FISCAL YEAR 2025-26

FIRST QUARTER BUDGET REVIEW

November 18, 2025

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EXECUTIVE SUMMARY

The following chart compares the FY 2025-26 Budget and September 2025 year-to-date (YTD) revenue and expenditure totals. The percentage comparisons for revenues and expenditures are based on comparing the September 2025 YTD to the FY 2025-26 Amended Budget. The Amended Budget is used to accurately reflect any changes to the adopted budget that occur from the City Council approving budget amendments during the first three months of the fiscal year.

	2025-26 Amended Budget	September 2025 YTD	Percent Expended
Revenue			
General Fund	$ 54,973,516	$ 5,771,835	10%
Streets Related Funds	32,784,043	2,853,508	9%
Water District Funds	40,567,539	10,776,775	9%
All Other Funds	14,254,172	425,932	3%
Total Revenue	**$ 142,579,270**	**$ 19,828,050**	**14%**
Expenditures			
General Fund	$ 51,550,188	$ 14,595,348	28%
Streets Related Funds	36,458,381	1,272,208	3%
Water District Funds	43,778,073	9,461,351	22%
All Other Funds	7,548,056	1,938,002	26%
Total Expenditures	**$ 139,334,698**	**$ 27,266,909**	**20%**

Status of Overall City Fiscal Year 2025-26 Budget

- **Revenue**: Based on the analysis of first quarter performance to date, total General Fund revenue collected is $19.8 million, or 14% of the budgeted revenue. This aligns with the historical first-quarter average of 13% to 15%, and notably, the first quarter of FY 2024-25 also reflected a 14% collection rate. While one might expect collections to be closer to 25% at this point in the fiscal year, there is a timing delay in receiving several tax-based revenues, including Sales Tax, Measure I, Franchise Tax, and Vehicle License Fees. Additional detail on these revenue sources is provided later in this report.

- **Expenditures**: As of September 2025, year-to-date expenditures total $27,266,909 or 20% expended. The General Fund is slightly above 25% due to the lump-sum payment of the CalPERS unfunded liability, which totaled $3.0 million for the General Fund portion, and the City's liability insurance payment of $3.2 million. Street-related funds, on the other hand, are below the 25% threshold, as these funds are primarily tied to Capital Improvement Program (CIP) projects, which typically experience the most activity during the latter part of the fiscal year.

- **Reserves**: The cash reserve levels for the General Fund, Water Operating Fund, and Sewer Operating Fund all exceed the City Council's minimum policy requirement of maintaining at least two months of annual expenditures in cash, even after factoring in the proposed budget amendments. The following estimated reserve calculations are based on the cash balances as of June 30, 2024, as reported in the audited Annual Comprehensive Financial Report (ACFR) for that year. Using the audited ACFR data ensures that the reserve estimates are based on verified financial information. The ending cash balances will be updated in the Mid-Year Report once the June 30, 2025, ACFR is finalized.

	General Fund		Water Operating		Sewer Operating	
10% Cash Reserves (Council/Board Policy)	$ 5,656,647	10%	$ 3,505,455	10%	$ 990,948	10%
Cash Reserves Above 10% Reserve	19,313,468	35%	4,892,786	14%	4,495,354	45%
Total Estimated Cash Reserves	**$ 24,970,115**	**45%**	**$ 8,398,241**	**24%**	**$ 5,486,302**	**55%**
Months of Cash	**5.5**		**2.9**		**6.6**	

EXECUTIVE SUMMARY (Continued)

Proposed Budget Amendments – Seven (7) Budget Amendments are proposed for $5,971,263

The FY 2025-26 First Quarter Budget Review includes seven (7) items as proposed budget amendments totaling $5,971,263. A complete discussion of the budget amendments is included on page 28. The proposed budget amendments are included in the fund balance analyses where appropriate:

FY 2025-26 1st Quarter Budget Requests	General Fund	Other Funds	Totals
1. SB 1383 CalRecycle (City Manager)	$ 0	$ 114,766	$ 114,766
2. DocAccess ADA Compliance (IT)	20,160	0	20,160
3. Network Firewalls/Licensing Support (IT)	144,376	0	144,376
4. Interview Room Recording System (Police)	52,351	0	52,351
5. Increase to Monthly Law Enforcement Costs (Police)	1,384,549	0	1,384,549
6. ARPA Projects (Water/Sewer)	0	4,142,021	4,142,021
7. Water, Sewer, Recycled Water Rate Study (Water/Sewer)	0	113,040	113,040
Total 1st Quarter Budget Amendments Requests	**$ 1,601,436**	**$ 4,369,827**	**$ 5,971,263**

STATUS OF CITY GENERAL FUND 2025-26 BUDGET, BUDGET AMENDMENTS, AND RESERVES

	2025-26 Budget	2025-26 Revised	Change Dollars	Change Percent
RESOURCES				
General Fund Operating Revenue	$ 54,119,714	$ 54,119,714	$ 0	0%
ARPA Loss Revenue	308,402	308,402		
Transfers In				
Fund 255 - AB 3229 COPS Grant	200,000	200,000		
Total Transfers In	200,000	200,000		
Budgeted Reserves	350,000	350,000		
First Quarter Budget Amendment Reserves	0	1,588,352		
Total Budgeted Reserves	$ 350,000	$ 1,938,352		
Total General Fund Resources	**$ 54,978,116**	**$ 56,566,468**	**$ 1,588,352**	**3%**
EXPENDITURES				
Total General Fund Operating Expenses	**$ 51,550,188**	**$ 51,550,188**		
Transfers Out				
1. Fund 210 - HFPD CalPERS	1,959,733	1,959,733		
2. Fund 241 - CFD 2021-1 Residential Maint. & Service	2,610	2,610		
3. Fund 242 - CFD 2022-1 Non-Residential Maint. & Service	2,610	2,610		
4. Fund 243 - CFD 2023-1 Silverwood Maintenance	3,360	3,360		
5. Fund 402 - 2012 Water Rights Acquisition Debt Service	1,446,531	1,446,531		
Total Transfers Out	3,414,844	3,414,844		
Total General Fund Expenditures & Transfers Out	**$ 54,965,032**	**$ 54,965,032**	**$ 0**	**0%**
First Quarter Budget Amendments Requested				
1. DocAccess ADA Compliance	$ 0	$ 20,160		
2. Network Firewalls/Licensing Support	0	144,376		
3. Interview Room Recording System	0	52,351		
4. Schedule A Increase - Law Enforcement	0	1,384,549		
Total First Quarter Budget Amendments	**0**	**1,601,436**		
Total Expenditures and Amendments	**$ 54,965,032**	**$ 56,566,468**	**$ 1,601,436**	**3%**
DIFFERENCE TOTAL RESOURCES/TOTAL EXPENDITURES	**$ 13,084**	**$ 0**	**$ (13,084)**	**-100%**
Fund Balance				
July 1 Beginning Balance	$ 48,597,516	$ 48,597,516		
Total Budgeted Reserves	(350,000)	(1,938,352)		
Difference Total Resources/Total Expenditures	13,084	0		
Estimated June 30 Ending Fund Balance	**$ 48,260,600**	**$ 46,659,164**	**$ (1,601,436)**	**-3%**
Months of Cash to Pay Expenditures and Transfers Out				
Beginning Cash July 01,	$ 28,509,903	$ 28,509,903		
Estimated Resources Less Budgeted Reserves	54,628,116	53,026,680		
Estimated Expenditures	(54,965,032)	(56,566,468)		
Estimated Ending Cash June 30,	**$ 28,172,987**	**$ 24,970,115**		
Months of Cash to Pay Expenditures and Transfers Out	**6.2**	**5.5**		
Estimated Cash Reserves Percentage	**51%**	**45%**		

