



STAFF REPORT
10/14/2026

TO: Honorable Mayor and City Council Members

FROM: Lincoln G. Bogard, Finance Director

PREPARED BY: Lincoln G. Bogard, Finance Director

SUBJECT: Approve Resolution 2026-57 Forgiving Certain General Fund and Debt Service Fund (Fund 4000) Interfund Loans to the Library Facilities Impact Fee Fund (Fund 2206) and the General Government Facilities Impact Fee Fund (Fund 2200), Effective Retroactive to June 30, 2026

PROJECT DESCRIPTION:

This item requests that City Council adopt Resolution 2026-57 forgiving three long-standing interfund loans carried on the books of two of the City's development impact fee (DIF) funds established under the Mitigation Fee Act (Government Code Section 66000 et seq.): (1) a General Fund loan to the Library Facilities Impact Fee Fund (Fund 2206) of \$3,181,925.36; (2) General Fund loans to the General Government Facilities Impact Fee Fund (Fund 2200) — the Senior Center Loan of \$2,505,026.31 and the Civic Center Loan of \$1,483,643.07, totaling \$3,988,669.38; and (3) a Debt Service Fund (Fund 4000) loan to the Library Facilities Impact Fee Fund (Fund 2206) of \$8,473,063.13. These three loans total \$15,643,657.87. Because the loans lack a defined repayment date, and DIF fee revenue collected in Funds 2206 and 2200 has not repaid, and is not projected to repay, these balances within a reasonable period, staff recommends they be forgiven consistent with the requirements of the Mitigation Fee Act, as discussed below. Staff further recommends that this forgiveness be effective retroactively to June 30, 2026, so that it is reflected in the City's Fiscal Year 2025-26 Annual Comprehensive Financial Report (ACFR).

STAFF RECOMMENDATION:

Staff recommends that the City Council adopt a resolution, effective retroactively to June 30, 2026: (1) forgiving the General Fund loan to the Library Facilities Impact Fee Fund (Fund 2206) in the amount of \$3,181,925.36; (2) forgiving the General Fund loans to the General Government Facilities Impact Fee Fund (Fund 2200) — the Senior Center Loan (\$2,505,026.31) and the Civic Center Loan (\$1,483,643.07) — totaling \$3,988,669.38; (3) forgiving the Debt Service Fund loan to the Library Facilities Impact Fee Fund (Fund 2206) in the amount of \$8,473,063.13; (4) directing staff to release the corresponding non-spendable fund balance classification in the General Fund, with no impact to the General Fund's unassigned fund balance; and (5) directing staff to record the corresponding write-off of the receivable in the Debt Service Fund (Fund 4000).

This retroactive effective date is intended to allow the forgiveness to be reflected in the City's Fiscal Year 2025-26 Annual Comprehensive Financial Report (ACFR). No alternative action is recommended at this time.

FISCAL IMPACT:

General Fund: The General Fund currently reports a non-spendable fund balance classification, consistent with GASB Statement No. 54, equal to the interfund advances due from Fund 2206 (\$3,181,925.36) and Fund 2200 (\$3,988,669.38), together totaling \$7,170,594.74, because these amounts are not in spendable form until repaid. Under GASB, forgiveness of an interfund advance between funds of the same primary government is recorded as a nonreciprocal interfund transfer rather than a gain, loss, or bad debt write-off: the General Fund will record an Other Financing Use — Transfers Out for the amount forgiven, offsetting removal of the advance receivable, and will correspondingly reverse the associated non-spendable fund balance classification. This transfer will appear in the operating section of the General Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance for the year recorded — an income-statement-type impact for that year — but because the offsetting reclassification is made against the non-spendable classification rather than the unassigned classification, there is no impact to the General Fund's unassigned fund balance. At the government-wide level, because the General Fund and the DIF and Debt Service Funds are all part of governmental activities, the transfer nets to zero in consolidation and no gain or loss appears in the government-wide financial statements.

