STAFF REPORT
7/22/2026

TO: Honorable Mayor and City Council Members

FROM: Gustavo J. Romo, City Manager

PREPARED BY: Lincoln G. Bogard, Finance Director

SUBJECT: Approve a Professional Services Agreement with Willdan Financial Services for a Comprehensive Development Impact Fee Study (Not-To-Exceed $96,000), and Approve the Associated Best Interest of the City Justification

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STAFF RECOMMENDATION:

Staff recommends that the City Council: (1) approve a Professional Services Agreement with Willdan Financial Services in an amount not to exceed $96,000 for a Comprehensive Development Impact Fee Study, substantially in the form attached hereto (Exhibit A); (2) adopt a finding, pursuant to Coachella Municipal Code Section 4.08.120(G) (“Best Interest of City”), that awarding this Agreement without a new competitive solicitation is in the best interest of the City, as documented in the attached Best Interest of the City Justification (Exhibit B); (3) approve corresponding budget adjustments appropriating a total of $96,000 on a pro-rata basis across the ten development impact fee funds identified in the Fiscal Impact section of this report; and (4) authorize the City Manager to execute the Agreement in a form approved by the City Attorney.

EXECUTIVE SUMMARY:

Willdan Financial Services (“Willdan”) has submitted a proposal to conduct a Comprehensive Development Impact Fee Study for the City, updating the nexus studies and fee schedules underlying the City’s eleven existing development impact fee (DIF) funds and evaluating the potential addition of a new Electric Infrastructure fee. The proposed fixed fee is $96,000, with a term running through January 31, 2027. Willdan is currently under contract with the City to conduct a separate Comprehensive User Fee Study; this Development Impact Fee Study was not included in the scope of that existing agreement and is presented here as a new, standalone Professional Services Agreement, to be funded from the City’s development impact fee funds on a pro-rata basis, with corresponding budget adjustments, as described in the Fiscal Impact section below.

BACKGROUND:

Impact fee nexus studies are the technical and legal documentation required under the Mitigation Fee Act (Government Code Section 66000 et seq.) to establish, justify, and periodically update development impact fees. While the Act does not itself specify a fixed update interval, it is widely considered best practice among California municipal finance and nexus-study professionals to conduct a comprehensive update of a jurisdiction's impact fee program at least once every five years, and more frequently if significant changes occur in growth projections, facility plans, or construction costs in the interim. Consultants in this field generally advise that nexus studies should, at a minimum, be refreshed within about eight years to remain legally defensible, with a five-year cycle recommended as the norm.

Several factors support this five-year benchmark. First, construction and land costs typically escalate faster than fee schedules that are only adjusted by an annual inflation index, so periodic comprehensive updates are needed to recalculate facility costs, growth assumptions, and demand standards rather than simply inflating old figures. Second, Government Code Section 66001(d) already requires the City to make specific findings regarding any unexpended or uncommitted impact fee revenue for the fifth fiscal year following the first deposit into each fee fund, and every five years thereafter — a statutory checkpoint that naturally aligns with a comprehensive fee update cycle. Third, Assembly Bill 602 (effective January 1, 2022) changed the methodology requirements applicable to residential development impact fees, including how residential land use categories must be analyzed; fee programs adopted or last updated before 2022 may no longer reflect current legal requirements. Finally, periodic updates reduce legal exposure: a fee schedule based on stale growth projections or facility cost data is more vulnerable to challenge under the Act's "reasonable relationship" standard.

Willdan Financial Services is currently engaged by the City under a separate Professional Services Agreement to conduct a Comprehensive User Fee Study. That existing agreement did not include a scope for updating the City's development impact fees. Willdan has submitted a new proposal, dated June 23, 2026, to conduct a Comprehensive Development Impact Fee Study covering the City's Park Land, Library Facilities, Bus Shelter, Park Improvement, Street and Transportation, Police Facilities, General Government Facilities, Fire Facilities, Art in Public Places, Water Connection, and Sanitary District Connection fee funds, and to evaluate the potential establishment of a new Electric Infrastructure fee.

City staff have determined that engaging Willdan for this study, rather than issuing a new competitive solicitation, is in the City's best interest given Willdan's current, active engagement with City staff and data on the related User Fee Study, and Willdan's demonstrated impact fee experience, including recent work for neighboring Coachella Valley jurisdictions. The associated Best Interest of the City Justification memorandum (Exhibit B), documents this determination in greater detail. Coachella Municipal Code Section 4.08.60(C) requires the formal (bid/RFP/RFQ) process for procurements over $75,000; because the proposed $96,000 fee exceeds this threshold, the engagement would ordinarily require a formal RFP/RFQ process under Section 4.08.90. Section 4.08.120(G) ("Best Interest of City") permits the City Council to authorize a contract award without following the required procurement method upon a finding that doing so is in the best interest of the City. Staff recommends the City Council make that finding here, for the reasons documented in the Best Interest of the City Justification (Exhibit B).