STATUS OF WATER OPERATING 2025-26 BUDGET, BUDGET AMENDMENTS, AND RESERVES

Resources	2025-26 Budget	2025-26 Budget	Change Dollars	Change Percent
Revenue				
Water Operations Revenue	$ 29,182,786	$ 29,182,786		
ARPA	1,833,374	1,833,374		
ARPA Carryover Into First Quarter	0	3,760,771		
Total Water Operations Revenue	$ 31,016,160	$ 34,776,931	$ 3,760,771	12%
Reserves				
FY 2025-26 Budget	350,000	350,000		
First Quarter Budget Amendment Reserves	0	113,040		
Total Budgeted Reserves	350,000	463,040		
Total Water Operations & Reserves Resources	**$ 31,366,160**	**$ 35,239,971**	$ 3,873,811	12%
Expenditures by Program				
700 4010 Source of Supply	$ 5,068,641	$ 5,068,641		
700 4020 Production	5,778,128	5,778,128		
700 4030 Water Distribution	1,757,302	1,788,302		
700 4035 Water Line Replacement	1,302,323	1,302,323		
700 4040 Engineering	1,860,489	1,858,289		
700 4050 Customer Service	2,457,742	2,432,742		
700 4060 Utility Billing	1,521,567	1,521,567		
700 4070 Administration	8,831,812	8,831,812		
700 4080 Property Management	510,056	506,256		
700 4160 Streets Repair	1,237,564	1,237,564		
Capital Maintenance	855,114	855,114		
Total Water Operations Expenditures	**$ 31,180,738**	**$ 31,180,738**		
First Quarter Budget Amendments Requested				
1. ARPA Project Carryover	$ 0	$ 3,760,771		
2. Water, Sewer, Recycled Water Rate Study (Water/Sewer)	0	113,040		
Total First Quarter Budget Amendments	**0**	**3,873,811**		
Total Expenditures and Amendments	**$ 31,180,738**	**$ 35,054,549**	**$ 3,873,811**	**12%**
Difference Total Resources / Total Expenditures	**$ 185,422**	**$ 185,422**		
Fund Balance				
July 1 Beginning Balance	$ 85,604,770	$ 85,604,770		
Budgeted Reserves	(350,000)	(463,040)		
Difference Resources/Expenditures	185,422	185,422		
Estimated June 30 Ending Fund Balance	**$ 85,440,192**	**$ 85,327,152**	**$ (113,040)**	**0%**
Months of Cash to Pay Expenditures and Transfers Out				
Beginning Cash July 01,	$ 8,675,859	$ 8,675,859		
Estimated Resources Less Budgeted Reserves	31,016,160	34,776,931		
Estimated Expenditures	(31,180,738)	(35,054,549)		
Estimated Ending Cash June 30,	**$ 8,511,281**	**$ 8,398,241**	**$ (113,040)**	**-1%**
Months of Cash to Pay Expenditures and Reserve Balances	**3.3**	**2.9**		
Total Estimated Cash Reserves Percentage	**27%**	**24%**		

STATUS OF SEWER OPERATING 2025-26 BUDGET, BUDGET AMENDMENTS, AND RESERVES

Resources	2025-26 Budget	2025-26 Budget	Change Dollars	Change Percent
Revenue				
Sewer Operations Revenue	$ 6,729,977	$ 6,729,977		
ARPA	114,953	114,953		
ARPA Carryover Into First Quarter	0	381,250		
Total Sewer Operations Revenue	$ 6,844,930	$ 7,226,180	$ 381,250	6%
Reserves				
FY 2025-26 Budget	2,683,300	2,683,300		
First Quarter Budget Amendment Reserves	0	0		
Total Budgeted Reserves	2,683,300	2,683,300		
Total Sewer Operations & Reserves Resources	**$ 9,528,230**	**$ 9,909,480**	**$ 381,250**	**4%**
Expenditures and Transfers				
710 4200 Sewer Distribution	$ 6,564,502	$ 6,564,502		
710 4240 Sewer Engineering	277,360	277,360		
710 4260 Sewer Utility Billing	312,753	312,753		
710 4270 Sewer Administration	1,763,615	1,763,615		
Fund 711 - Sewer Capital Fund	610,000	610,000		
Total Sewer Operations Expenditures	**$ 9,528,230**	**$ 9,528,230**	**$ 0**	**0%**
First Quarter Budget Amendments Requested				
1. ARPA Project Carryover	$ 0	$ 381,250		
Total First Quarter Budget Amendments	**0**	**381,250**		
Total Expenditures and Amendments	**$ 9,528,230**	**$ 9,909,480**	**$ 381,250**	**4%**
Difference Total Resources / Total Expenditures	**$ 0**	**$ 0**		
Fund Balance				
July 1 Beginning Balance	$ 14,587,755	$ 14,587,755		
Budgeted Reserves	(2,683,300)	(2,683,300)		
Difference Resources/Expenditures	0	0		
Estimated June 30 Ending Fund Balance	**$ 11,904,455**	**$ 11,904,455**	**$ 0**	**0%**
Months of Cash to Pay Expenditures and Transfers Out				
Beginning Cash July 01,	$ 12,528,184	$ 12,528,184		
Estimated Resources Less Budgeted Reserves	6,844,930	7,226,180		
Estimated Expenditures	(9,528,230)	(9,909,480)		
VVWRA Cash Retention - Zone V	(3,400,000)	(4,358,582)		
Estimated Ending Cash June 30,	**$ 6,444,884**	**$ 5,486,302**	**$ (958,582)**	**-15%**
Months of Cash to Pay Expenditures and Reserve Balances	**8.1**	**6.6**		
Total Estimated Cash Reserves Percentage	**68%**	**55%**		