Correspondingly, the Library Facilities Impact Fee Fund (Fund 2206), the General Government Facilities Impact Fee Fund (Fund 2200), and the Debt Service Fund (Fund 4000) will each record an Other Financing Source — Transfers In for the amounts forgiven, extinguishing the corresponding advance payable on each fund's books. Adoption of this resolution constitutes the Council authorization for these transfers; consistent with GASB disclosure requirements, the transfers will be disclosed by fund, amount, and purpose in the notes to the City's Fiscal Year 2025-26 Annual Comprehensive Financial Report.

Debt Service Fund (Fund 4000): The Debt Service Fund currently reports a fund balance in excess of \$10 million. Forgiving the \$8,473,063.13 loan to Fund 2206 will reduce the Debt Service Fund's balance to a level near breakeven, which is the expected condition for a debt service fund holding no more than the reserves needed to service outstanding debt.

Library Facilities Impact Fee Fund (2206) and General Government Facilities Impact Fee Fund (2200): Forgiveness removes \$11,654,988.49 in long-term liabilities from Fund 2206 (\$3,181,925.36 General Fund loan plus \$8,473,063.13 Debt Service Fund loan) and \$3,988,669.38 from Fund 2200, improving — but not eliminating — each fund's negative available balance.

This resolution itself provides the Council authorization for the resulting interfund transfers; no separate budget amendment is required. No new expenditure of General Fund, Debt Service Fund, or development impact fee cash resources is required to implement this action, and the transfers do not affect the current fiscal year's budgeted General Fund operating appropriations.

BACKGROUND:

The Mitigation Fee Act (Government Code Section 66000 et seq.), commonly known as “AB 1600,” establishes the legal framework governing the imposition, collection, and expenditure of development impact fees. Government Code Section 66001(a) requires a reasonable relationship between a development impact fee and the public facility for which it is collected, and contemplates that fee revenue be expended to construct, or to reimburse the cost of constructing, that facility.

Government Code Section 66006(b)(1)(G) requires that the City's annual development impact fee report describe each interfund transfer or loan made from a DIF fund, including the public improvement on which the loaned funds will be expended and, in the case of an interfund loan, the date on which the loan will be repaid and the rate of interest the fund will receive. Government Code Section 66001(d) separately requires that, for the fifth fiscal year following the first deposit into a DIF fund and every five years thereafter, the City make specific findings regarding any unexpended or uncommitted fee revenue, including identifying the purpose of the fee, demonstrating the required reasonable relationship, and identifying the approximate dates on which funding needed to complete the associated improvements will be available. If the City cannot make these findings, the Act imposes a self-executing obligation to refund the unexpended revenue to then-current property owners (Government Code Section 66001(e)-(f)).

The City's Fiscal Year 2024-25 Development Impact Fee Annual Report disclosed that four DIF funds — including the Library Facilities Impact Fee Fund (Fund 2206) and the General Government Facilities Impact Fee Fund (Fund 2200) — carry negative available balances resulting from interfund loans from the General Fund, and that the Library Facilities Impact Fee Fund additionally carries an obligation related to the Debt Service Fund. In its July 17, 2026 comment letter on that report, the Desert Valleys Builders Association (DVBA) raised concerns regarding the age, structure, and repayment terms of these loans, including questions regarding the source and timing of loan repayments and whether continuing to carry these amounts as fund receivables is consistent with the Act. All three loans have accrued interest over time at the Local Agency Investment Fund (LAIF) rate of return, consistent with the treatment of the other General Fund interfund loans disclosed in that report.