DISCUSSION/ANALYSIS:

Willdan's proposal (Exhibit A) outlines an eight-task work plan: (1) Identify Policy Issues; (2) Identify Existing Development and Future Growth; (3) Determine Facility Standards; (4) Determine Facilities Needs and Costs; (5) Identify Funding and Financing Alternatives; (6) Comparison Analysis against five Riverside County jurisdictions selected by the City; (7) Calculate Fees and Prepare Report; and (8) Meetings, including up to four in-person meetings with City staff, stakeholders, and the City Council. Willdan estimates the engagement will take approximately six to seven months from notice to proceed to adoption.

The proposed project team is led by James Edison, JD, MPP (Managing Principal, Principal-in-Charge) and Carlos Villarreal, MPP (Principal Consultant, Project Manager). Willdan reports having completed more than 125 impact fee studies in the past five years for over 800 public agencies nationwide, and cites recent or ongoing engagements with several neighboring Coachella Valley cities, including Indian Wells and Rancho Mirage, as well as other Riverside County agencies such as Riverside County itself, Murrieta, and Moreno Valley.

The proposed fixed fee of $96,000 is broken down by task and team member, totaling 342 hours (122 hours for the Principal-in-Charge at $300/hour and 220 hours for the Project Manager at $270/hour). The fee includes attendance at up to four meetings; additional meetings or major rounds of revisions beyond what is described in the scope would be billed at Willdan's current hourly rates (ranging from $110 to $310 depending on position), which are also included in the proposal.

The Professional Services Agreement (Exhibit A), as reviewed by the City Attorney's office, sets the not-to-exceed contract amount at $96,000, inclusive of all printing and related costs, with a term running from execution through January 31, 2027. The Agreement incorporates Willdan's standard Project Disclaimer confirming that Willdan is not acting as a "municipal advisor" as defined by the U.S. Securities and Exchange Commission in connection with this engagement.

As discussed in the accompanying Fiscal Year 2024-25 Development Impact Fee Annual Report presented elsewhere on this agenda, several of the City's impact fee funds currently reflect negative available balances or have not funded planned facilities at meaningful levels, underscoring the value of an updated, comprehensive nexus analysis to ensure fee schedules reflect current facility costs, growth projections, and legal requirements under the Mitigation Fee Act and AB 602.

ALTERNATIVES:

1. Approve the Professional Services Agreement with Willdan Financial Services, the associated budget adjustments, and the Best Interest of the City Justification as recommended by staff, and authorize the City Manager to execute the Agreement.

2. Direct staff to issue a competitive Request for Proposals for the Comprehensive Development Impact Fee Study rather than relying on the Section 4.08.120(G) best-interest-of-the-city finding, and return to City Council with the results at a future meeting.
3. Do not approve the Agreement at this time and provide staff with alternative direction.

FISCAL IMPACT:

The proposed Professional Services Agreement carries a not-to-exceed fixed fee of $96,000, to be funded from the City's development impact fee (DIF) funds, allocated on a pro-rata basis across the ten DIF funds that collected developer fee revenue in Fiscal Year 2024-25, as reported in the accompanying FY 2024-25 Development Impact Fee Annual Report. Staff proposes allocating each fund's share based on its proportion of total DIF developer fee revenue collected City-wide in FY 2024-25, on the basis that funds experiencing greater current development activity have the most immediate benefit from an updated nexus study and fee schedule. The Bus Shelter Impact Fee Fund (Fund 123) is excluded, consistent with its status as a fund that is no longer being utilized. Under this proposed methodology, the $96,000 fee would be allocated as follows:

Park Land Impact Fee (Fund 120): $2,345; Library Facilities Impact Fee (Fund 121): $1,376; Bus Shelter Impact Fee (Fund 123): $0; Park Improvement Impact Fee (Fund 126): $11,031; Street & Transportation Impact Fee (Fund 127): $50,757; Police Facilities Impact Fee (Fund 128): $736; General Government Facilities Impact Fee (Fund 129): $5,658; Fire Facilities Impact Fee (Fund 130): $736; Art in Public Places Impact Fee (Fund 131): $1,578; Water Connection Fee (Fund 177): $7,765; Sanitary District Connection Fee (Fund 360): $14,018; Total: $96,000.

Because this expenditure was not included in the FY 2025-26 adopted budget, City Council approval of corresponding budget adjustments (appropriations) in each of the ten funds listed above will be required prior to execution of the Agreement, consistent with the appropriations requirement of Coachella Municipal Code Section 4.08.40(D). Staff recommends the City Council approve these budget adjustments concurrently with the Agreement.

The use of development impact fee revenue to fund the cost of updating the nexus studies and fee schedules underlying those same funds is a common practice among California municipalities and is generally treated as a reasonable administrative cost of operating the fee program under the Mitigation Fee Act.

This expenditure is separate from, and in addition to, the City's existing Professional Services Agreement with Willdan for the Comprehensive User Fee Study.

RECOMMENDED ALTERNATIVE(S):

Approve the Professional Services Agreement with Willdan Financial Services, the associated budget adjustments, and the Best Interest of the City Justification, and authorize the City Manager to execute the Agreement (Alternative 1).