STATUS OF STREET MAINTENANCE FUND 2025-26 BUDGET, FUND BALANCE, AND RESERVES

RESOURCES	2025-26 Budget	2025-26 Revised	Change Dollars	Change Percent
Street Maintenance Operating Revenue	$ 27,500	$ 27,500	$ 0	0%
Transfers In				
Fund 100 - General Fund	$ 0	$ 0		
Fund 204 - Measure I - Renewal	1,750,000	1,750,000		
Fund 205 - Gas Tax Fund	1,400,000	1,400,000		
Fund 206 - Gas Tax Swap	669,000	669,000		
Fund 207 - Local Transportation Fund	226,883	226,883		
Fund 207 - LTF (Vision Zero Study)	394,000	394,000		
Total Transfers In	**4,439,883**	**4,439,883**		
Total Revenues	**4,467,383**	**4,467,383**		
Budgeted Reserves	104,420	104,420		
Total Street Maintenance Resources	**$ 4,571,803**	**$ 4,571,803**		
EXPENDITURES	**$ 4,382,518**	**$ 4,382,518**	**$ 0**	**0%**
DIFFERENCE RESOURCES/EXPENDITURES	**$ 189,285**	**$ 189,285**	**$ 0**	**0%**
Fund Balance				
July 1 Beginning Balance	$ 670,162	$ 670,162		
Total Budgeted Reserves	(104,420)	(104,420)		
Difference Resources/Expenditures	189,285	189,285		
Estimated June 30 Ending Balance	**$ 755,027**	**$ 755,027**		

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW

MAJOR FUNDS REVENUE SUMMARY

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
General Fund	$ 54,973,516	$ 5,771,835	11%	$ 54,973,516	$ 0
Community Development Block Grant	3,853,437	1,950	0%	3,853,437	0
Community Development Commission	150,000	0	0%	150,000	0
Hesperia Housing Authority	383,201	0	0%	383,201	0
Street Related Funds	32,784,043	2,853,508	9%	32,784,043	0
Other City Related Funds	9,867,534	423,982	4%	9,867,534	0
Water Operating	31,016,160	5,159,146	17%	31,016,160	0
Water Capital	1,396,860	4,149,953	297%	1,396,860	0
Water Reserves	735,589	132,064	18%	735,589	0
Total Water Operating, Capital, & Reserves	33,148,609	9,441,163	29%	33,148,609	0
Sewer Operating	6,844,930	1,159,416	17%	6,844,930	0
Sewer Capital	564,000	176,195	31%	564,000	0
Sewer Reserves	10,000	0	0%	10,000	0
Total Sewer Operating, Capital, & Reserves	7,418,930	1,335,612	18%	7,418,930	0
Water District	40,567,539	10,776,775	27%	40,567,539	0
Total All Funds	**$ 142,579,270**	**$ 19,828,050**	**14%**	**$ 142,579,270**	**$ 0**

Overall – The first-quarter analysis reveals that $19.8 million, or 14% of the total budgeted revenue, has been collected. The amount of revenue collected thus far falls within the range of reasonable expectations. While individual accounts may have deviations from their forecasted amounts due to unforeseen circumstances, the overall revenue collected through first quarter is progressing as anticipated.

General Fund revenues received through the first quarter of FY 2025-26 totaled $5,771,835 or 11% of the total annual projected revenues of $54,973,516. The revenue through first quarter is progressing as anticipated. This is due to the delayed nature of certain revenue sources such as Sales Taxes, Property Taxes and Development-related revenue.

The Water District revenues received through the first quarter totaled $10.8 million or 27% of the total annual projected revenues of $40.6 million. Water District revenue is trending as anticipated and will continue to be monitored to ensure revenue is collected and recorded adequately and no deviations are encountered.

Staff will continue to monitor the FY 2025-26 revenue and make any necessary recommendations for revisions during the Mid-Year Budget Review in February 2026. The following pages will detail the current revenue collections for each fund.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

GENERAL FUND REVENUES

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
Sales and Use Tax	$ 13,901,174	$ 908,872	7%	$ 13,901,174	$ 0
Vehicle License Fees	13,829,850	0	0%	13,829,850	0
Franchise Fees	4,607,921	73,778	2%	4,607,921	0
Total Top Three Revenues	**32,338,945**	**982,650**	**3%**	**32,338,945**	**0**
General & Administrative Recovery	5,302,870	1,325,718	25%	5,302,870	0
Transient Occupancy Tax	1,517,200	166,103	11%	1,517,200	0
Secured Property Tax	1,308,124	0	0%	1,308,124	0
Business License	1,094,000	282,692	26%	1,094,000	0
Leased Water Rights	1,946,255	0	0%	1,946,255	0
Development Related Revenues					
Planning	603,595	198,567	33%	603,595	0
Building & Safety	3,014,164	1,362,988	45%	3,014,164	0
Engineering	1,760,460	419,848	24%	1,760,460	0
Sub-Total Development Related Revenues	5,378,219	1,981,402	37%	5,378,219	0
Sub-Total Top 12 Revenue Sources	48,885,613	4,738,565	10%	48,885,613	0
All Other General Fund Revenues	6,087,903	1,033,270	17%	6,087,903	0
Total General Fund Revenues	**$ 54,973,516**	**$ 5,771,835**	**11%**	**$ 54,973,516**	**$ 0**

General Fund Revenue Comments:

In total, General Fund is trending as expected for First Quarter. As demonstrated in the discussions to follow, there is a delayed nature in revenue collection for several of the revenue sources. This is anticipated, and a substantial portion of the First Quarter revenue, especially tax-based, typically is received during October and November due to the structure of payments received from the State.

Sales and Use Tax – For the first quarter of FY 2025-26, the City received $908,872 for (1) month (July 2025) of activity. There is typically a two-month delay from the month the Sales Tax was earned to when the City receives the Sales Tax revenue from the State. Due to this, 7% of the FY 2025-26 Budget of $13,901,174 being collected through the First Quarter is slightly below expectations; however, with the August installment received in October, the City is modestly exceeding projections by $12,000.

Vehicle License Fee (VLF) – This revenue is based on the City's assessed valuation of the properties within the City. As the assessed valuation changes from the prior year, this revenue changes by the same percentage. There is no revenue reported through September 2025, as the first installment of the VLF is expected to be received during January 2026.

Franchise Fees – The City receives franchise fees from several different service providers within the City as a fee for the use of streets and public right-of-way within our municipality. Revenue through September 2025 YTD total is $73,778, which is 2% of the FY 2025-2026 budget of $4,607,921. This is within expectations as the City has historically received the bulk of this revenue source in the later parts of the Fiscal Year.

