

City of Hesperia

STAFF REPORT



DATE: June 18, 2013

TO: Mayor and Council Members
Chair and Board Members, Hesperia Water District

FROM: Mike Podegracz, City Manager

BY: Brian D. Johnson, Assistant City Manager-Management Services
Anne Duke, Deputy Finance Director
Casey Brooksher, Senior Accountant

SUBJECT: Fiscal Year 2012-13 Fourth Quarter Budget Amendments

RECOMMENDED ACTION

It is recommended that the City Council and Water District Board adopt the following Resolutions amending the respective Fiscal Year 2012-13 Budgets for the City of Hesperia and the Hesperia Water District:

- 1) City of Hesperia Resolution No. 2013-031
- 2) Hesperia Water District Resolution HWD 2013-06

BACKGROUND

In compliance with the City Council's policy direction, staff has reviewed anticipated expenditures through the end of Fiscal Year 2012-13 for the City of Hesperia and Hesperia Water District to determine if year-end adjustments are needed.

ISSUES/ANALYSIS

The analysis of anticipated expenditures through the end of Fiscal Year 2012-13 indicates the following budget amendment requests should be considered.

- **Replacement of the Well Motor Located at the Hesperia Golf Course (100-220) – \$50,000**

The well motor located at the Hesperia Golf Course failed and requires replacement. The General Fund will be utilized for replacing the well motor, since the City owns the water rights associated with the Golf Course.

- **Blade Server Purchase (100-215) – \$65,000**

On May 7, 2013, the City Council approved the implementation of the blade server system to allow for the use of a Virtual Desktop Infrastructure. This budget amendment would provide the funding for the implementation. In the staff report, it was identified that the cost of \$65,000 would be included as a fourth quarter amendment.

- **Purchase of Rancho Las Flores Water Rights with Bond Proceeds (100-220) – \$26,847,377**

The amendment will record the issuance of the Hesperia Joint Finance Authority – 2012 Lease Revenue Bonds for the purchase of the Rancho Las Flores water rights. Of the

\$26,847,377 amendment, \$25,000,000 represents the actual purchase of the water rights; the \$5,000,000 down payment was approved at first quarter for total purchase price of \$30,000,000. The remaining \$1,847,377 will establish the transfer out of the General Fund to the debt service fund (Fund 402). This amount is comprised of the required bond reserves, cost of issuance, and bond discounts. Due to the annual audit process and the closing of the fiscal year, additional appropriation authority may be required. Should this occur, staff will present a final year-end budget request to the Council after the close of the fiscal year.

- **Debt Service Payment for the Rancho Las Flores Bond Issue (402) – \$676,693**

Of the \$676,693 budget amendment, \$281,448 is needed for the interest payment pertaining to bond issue for the Rancho Las Flores water rights purchase. The remaining \$395,245 will record the expenses pertaining to the cost of issuance and bond discounts.

- **Purchase of a Hybrid Vehicle (256) – \$14,156**

The FY 2012-13 Budget included funds of \$22,000 to purchase a vehicle to support the environmental programs. During the year, a grant of \$14,156 was awarded by the Air Quality Management District (AQMD) to replace an existing fleet vehicle with an energy efficient vehicle. Utilizing the grant and existing budget funds, a hybrid Chevrolet Silverado can be purchased for \$38,000. The grant of \$14,156 will be combined with the \$22,000 identified in the FY 2012-13 Budget and \$1,844 is budget savings.

The AQMD grant of \$14,156 is a reimbursable grant, where funds must be spent prior to receiving the award. The City anticipates receiving the reimbursement during FY 2013-14. A budget amendment is needed for the AQMD grant award, as the funding of the \$23,844 is included in the FY 2012-13 Budget.

- **Upgrade the Utility Billing Call Center (700) – \$70,000**

During the May 7, 2013 City Council meeting, Council approved purchase of equipment and software to upgrade of the Utility Billing Call Center. By upgrading the call center software, Utility Billing staff will be able to better serve the citizens. In the staff report, it was identified that the cost of \$70,000 would be included as a fourth quarter amendment.

- **Increase of Victor Valley Waste Water Reclamation Authority (VWWRA) Fees (710) – \$264,000**

During FY 2012-13, VWWRA increased the wastewater treatment fees by fifteen percent (15%), which has caused the actual costs to exceed the adopted budget.

FISCAL IMPACT

With exception of the amendments pertaining to the 2012 Lease Revenue Bonds (Rancho Las Flores water rights) and the purchase of the hybrid vehicle, the proposed Fiscal Year 2012-13 Fourth Quarter Budget were included in the Fiscal Year 2012-13 Revised estimates during the Fiscal Year 2013-14 Budget process, and their fiscal impact is reflected in the Fiscal Year 2013-14 Budget reserve calculations. The remaining budget amendments were not included in the FY 2012-13 Revised; however, these amendments will be included during the fiscal year end close process.

ALTERNATIVES

Provide alternative direction to staff.

ATTACHMENTS

1. Resolution No. 2013-031
2. Resolution HWD 2013-06