - A01404	56,369	Transportation	272
AB 1600	Interchange and Bridges	235 - A01405	252,523	Transportation	272
AB 1600	Bikeway Facilities	235 - A01406	360	Transportation	272
AB 1600	Trail Facilities	235 - A01407	88,778	Transportation	272
AB 1600	Traffic Signalization	322 - N/A	271,176	Transportation	272
AB 1600	City Yard Vehicle Storage	235 - A01400	176,693	General Government Facilities	273
AB 1600	Public Safety Facilities / 50%	235 - A01403	3,548	Fire Facilities	274
AB 1600	Fire and Police Facilities / 50%	321 - N/A	173,161	Fire Facilities	274
AB 1600	Police Community Center	235 - A01401	39,365	Police Facilities	275
AB 1600	Public Safety Training Site	235 - A01402	32,773	Police Facilities	275
AB 1600	Public Safety Facilities / 50%	235 - A01403	3,548	Police Facilities	275
AB 1600	Fire and Police Facilities / 50%	321 - N/A	173,161	Police Facilities	275

Current Fiscal Year Recognized Fees

To demonstrate the impact of the fees collected with the DIF Study implementation January 1, 2024, the table below illustrates the current fiscal year revenues with 32 permits under the old rates, and 7 permits with the new rates from January 1, 2024 forward.

FUND NAME	FUND	FY 2023/2024	
		OLD FEES	NEW FEES
Park Facilities	271	\$ 48,473	\$ 115,316
Transportation	272	31,079	17,847
General Government Facilities	273	10,389	43,769
Fire Facilities	274	-	-
Police Facilities	275	4,270	16,701
Transit Development	229	800	5,900
Art in Public Places	231	2,700	4,050
Total		\$ 97,711	\$ 203,583

Future Project Commitments

Projects are identified in the annual AB1600 report provided to the City Council. Over the years, city projects have been committed using some (or all) AB1600 funding. These

projects have various commitment dates, with the earliest being FY 1989/1990. City staff plans to review this list with Council in the fall to validate existing commitments and determine future Council direction.

Other Impact Fees

As a result of the reclassification of DIF fee costs, five (5) other (non-AB1600) fees required fund reclassification. This action was necessary because these funds were previously recorded as projects in the same special revenue fund, Fund 235, with the AB1600 fees listed above. These new non-AB1600 funds are listed below:

REPORT	OLD FEE NAME	OLD FUND - PROJECT	FUND BALANCE 7/1/2023	NEW FUND NAME	NEW FUND
Non-AB1600	Quimby Act	235 - A01409	291,734	Quimby Act	230
Non-AB1600	General Plan Maint Surcharge	235 - A01410	-	General Plan	711
Non-AB1600	Transit Development	235 - A01411	35,174	Transit Development	229
Non-AB1600	Art in Public Places	235 - A01412	377,791	Art in Public Places	231
Non-AB1600	Master Underground Plan	232 - N/A	2,208,693	Master Underground Plan	232

Art in Public Places is no longer classified as a development impact fee. At Council direction, maintenance and/or repair costs are being expensed to the General Fund. Below are the FY 2023/2024 DIF Fund adopted budget and current expenditures reassigned to the General Fund department and division related to Art in Public Places.

ACCOUNT DESCRIPTION	BUDGET	ACTUALS
MATERIALS & SUPPLIES	\$40,000	\$ 242
MAINTENANCE & OPERATIONS	-	14,235
LEGAL FEES	-	2,135
SPONSORSHIPS	11,550	1,550
	\$51,550	\$ 18,162

FISCAL IMPACT:

No Fiscal Impact.

FIVE-YEAR STRATEGIC PLAN:

The restructuring of the updated DIF studies supports the following strategic plan goals:

GOAL B: COMMUNITY INVESTMENT Objective: Cathedral City roads, gateways, public spaces, and other city infrastructure are well planned, designed, constructed, and maintained.

GOAL C: FISCAL STABILITY AND SUSTAINABILITY Objective: Cathedral City has economically prospered by facilitating the investment of private dollars in high-quality development which benefits the community. We remain financially solvent by instituting prudent fiscal policies and transparent financial practices.

Action C-9 Complete and adopt the Development Impact Fee Study

ATTACHMENTS:

1. 2023.09.15 Final Cathedral City Nexus Study
2. Current DIF Impact Fee Project List – As of 12/31/2023