Transient Occupancy Tax (TOT) – TOT is a tax of 10% applied to the cost of hotel and other lodging stays of less than 30 days. Through September 2025, the City collected $166,103, which is an increase of $20,549 or 14% more than the September 2024 YTD of $145,554. This increase is primarily due to two hotels, who were delinquent with their payments last year, being timely with their payments in the current year.

Secured Property Tax – The first remittance from the County will be received in November 2025; therefore, there is no revenue to report through September 2025.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

General Fund Revenue Comments (Continued):

Business License – This revenue source consists of the City taxing businesses for operating and conducting business within the City's jurisdiction. The FY 2025-26 First Quarter revenue collections is performing as anticipated with total revenue collection of $282,692 or 26% of the FY 2025-26 Budget of $1,094,000.

Leased Water Rights – The permanent water rights owned by the General Fund can be leased annually and the lease revenue is used to pay for the 2012 Bonds, which financed the purchase of the water rights. No revenue has been received in FY 2025-26 as the leasing of water rights has historically occurred later in the Fiscal Year.

Development Related Revenue – This revenue source accounts primarily for development-related fees such as Planning, Building and Safety, and Engineering. As of September 30, 2025, total revenue collected is $1,981,402 or 37% of the total budgeted revenue of $5,378,219. Through First Quarter, the City has received 21 single-family residential building permits and 38,805 square feet of commercial permits.

All Other General Fund Revenue – Other General Fund Revenue accounts are $1,033,270 or 17% collected through September 30, 2025 of the budget of $6,087,903 for FY 2025-26. While Other General Revenue appears to be slightly below expectations, this is primarily due to the recognition of interest earnings, which is recorded after the close of the First Quarter.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
CDBG Administration Reimbursement	$ 3,749,606	$ 0	0%	$ 3,749,606	$ 0
All Other CDBG Revenues	103,831	1,950	2%	103,831	0
Total CDBG Revenues	**$ 3,853,437**	**$ 1,950**	**0%**	**$ 3,853,437**	**$ 0**

Community Development Block Grant Revenue Comments:

These revenues are grant reimbursements for grants that include, urban renewal grants, historic preservation, neighborhood development programs, and public facilities loans. The expenses related to these grants must be spent appropriately and prior to applying for reimbursement. The FY 2025-26 Budget for this revenue source is $3,749,606. It is anticipated that most of the reimbursements will be received later in the Fiscal Year, so the City not yet receiving any revenue from this revenue source is within expectations.

All Other CDBG Revenues – This revenue includes CDBG Program income and interest revenue for the HOME Grant fund and the CDBG Revolving Loan fund. These revenue sources are not consistent in nature and are usually substantial payments. First Quarter revenue of $1,950 or 2% of the $103,831 budgeted for FY 2025-26 has been received, which is for loan repayments related to Housing Rehabilitation Loan Program. This is within expectations.

COMMUNITY DEVELOPMENT COMMISSION (CDC) REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
Interest Income	$ 150,000	$ 0	0%	$ 150,000	$ 0
All Other CDC Revenues	0	0	n/a	0	0
Total CDC Revenues	**$ 150,000**	**$ 0**	**-100%**	**$ 150,000**	**$ 0**

Community Development Commission Comments:

The revenue received from this program is primarily from interest income from loans. No revenue has been received through First Quarter of the $150,000 budgeted for FY 2025-26.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

HESPERIA HOUSING AUTHORITY (HHA) REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
Interest Income	$ 200,000	$ 0	0%	$ 200,000	$ 0
Loan Repayments	93,701	0	0%	93,701	0
Miscellaneous Income	1,500	0	0%	1,500	0
Sub-Total HHA Revenue	**295,201**	**0**	**0%**	**295,201**	**0**
VVEDA Housing Authority Revenue	88,000	0	0%	88,000	0
Total HHA Revenue	**$ 383,201**	**$ 0**	**0%**	**$ 383,201**	**$ 0**

Hesperia Housing Authority (HHA) Revenue Comments:

This program was developed to promote projects that provide affordable housing opportunities. The revenue received from this program is primarily from interest income from investments.

STREET RELATED FUNDS REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
204 Measure I - Renewal	$ 4,095,000	$ 363,601	9%	$ 4,095,000	$ 0
205 Gas Tax Fund	1,964,229	148,470	8%	1,964,229	0
206 Gas Tax Swap Fund	960,824	98,072	10%	960,824	0
207 Local Transportation Fund	72,951	0	0%	72,951	0
209 Gas Tax - RMRA	2,745,961	225,113	8%	2,745,961	0
254 AQMD Fund	900	0	0%	900	0
263 Public Works Street Maintenance Fund	27,500	83,955	305%	27,500	0
300 Development Impact Fee-Streets	17,000	0	0%	17,000	0
301 Development Impact Fee-Storm Drain	76,590	0	0%	76,590	0
306 Development Impact Fee 2018 - Streets	14,513,817	1,640,297	11%	14,513,817	0
307 Development Impact Fee 2018 - Drainage	3,511,023	286,587	8%	3,511,023	0
313 Development Impact Fee 2018 - A-04 Drainage	50,000	0	0%	50,000	0
Sub-Total DIF Streets & Storm Drain	18,168,430	1,926,885	11%	18,168,430	0
504 City Streets CIP	4,748,248	7,412	0%	4,748,248	0
Total Street Related Funds	**$ 32,784,043**	**$ 2,853,508**	**9%**	**$ 32,784,043**	**$ 0**

Street Related Funds Revenue Comments:

Measure I - Renewal – This fund is used to account for the renewed Measure I sales tax based on revenue generated from the ½ cent added tax on sales tax in San Bernardino County. For Hesperia, there are no distinctions for Arterial, Local, or Transit, and the revenue is remitted by San Bernardino County Transportation Authority (SBCTA) to the City. Since there is a two-month delay receiving the revenue, there was only one remittance to report as of September 30, 2025 YTD totaling $363,601 or 9% of the budget for Fiscal Year 2025-26, which is within expectations.

Gas Tax –The Gas Tax is a state funded revenue source that is a tax on all fuel sold within the City's jurisdiction. There is typically a two-month delay from the month close to when the revenue is received. The $148,470 received is 8% of the $1,964,229 budgeted for FY 2025-26. The amount collected is well within what was anticipated to be collected through the First Quarter.

Gas Tax Swap – As with Gas Tax, there is typically a two-month delay from the month close to when the revenue is received. The $98,072 received is 10% of the $960,824 budgeted for FY 2025-26. The amount collected is well within what was anticipated to be collected through the First Quarter.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

Street Related Funds Revenue Comments (Continued):

Local Transportation – This revenue source is mainly funded by the county ¼ cent sales tax and the primary use of this revenue is transportation related, including supporting the operations of Victor Valley Transit Authority (VVTA). This revenue source is no longer expected to be received due to the allocation being fully utilized by VVTA for transit purposes from a decision made by VVTA in April 2022. The FY 2025-26 revenue estimated to be received of $72,951 consists of solely interest income.

