

City of Hesperia STAFF REPORT



DATE: November 19, 2024
TO: Mayor and Council Members
Chair and Commission, Community Development Commission
FROM: Rachel Molina, City Manager
BY: Casey Brooksher, Assistant City Manager
Lorraine Carmona, Budget/Finance Specialist
SUBJECT: Fiscal Year 2023-24 Final Budget Amendments

RECOMMENDED ACTION

It is recommended that the following resolutions be adopted, amending the respective Fiscal Year (FY) 2023-24 Budgets for the City of Hesperia and the Hesperia Community Development Commission:

- 1) City of Hesperia No. 2024-55
- 2) Community Development Commission CDC 2024-01

BACKGROUND

In compliance with the City Council's policy direction, staff has reviewed expenditures through the end of FY 2023-24, and has determined that the City of Hesperia and the Hesperia Community Development Commission will require year-end budget adjustments.

ISSUES/ANALYSIS

The analysis of expenditures through the end of FY 2023-24 indicates that the following budget amendment requests should be considered:

Community Development Commission (CDC) (170)

- **Land Held for Resale – \$243,250**

During FY 2023-24, one CDC property was sold for less than the original cost to purchase the property, which resulted in the need to reduce the carrying value of the property to the lower of cost or market value. In addition, a market value analysis on the remaining land held for resale resulted in the need to reduce the book value of several parcels. The recognized losses caused the fund to exceed the appropriation authority.

DIF 2018 – City Hall Facilities (309)

- **Interest Expense – \$11,524**

The DIF-Public Services/City Hall Facilities Loan from the General Fund accrues interest at the Local Agency Investment Fund (LAIF) rate. The interest expense incurred in FY 2023-24 exceeded the budgeted amount by \$11,524 due to rate increases by the Federal Reserve which, in turn, resulted in increased quarterly LAIF rates. A budget amendment of \$11,524 is requested to cover the additional interest expense.

2023 Refunding Lease Revenue Bonds (403 and 404) – \$8,561,958

- In June 2023, the City Council approved refinancing of the 2013 Bonds (Civic Plaza Bonds), which resulted in a net present, value (NPV) savings of \$674,109, or 7.01% of the outstanding principal amount of the 2013 Bonds. Due to the timing of the refinancing, the related funding was not included in the FY 2023-24 Budget. The combined \$8,561,958 amendment, which is funded from the proceeds of the bond refinancing, is requested for the bond's FY 2023-24 debt service expenditures, along with the transfer of funds to retire the 2013 Bonds, as identified below:

Bond Administration (403-8800)	\$	250
Interest Expense (404-8700)		297,049
Bond Administration (404-8800)		1,150
Debt Issuance Costs (404-8850)		298,801
Operating Transfers Out (404-9000)		7,964,708

City Engineering Services

Consistent with Joint Resolution 2018-06, budgeted funding for the City's engineering services contract with TKE Engineering was identified in the FY 2023-24 Operating Budget in the amount of \$490,000, and FY 2023-24 engineering expenditures for operating purposes were within the operating budget, at \$191,918. While the overall FY 2023-24 Capital Improvement Program (CIP) Budget was sufficient to fund capital project expenditures, contract engineering costs were not specifically identified in the CIP Budget. As such, notification is provided that TKE Engineering services in the amount of \$19,958 were incurred during FY 2023-24 related to CIP projects and for services provided through trust funding. As sufficient budget exists within the respective funding sources for the City's CIP projects during FY 2023-24, a budget amendment related to engineering services is not needed.

CITY GOAL SUPPORTED BY THIS ITEM

Financial Health: Maintain a balanced budget and adequate reserves

FISCAL IMPACT

The proposed Final Fiscal Year 2023-24 Budget Amendments will be funded from a combination of revenues received, bond proceeds, operating transfers, and the use of reserves.

ALTERNATIVES

Provide alternative direction to staff.

ATTACHMENTS

1. Resolution No. 2024-55
2. Resolution CDC 2024-01