Staff has identified the following prior Council actions establishing components of these loans: the General Fund loan to the Library Facilities Impact Fee Fund (Fund 2206) includes amounts authorized under Resolution No. 2016-46 (September 7, 2016; \$175,000, acquisition of a tenant-seller's interest in real property at APN 778-103-006), Resolution No. 2016-47 (September 7, 2016; \$407,500, acquisition of the library site at APN 778-220-018, 778-103-007-9 and 778-103-008-0), and Resolution No. 2016-49 (September 14, 2016; \$300,000, construction management consulting services for the library project); and the General Fund loans to the General Government Facilities Impact Fee Fund (Fund 2200) include amounts authorized under Resolution No. 2018-21 (February 28, 2018; not to exceed \$1,580,000, construction contract for the Permit Center, part of the City's Civic Center complex) and Resolution No. 2018-63 (September 26, 2018; \$230,000, Permit Center Change Order No. 1 for HVAC improvements) — together comprising the Civic Center Loan; and the Senior Center Loan portion of the General Fund loans to Fund 2200 was established under Resolution No. 2018-46 (June 13, 2018; \$299,679, pre-construction and design of the Coachella Senior Center) and Resolution No. 2019-13 (February 27, 2019; \$2,148,293,

construction of the Coachella Senior Center Expansion), for original combined principal of \$2,447,972.

Resolution Nos. 2018-46 and 2019-13 both transferred funds to the “General Facilities Impact Fee Fund,” rather than the “General Government Facilities Impact Fee Fund” name used in more recent reports. The \$2,447,972 combined original principal for the Senior Center Loan, plus accrued LAIF interest since 2018-2019, is consistent with the current \$2,505,026.31 balance. The land-acquisition and CM-services resolutions for Fund 2206, plus accrued interest, do not yet reconcile to the full \$3,181,925.36 balance, indicating an additional construction-cost draw not yet documented here. Regarding the Debt Service Fund (Fund 4000) loan to Fund 2206: staff has located Resolution No. 2016-34 (City Council) and Resolution No. FA 2016-02 (Coachella Financing Authority), both adopted following staff reports dated July 27, 2016, authorizing issuance of the 2016 Lease Revenue Bonds, Series 2016, which financed construction of the library. The library was constructed under a design-build agreement with ProWest Constructors, with a not-to-exceed guaranteed maximum price of \$9,991,348 across GMP #1 through #3; the project was accepted as complete within that budget by City Council on February 27, 2019, per the Notice of Completion for City Project F-20. After thorough research, staff has confirmed that no separate resolution formally authorizing an interfund loan from the Debt Service Fund to Fund 2206 exists, comparable to the General Fund loan resolutions cited above. The \$8,473,063.13 balance instead reflects an accumulated interfund payable recorded to capture the Library Fund’s share of debt service paid by the Debt Service Fund on the 2016 Bonds, rather than a loan authorized through a discrete Council action with stated terms. Staff recommends this action should describe that balance as an accumulated interfund balance being written off. Because the library building itself was financed through bond proceeds rather than the General Fund loan, the approximately \$2.3 million difference between the \$882,500 in land-acquisition and CM-services draws cited above and the full \$3,181,925.36 General Fund loan balance to Fund 2206 likely reflects other project soft costs or interim financing rather than a further construction draw.

Based on current and projected DIF fee revenue for these two funds, staff has determined that these loans have not been, and are not projected to be, repaid within a reasonable period — measured against the same five-year horizon the Act uses elsewhere to evaluate whether fee revenue is being put to its intended use (Government Code Section 66001(d)) — nor do the loans reflect a defined repayment date or interest rate as contemplated by Section 66006(b)(1)(G). Continuing to carry these amounts as long-term, open-ended interfund loans is inconsistent with the Act’s requirement that DIF revenue be expended for, or committed within a reasonable and identifiable period to, the specific public facility for which it was collected, rather than serve as an indefinite financing source for General Fund or Debt Service Fund obligations.

This item is being brought forward as a discrete corrective step responsive to the concerns raised in DVBA’s July 17, 2026 letter, in advance of the comprehensive Development Impact Fee Nexus Study separately approved by City Council with Willdan Financial Services, which will address the City’s broader fee schedules, facility needs, and five-year findings requirements on a going-forward basis.

DISCUSSION/ANALYSIS:

Fund 2206 — Library Facilities Impact Fee: This fund carries two loan obligations proposed for forgiveness: a General Fund loan of \$3,181,925.36 and a Debt Service Fund loan of \$8,473,063.13, together totaling \$11,654,988.49.