Gas Tax RMRA – This revenue source is State-funded and took effect November 2017 during FY 2017-18. This revenue source is utilized for eligible cities and counties for basic road maintenance, rehabilitation, and critical safety projects on the local streets and road systems. SB 1, the Road Repair and Accountability Act of 2017, increased the gas tax by 12 cents and 20 cents for diesel, which is adjusted for inflation each July starting in July 2020. A one-time payment of $225,113 or 8% of the $2,745,961 budgeted for FY 2025-26 was received.

Public Works-Street Maintenance – The estimated revenues are primarily interest earnings. In addition, this fund will occasionally receive miscellaneous reimbursements on an inconsistent basis. The revenue received through September 2025 of $83,955 or 305% of the $27,500 budgeted for FY 2025-26 entirely consists of miscellaneous revenue, which was a one-time reimbursement for a California Emergency Services Grant.

Development Impact Fees for Streets and Storm Drain/Drainage – Through September 2025 YTD, the combined revenue received is $1,926,885, which is 11% of the $18,168,430 budgeted for FY 2025-26. This revenue source varies each fiscal year depending on the completion of individual projects and the fees associated with each respective project, and is trending as expected.

City Streets CIP – This revenue source tracks grant/reimbursement-funded projects that will improve the quality of the roads in the city, traffic signals throughout the city, and new construction projects that will help improve the day-to-day lives of the City's residents.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

OTHER CITY FUNDS REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
105 Pension Obligation Trust	$ 50,000	$ 230,358	461%	$ 50,000	$ 0
106 OPEB Trust	0	42,488	n/a	0	0
110 Silverwood	495,400	47,046	9%	495,400	0
210 HFPD (PERS) Interest Income	90,000	74,219	82%	90,000	0
230 Public Art	9,056	0	0%	9,056	0
255 AB3229 Supplemental Law Fund	315,500	0	0%	315,500	0
256 Environmental Programs Grant	95,710	0	0%	95,710	0
260 Disaster Preparedness Grant	1,500	0	0%	1,500	0
261 American Rescue Plan Act Grant	2,256,728	0	0%	2,256,728	0
262 SB 1383 Local Assistance Grant	117,734	0	0%	117,734	0
302 Development Impact Fee-Fire	50,000	0	0%	50,000	0
303 Development Impact Fee-Police	250	0	0%	250	0
308 Development Impact Fee 2018 - Fire	3,413,891	150,874	4%	3,413,891	0
309 Development Impact Fee 2018 - City Hall	3,090,332	127,520	4%	3,090,332	0
310 Development Impact Fee 2018 - Animal Control	84,278	52,233	62%	84,278	0
311 Development Impact Fee 2018 - Records Storage	153,408	6,069	4%	153,408	0
312 Development Impact Fee 2018 - Police Facilities	59,147	2,341	4%	59,147	0
Sub-Total 302, 303, 304, 308, 309, 310, 311, and 312	6,851,306	339,037	5%	6,851,306	0
402 2012 Water Rights Acquisition	80,000	10,724	13%	80,000	0
404 2023 Refunding Lease Revenue Bon	50,000	2	0%	50,000	0
Sub-Total 402, 403, and 404	130,000	10,727	8%	130,000	0
Total Other City Funds	**$ 9,867,534**	**$ 423,982**	**4%**	**$ 9,867,534**	**$ 0**

Other City Funds Revenue Comments: Revenue for Other City funds are comprised of various grants, investment income, development impact fees, housing projects, and several other sources.

Pension Obligation Trust and OPEB Trust: This fund was established to manage and mitigate the unfunded pension liability and the post-employment benefits liabilities. The revenue from these funds consists of investment interest income and gain/losses from the market. The $272,846 received through First Quarter or 546% of the $50,000 budgeted for FY 2025-26 vastly exceeded expectations. This significant increase is primarily due to the gains obtained from the stock market due to the overall positive environment for the financial markets. To note, the City has approximately $5.0 million in the Pension Stabilization Trust and $0.9 million in the OPEB Stabilization Trust.

Public Art – This fund is funded through donations to be utilized towards public art displays throughout the City. The FY 2025-26 Budget of $9,056 consists of interest income received during the year.

AB3229 Supplemental Law Fund – The passage of Senate Bill (SB) 89 allowed for the continued funding of the Supplemental Law Enforcement Funding (SLESF). The City expects to receive $315,500 of SLESF funding, which is typically received later in the fiscal year. The first installment received in October is $12,956 and is trending as expected.

Environmental Programs Grant – This fund tracks various grant reimbursements for various environmental events. For FY 2025-26, $95,710 in revenue was budgeted.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

Other City Funds Revenue Comments (Continued):

American Rescue Plan Act (ARPA) Grant – Coronavirus State and Local Fiscal Recovery Funds – This revenue is the Coronavirus State and Local Fiscal Recovery Funds in which the City received a total amount of $23.4 million in two installments of $11.7 million. The first allocation was received in September 2021, and the second allocation in September 2022. This ARPA funding must be obligated on eligible costs incurred during the period that began on March 3, 2021, and ended on December 31, 2024. The City has obligated all funds by the December 31, 2024 deadline and is now working to spend all funds by December 31, 2026. The revenue anticipated to be received in FY 2025-26 of $2,256,728 primarily consists of interest income. Revenue collections of $0 for this revenue source through First Quarter is reasonable as the interest income from the ARPA funds are usually received later in the Fiscal Year.

SB 1383 Local Assistance Grant – This state-funded revenue source assists local jurisdictions with implementing SB 1383, which aims to reduce organic waste disposal and increase food waste diversion. The City expects to receive $112,734 for FY 2025-26.

