

City of Hesperia

STAFF REPORT



DATE: November 4, 2025
TO: Mayor and Council Members
Chair and Board Members, Hesperia Water District
FROM: Rachel Molina, City Manager
BY: Casey Brooksher, Assistant City Manager
SUBJECT: Fiscal Year 2024-25 Final Budget Amendments

RECOMMENDED ACTION

It is recommended that the following resolutions be adopted, amending the respective Fiscal Year (FY) 2024-25 Budgets for the City of Hesperia and the Hesperia Water District:

- 1) City of Hesperia No. 2025-41
- 2) Hesperia Water District HWD 2025-11

BACKGROUND

During the annual budget process, staff prepare estimates of year-end expenditures, which are reflected in the Revised Budget. The Revised Budget is discussed during the Budget Workshops in May and is also included in the annual budget document. While the Revised Budget is reviewed at that time, appropriation adjustments are not requested until after the close of the prior fiscal year. This approach allows any year-end closing or audit adjustments to be incorporated into the final fourth-quarter appropriation requests presented to the City Council.

In accordance with the City Council's financial policy direction, staff have reviewed expenditures through the end of FY 2024-25 and determined that the City of Hesperia and the Hesperia Water District will require year-end budget adjustments.

ISSUES/ANALYSIS

An analysis of expenditures through the end of FY 2024-25 indicates that the following budget amendment requests should be considered:

SB 1383 Local Assistance Grant (262)

- **CalRecycle Grant Funds – City Manager \$162**

In FY 2022-23, the City received \$136,396 in grant funds from the Department of Resources Recycling and Recovery (CalRecycle) to support local recycling and clean-up programs. The grant allowed the City up to two years to spend the funds. As noted during the FY 2024-25 Mid-Year Review, the City was unable to expend the grant proceeds fully and was required to return the unspent balance. At that time, the City Council approved a Mid-Year budget amendment of \$71,714, based on the projected reimbursement amount. The final payback, however, exceeded that projection by \$162. As this was the primary expenditure for FY 2024-25, there were no budget savings available to absorb the overage, which now requires a budget amendment.

.DIF 2018 – City Hall Facilities (309)

▪ Interest Expense – \$22,991

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 2024-25 exceeded the budgeted amount by \$22,991 due to Federal Reserve rate increases, which, in turn, led to higher quarterly LAIF rates. The FY 2024-25 Budget estimated a 4% LAIF rate, and the actual was 4.5%. A budget amendment of \$22,991 is requested to cover the additional interest expense.

Hesperia Water District (700/701/710)

▪ Silverwood Infrastructure Assets Purchase – \$6,332,931

On May 20, 2025, the City Council and the Board of Directors of the Hesperia Water District approved an agreement for the acquisition of wastewater infrastructure assets constructed by Silverwood Development Phase 1, LLC. These assets include sewer lift stations, force mains, and other conveyance systems that will enhance operational efficiency within the City's wastewater network. Initially, the purchase was intended to be split into two equal payments during FY 2024-25 and FY 2025-26. However, during the ongoing FY 2024-25 annual audit process, it was determined that the full amount of \$6,332,931 must be recognized in FY 2024-25. This budget amendment request allocates the cost as follows:

- \$3,332,931 – Water Operating Administration (700-4070)
- \$2,000,000 – Water Capital Administration (701-4070)
- \$1,000,000 – Sewer Operating Administration (710-4270)

This change in recognition does not affect the cash projections included in the FY 2025-26 Budget.

CITY GOAL SUPPORTED BY THIS ITEM

Financial Health - Maintain a balanced budget and adequate reserves

FISCAL IMPACT

The proposed Final Fiscal Year 2024-25 Budget Amendments have been incorporated into the FY 2025-26 Budget. As discussed during the budget workshops and the annual budget adoption, there are adequate revenues and reserve balances to cover each of the proposed amendments. Furthermore, approval of these amendments will not affect the cash projections included in the FY 2025-26 Budget. Upon City Council approval of the Final Budget Amendments for FY 2024-25, staff can proceed with preparation of the Annual Comprehensive Financial Report (ACFR).

ALTERNATIVE(S)

Provide an alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. 2025-41
2. Resolution No. HWD 2025-11