The \$3,381,925 balance reported in the Fiscal Year 2024-25 Development Impact Fee Annual Report and the City's Annual Comprehensive Financial Report (ACFR) is presented rounded to the nearest dollar; the \$3,181,925.36 balance identified in this report reflects the precise loan amount, inclusive of interest accrued over time at the LAIF rate.

Fund 2206 also carries a long-term obligation associated with the 2016 Lease Revenue Bonds issued for construction of the City's library (\$9,495,000 outstanding as of June 30, 2025). This bond obligation is separate from the Debt Service Fund loan addressed in this action and, unless Council directs otherwise, is not affected by this forgiveness. If future development activity generates sufficient Library Facilities Impact Fee revenue, that revenue may be applied prospectively to pay the Library Fund's share of debt service on the 2016 Lease Revenue Bonds, consistent with the fee's purpose of funding library facilities, reducing or eliminating the need for further interfund borrowing to cover that obligation.

Fund 2200 — General Government Facilities Impact Fee: This fund carries two General Fund loans proposed for forgiveness: the Senior Center Loan (\$2,505,026.31) and the Civic Center Loan (\$1,483,643.07), together totaling \$3,988,669.38.

The Civic Center Loan addressed in this action reflects amounts authorized under Resolution No. 2018-21 (February 28, 2018; not to exceed \$1,580,000) and Resolution No. 2018-63 (September 26, 2018; \$230,000) for construction of the Permit Center, part of the City's Civic Center complex. This loan is separate and distinct from the \$601,926 note payable related to the Civic Center Facility purchase, which is owed to the Frances Berger Foundation, carries a 4% interest rate, and remains outstanding; that external note payable is not part of this forgiveness action.

Legal and accounting basis for forgiveness: Under generally accepted accounting principles for governmental funds, an interfund loan not expected to be repaid within a reasonable period is properly reported as a transfer rather than carried indefinitely as an interfund receivable and payable. Because DIF fee revenue collected in Funds 2206 and 2200 has not been, and based on current development activity is not projected to be, sufficient to repay these loans within a reasonable period, staff recommends the City Council formally forgive these amounts rather than continue to report them as outstanding, open-ended obligations of the DIF funds. This treatment is also more consistent with the reasonable-relationship and five-year findings requirements of Government Code Sections 66001(a) and 66001(d), which presume that fee revenue is being applied toward an identifiable public facility within a defined and reasonable time frame.

Because the receivables in the General Fund are already classified as non-spendable fund balance under GASB Statement No. 54 — an accounting classification indicating the amounts are not currently available for appropriation — forgiving the loans releases that non-spendable classification without reducing the General Fund's unassigned fund balance or its budgeted appropriation authority.

Relationship to the DIF Nexus Study: City Council has separately approved a Professional Services Agreement with Willdan Financial Services to conduct a Comprehensive Development Impact Fee Study, updating the nexus studies and fee schedules underlying the City's eleven DIF funds. That study will address the City's fee schedules, facility needs, and the five-year unexpended-revenue findings required under Section 66001(d) on a going-forward basis. This action is intended to resolve the specific legacy loan balances identified in DVBA's July 17, 2026 comment letter in advance of that broader study, so that DIF fund balances presented in future Annual Reports accurately reflect each fund's financial position.

CONCLUSION:

Forgiving these three interfund loans resolves specific concerns raised regarding the Library Facilities Impact Fee Fund (Fund 2206) and the General Government Facilities Impact Fee Fund (Fund 2200) in DVBA's July 17, 2026 comment letter, brings the City's treatment of these balances into closer alignment with the reasonable-relationship and reporting requirements of the Mitigation Fee Act, and has no impact on the General Fund's unassigned fund balance. This forgiveness is recommended effective retroactively to June 30, 2026, for reporting in the City's Fiscal Year 2025-26 Annual Comprehensive Financial Report (ACFR). Staff recommends approval.

ATTACHMENT(S):

Exhibit A – Resolution 2026-57 Forgiving Interfund Loans to Fund 2206 and Fund 2200