Development Impact Fees-Fire, Police, Public Services, City Hall, Animal Control, and Records Storage – The combined total of $339,037 collected for the First Quarter of FY 2025-26 is 5% of the budgeted amount of $6,851,306. This revenue source varies each fiscal year depending on the completion of individual projects.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

WATER DISTRICT REVENUE

	2025-26 Budget	September 2025-26 Actual	Percent Received	2025-26 Revised	Change From Budget To Revised
Water Operating Revenue					
Water Sales	$ 25,550,247	$ 4,684,936	18%	$ 25,550,247	$ 0
Interest Income	600,000	0	0%	600,000	0
Property Taxes	793,820	0	0%	793,820	0
Sub-Total	26,944,067	4,684,936	17%	26,944,067	0
All Other Water Operating Revenues	4,072,093	474,211	12%	4,072,093	0
Total Water Operating Revenues	**31,016,160**	**5,159,146**	**17%**	**31,016,160**	**0**
Capital Facilities Charges	1,396,860	4,149,953	297%	1,396,860	0
Grant Reimbursement	0	0	n/a	0	0
Total Water Capital Revenue	**1,396,860**	**4,149,953**	**297%**	**1,396,860**	**0**
Reclaimed Water	465,589	56,029	12%	465,589	0
All Other Water Related Revenues	270,000	76,035	28%	270,000	0
Total Water Operating, Capital, & Related Revenues	**$ 33,148,609**	**$ 9,441,163**	**28%**	**$ 33,148,609**	**$ 0**
Sewer Operating Revenue					
Sewer Billing	$ 5,868,527	$ 1,065,210	18%	$ 5,868,527	$ 0
All Other Sewer Operating Revenues	976,403	94,206	10%	976,403	0
Total Sewer Operating Revenue	**6,844,930**	**1,159,416**	**17%**	**6,844,930**	**0**
Sewer Connections	500,000	176,195	35%	500,000	0
All Other Sewer Capital Revenues	64,000	0	0%	64,000	0
Total Sewer Capital Revenue	**564,000**	**176,195**	**31%**	**564,000**	**0**
All Other Sewer Related Revenues	10,000	0	0%	10,000	0
Total Sewer Operating, Capital, & Related Revenues	**$ 7,418,930**	**$ 1,335,612**	**18%**	**$ 7,418,930**	**$ 0**
Total Hesperia Water District Revenue	**$ 40,567,539**	**$ 10,776,775**	**27%**	**$ 40,567,539**	**$ 0**

Water District Revenue Comments:

The Hesperia Water District began applying liens to properties with outstanding water bills. Failure to pay within 60 days from the original bill due date, results in the Water District mailing the tenant and property owner a notice of lien. If the bill remains outstanding after an additional 10 days, the Water District will apply a lien on the property. During May of each year, all outstanding property liens will be converted to property tax liens. By doing so, the County will collect outstanding balances as part of property tax collections during the following year. The Water District is utilizing such liens in lieu of water disconnections and traditional collection services as the primary mechanism for collections.

Water Sales – For the first quarter of FY 2025-26, the Hesperia Water District collected $4,684,936 of sales revenue or 18% of the budgeted amount, which is comparable to the percentage collected through the first quarter in the prior year (FY 2024-25). Overall water sales revenue through September 2025 of $4,684,936 is less than the FY 2024-25 revenue for the same period ($4,813,046) by $128,110 or 3%. This is mainly due to a decrease in Water Sales Residential as consumption decreased from the same period in FY 2024-25. Through September 2025, Water Sales Residential of $1,927,443 is $94,415 less than the $2,023,858 collected through September 2024.

Property Taxes – Property tax revenue has historically been received from November 2025 through July 2026.

Other Water Operating Revenue – Through September 2025, $474,211 has been received, which is 12% of the $4,072,093 budgeted for FY 2025-2026. This revenue source consists of Water Meter Service and Water Inspection fees.

FISCAL YEAR 2025-26 SEPTEMBER 30, 2025 YEAR-TO-DATE REVENUE REVIEW (Continued)

Water District Revenue Comments (Continued):

Capital Facilities Surcharge – This revenue source consists of fees for new water meter installations based on new development projects. Revenue through September 2025 YTD is $4,149,953, which is 297% of the FY 2025-26 budget of $1,396,860. This can largely be attributed to the purchase of approximately 300 water meters by the Silverwood Development. Excluding the meters purchased by the Silverwood Development, $690,728 has been collected through September 2025 and are related to other single-family residential projects from Lennar Homes and Richmond American.

Reclaimed Water – Current Reclaimed Water customers are the Golf Course, Hesperia Township (NW corner of 5th & Smoke Tree), and Hesperia Community Park. As of September 30, 2025, the Water District has collected $56,029, which is 12% of the budgeted amount.

Sewer Billing – Revenue through September 2025 is $1,065,210, which is currently 18% of the budgeted amount of $5,868,527 for FY 2025-26. This revenue source is trending as expected.

Sewer Connections - Revenue through September 2025 YTD is $176,195, which is 35% of the $500,000 budgeted for FY 2025-26. This source of revenue depends on new customers connecting to the City's sewers, which can vary from quarter to quarter as projects are completed in the City. This revenue source will continue to be monitored by staff and will report any updates in the FY 2025-26 Mid-Year report.

DEPARTMENT FY 2025-26 BUDGET EXPENDITURE STATUS SUMMARY

Total City Expenditures – Except for the proposed budget amendments referenced on page 28, the overall assessment of the City's expenditures through the first quarter of the fiscal year is that expenditures are expected to stay within the FY 2025-26 Amended Budget.

Department Expenditure Summary	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
City Council	$ 1,113,658	$ 1,113,658	$ 135,743	12%
City Manager	1,834,107	1,848,405	519,564	28%
Management Services	13,017,822	13,056,931	5,488,045	42%
Economic Development	650,684	650,684	87,355	13%
Development Services - Community Development	3,169,097	3,171,597	805,626	25%
Development Services - Code Compliance	5,993,461	5,990,961	1,340,475	22%
Development Services - Public Works	7,483,674	7,430,267	1,446,159	19%
Streets Capital Improvement Project (CIP) Funds	31,981,863	32,075,863	387,494	1%
Other City Related Funds	5,369,136	5,369,136	31,812	1%
Development Services - Water	32,474,673	33,081,673	7,548,680	23%
Development Services - Sewer	10,696,400	10,696,400	1,912,671	18%
Police	22,889,390	22,889,390	5,666,968	25%
Fire District	1,959,733	1,959,733	1,896,318	97%
TOTAL CITY EXPENDITURES	**$ 138,633,698**	**$139,334,698**	**$ 27,266,909**	**20%**

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS

City Council	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 100 City Council	$ 413,658	$ 413,658	$ 94,089	23%
100 102 City Attorney	700,000	700,000	41,654	6%
Total City Council	**$ 1,113,658**	**$ 1,113,658**	**$ 135,743**	**12%**

The City Council's Departmental expenditures are at 12% as of September 2025. Focusing Divisions, the City Council Division is proceeding as planned, with 23% of the budget expended during the first three months of the fiscal year. The City Attorney Division reflects 6% expended through September 30, primarily due to the timing of receiving and processing invoices, as only July invoices were accounted for during the First Quarter. However, the City received additional invoices in October, bringing the City Attorney Division's total expenditures to 21% for the First Quarter of activity.

	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
City Manager	**$ 1,834,107**	**$ 1,848,405**	**$ 519,564**	**28%**

The City Manager Department is 28% expended through the First Quarter. This higher percentage reflects the City's practice of paying the CalPERS unfunded liability in a lump sum each July to take advantage of interest savings. A portion of that payment is distributed across departments, which can result in expenditures exceeding 25% of the total early in the fiscal year.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

Management Services	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 220 Finance	$ 2,629,454	$ 2,629,454	$ 829,337	32%
100 225 Human Resources/ Risk Mgmt.	5,290,831	5,268,033	3,549,890	67%
100 228 Information Technology	3,842,045	3,903,952	900,527	23%
100 229 Non-Departmental	1,255,492	1,255,492	208,291	17%
Total Management Services	**$ 13,017,822**	**$ 13,056,931**	**$ 5,488,045**	**42%**

The Management Services Department has expended 42% of its budget through the First Quarter. Similar to the City Manager Department, the Finance Division is 32% expended, exceeding 25% due to the CalPERS unfunded liability payment made in July. The Human Resources Division also reflects higher expenditures for the quarter, as it includes both the CalPERS payment and the annual insurance payment to the Public Entity Risk Management Authority (PERMA). Information Technology expenditures are proceeding as planned.

Lastly, Non-Departmental expenditures reflect lower-than-budgeted loss payments for the Hesperia Golf Course. During the summer months, the Golf Course performed better than projected. The budget anticipated monthly losses of $33,000, or $99,000 for the First Quarter. Actual losses totaled $37,674 for the same period, with August recording a profit of $4,260. This results in a savings of $61,326 for the quarter. Staff will continue to monitor Golf Course financials as the colder months approach.

Economic Development	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 Economic Development	$ 431,497	$ 431,497	$ 77,483	18%
251 CDBG Administration	144,883	144,883	6,175	4%
370 Hesperia Housing Authority	74,304	74,304	3,698	5%
Total Economic Development	**$ 650,684**	**$ 650,684**	**$ 87,355**	**13%**

The Economic Development Department has expended 13% of its budget through the First Quarter. This department is made up of three (3) Divisions: Economic Development, Community Development Block Grant (CDBG), and Hesperia Housing Authority (HHA) funds.

The Economic Development Division carries out the City's economic development functions and has expended 18% through the First Quarter, which is lower than anticipated. This variance is primarily due to the timing of planned projects. Consistent with the City's Strategic Plan, $65,000 was budgeted for the development of an Economic Development Action Plan. The City is in the early stages of initiating this project, and no expenditures have been recorded to date.

The Community Development Block Grant (CDBG) Administration has expended 4% as of the First Quarter. This lower percentage is due to the timing of expenditures, as consultant invoices related to CDBG activities are typically received after the close of each quarter.

The Hesperia Housing Authority (HHA) oversees the affordable housing within the City. Through the end of September, the HHA funds are 5% expended, with the majority of the budgeted expenditures for affordable housing monitoring and annual financial audit reporting occurring later in the fiscal year.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

D. S. - Community Development	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 3000 Planning	$ 1,330,418	$ 1,335,918	$ 282,460	21%
100 3020 Building & Safety	1,838,679	1,835,679	523,166	28%
Total D. S. - Community Development	**$ 3,169,097**	**$ 3,171,597**	**$ 805,626**	**25%**

The Community Development Division is currently 25% expended through the First Quarter and is proceeding as planned.

D. S. - Code Compliance	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 3010 Code Enforcement	$ 2,237,546	$ 2,235,046	$ 679,581	30%
100 5000 Animal Control	3,755,915	3,755,915	660,894	18%
Total D. S. - Code Compliance	**$ 5,993,461**	**$ 5,990,961**	**$ 1,340,475**	**22%**

The Code Compliance Division, which includes Code Enforcement and Animal Control, is 22% expended through the First Quarter. Similar to other departments, the annual CalPERS unfunded liability payment has contributed to higher expenditures within the Code Enforcement program. Conversely, Animal Control expenditures are lower than expected, at 18%, primarily due to two vacant positions: the Veterinarian and the Community Program Manager. The City is actively recruiting for the Veterinarian position, and the Community Program Manager role is expected to be filled before the end of the calendar year.

D. S. - Public Works	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
100 3100 Engineering	$ 900,419	$ 900,419	$ 234,102	26%
100 3110 Building Maintenance	1,850,737	1,797,330	327,343	18%
100 Capital Improvement Program	350,000	350,000	0	0%
263 3150 Street Maintenance	2,779,598	2,785,491	617,046	22%
263 3160 Street Repair	180,508	181,615	49,854	27%
263 3170 Traffic	1,422,412	1,415,412	217,814	15%
Total D. S. - Public Works	**$ 7,483,674**	**$ 7,430,267**	**$ 1,446,159**	**19%**

Through the end of September, the Public Works Division is 19% expended, which is as expected.

- Street Repair, Engineering, and Street Maintenance programs are trending as expected.
- The General Fund Capital Improvement Program (CIP) is expected to increase in expenditures as progress continues on the Golf Course Trails Project during the fiscal year.
- Building Maintenance, at 18% expended, reflects the timing of planned maintenance projects at City-owned facilities.
- Traffic, at 15% expended, is lower than expected due to vacancies that are anticipated to be filled by the end of the calendar year. A second contributing factor is lower-than-anticipated signal maintenance costs through September 30, 2025. This activity will continue to be monitored as the fiscal year progresses.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
Streets Capital Improvement Project (CIP) Funds	**$ 31,981,863**	**$ 32,075,863**	**$ 387,494**	**1%**

The Streets Capital Improvement expenditures are expected to increase as progress continues on several key projects, including the Ranchero Aqueduct Crossing, Maple Avenue Street Improvement, FY 2025–26 Street Improvement Projects, and other street-related improvements. As these projects advance throughout the fiscal year, the percentage of actual expenditures to budget will rise accordingly.

	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
Other City Related Funds	**$ 5,369,136**	**$ 5,369,136**	**$ 31,812**	**1%**

The Other City-Related Funds category is primarily comprised of principal and interest payments for the 2012 Water Rights Acquisition and 2023 Refunding Lease Revenue Bonds, with payments scheduled during the second quarter.

The FY 2025–26 Budget includes $2.3 million to complete the American Rescue Plan Act (ARPA) related expenditures, which are anticipated to be spent by the end of the fiscal year. For historical context, the City of Hesperia was allocated approximately $23.4 million in ARPA funds. In accordance with federal requirements, all funds were to be obligated (assigned to specific projects) by December 31, 2024, and fully expended by December 31, 2026. The City has met the allocation deadline and is nearing completion of the spending deadline.

It should be noted that this $2.3 million is separate from the ARPA-related First Quarter budget amendment of $4.8 million. The amendment primarily reflects adjustments related to the ARPA-funded Water Line Replacement Project, which was initially anticipated to be completed by June 30, 2025. The project is now expected to be completed by the Mid-Year Report.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

D.S. Water Operating & Capital	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
4010 Source of Supply	$ 5,068,641	$ 5,068,641	$ 5,250	0%
4020 Production	5,778,128	5,778,128	1,214,047	21%
4030 Distribution	1,757,302	1,788,302	611,409	34%
4035 Pipeline Maintenance	1,302,323	1,302,323	335,182	26%
4040 Engineering	1,860,489	1,858,289	229,823	12%
4050 Customer Service	2,457,742	2,432,742	692,853	28%
4060 Utility Billing	1,521,567	1,521,567	847,347	56%
4070 Administration	8,831,812	8,831,812	2,644,430	30%
4080 Property Management	510,056	506,256	85,218	17%
4160 Street Repair	1,237,564	1,237,564	274,006	22%
720 Reclaimed Water Operations	293,935	293,935	10,930	4%
Total Water Operatiions	30,619,559	30,619,559	6,950,496	23%
701 Water Capital	1,855,114	1,855,114	391,351	21%
703 Water Capital Rehab and Replace	0	607,000	206,833	n/a
Total D.S. Water Operating & Capital	**$ 32,474,673**	**$ 33,081,673**	**$ 7,548,680**	**23%**

Overall, the Water Operating and Capital funds are 23% expended through September 30, 2025. The following narrative details the progression of each program.

- Source of Supply's primary responsibility is to secure make-up water lease rights to remedy overproduction. During the First Quarter, the District has not leased or purchased permanent water rights. This typically occurs during the period from April to June.
- At the end of the First Quarter, Production has expended 21% of the budget. The primary reason expenditures are lower than expected is due to the timing of electricity invoices. During the First Quarter, only two months of summer activity were recorded, with the average summer month bill being about $300,000. When factoring in the September billing that was received in October, Production would be 26% expended.
- Distribution has utilized 34% of its budget, which is primarily due to the annual payment of the CalPERS unfunded liability.
- Pipeline Maintenance is 26% expended and proceeding as expected.
- Engineering is currently 12% expended, primarily due to the inclusion of $900,000 budgeted for the Water and Sewer Master Plans. When factoring out this project, Engineering is 24% expended. Staff anticipates releasing a request for proposals (RFP) for the Water and Sewer Master Plans later in the fiscal year. As discussed during the FY 2025–26 Budget process, this will be a multi-year project, with funds expected to be carried over into subsequent fiscal years.
- Customer Service is 28% expended, which is expected for the first three months of the fiscal year.
- Utility Billing is 56% expended, which is due to the $0.4 million write-offs of water service and the document recording costs related to placing delinquent accounts onto the County Property Tax Roll for collection. When the $0.4 million in write-offs is not included to determine the operating costs, Utility Billing is 27% expended. It should be noted that the subsequent collection of the tax liens will be reflected as revenue.
- Administration is at 30% of the budget, which is primarily due to the Water District's lump-sum payment of the CalPERS unfunded liability.
- Property Management is 17% expended for the First Quarter and is anticipated to increase as facility maintenance projects are completed throughout the fiscal year.
- Street Repair at 22% expended and proceeding as planned.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

Water Operating and Capital (Continued):

- Reclaimed Water Operations expenditures will increase later in the second half of the fiscal year when the Debt Service payment is due.
- Expenditures for Water Capital are 21% expended as progress is being made on the recoating of tanks at Plants 21, 22, and 23.

D. S. - Sewer Operating & Capital	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
4200 Operations	$ 6,564,502	$ 6,564,502	$ 1,288,791	20%
4240 Engineering	277,360	277,360	51,849	19%
4260 Utility Billing	312,753	312,753	85,093	27%
4270 Administration	1,763,615	1,763,615	320,775	18%
Total Sewer Operations	8,918,230	8,918,230	1,746,508	20%
711 Sewer Capital	1,778,170	1,778,170	166,163	9%
Total D. S. - Sewer Operating & Capital	**$ 10,696,400**	**$ 10,696,400**	**$ 1,912,671**	**18%**

Sewer Operating and Capital Funds overall are 18% expended. More detailed information on each program is provided below.

- Sewer Operations expenditures are 20% expended and proceeding as planned. Through the end of the First Quarter, only two months of treatment fees have been expended for Victor Valley Wastewater Reclamation Authority (VVWRA). By factoring in the September invoice that was received in October, Sewer Operations is 27% expended for First Quarter activity.
- Sewer Engineering is currently 19% expended and will increase as contract engineering invoices are received related to sewer projects.
- Sewer Utility Billing is 27% expended, which is expected for the first three months of the fiscal year.
- Sewer Administration is proceeding as planned, with 18% expended.
- Sewer Capital has $1.8 million allocated to two projects: the Maple Avenue sewer line replacement and the I-15 Corridor sewer. Capital expenditures will increase as progress is made on the projects.

	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
Police	**$ 22,889,390**	**$ 22,889,390**	**$ 5,666,968**	**25%**

The Police Department budget is 25% expended, which is expected for the first three months of the fiscal year based on monthly law enforcement service costs. The year-to-date total for the first quarter does not yet include the quarterly invoice, which covers overtime, grant expenses, and other related costs, as well as the vacancy savings credits associated with vacant positions.

	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Amended Percent Expended
Fire District	**$ 1,959,733**	**$ 1,959,733**	**$ 1,896,318**	**97%**

During FY 2018–19, the City transferred all Hesperia Fire Protection District (Fire District) assets and liabilities to San Bernardino County Fire, except former personnel obligations. The Fire District continues to function with dedicated funding to meet these obligations. The Fire District is 97% expended, primarily due to annual contractual retirement obligations related to former Fire District employees, which are paid at the beginning of the fiscal year rather than on a monthly basis. The resulting $63,415 in savings will be retained in a trust for the payment of future obligations of former Fire District personnel.

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS

TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Percent Expended
City Council				
100 100 City Council	$ 413,658	$ 413,658	$ 94,089	23%
100 102 City Attorney	700,000	700,000	41,654	6%
Total City Council	**$ 1,113,658**	**$ 1,113,658**	**$ 135,743**	**12%**
City Manager	**$ 1,834,107**	**$ 1,848,405**	**$ 519,564**	**28%**
Management Services				
100 220 Finance	$ 2,629,454	$ 2,629,454	$ 829,337	32%
100 225 Human Resources/Risk Mgmt.	5,290,831	5,268,033	3,549,890	67%
100 228 Information Technology	3,842,045	3,903,952	900,527	23%
100 229 Non-Departmental	1,255,492	1,255,492	208,291	17%
Total Management Services	**$ 13,017,822**	**$ 13,056,931**	**$ 5,488,045**	**42%**
Economic Development				
100 Economic Development	$ 431,497	$ 431,497	$ 77,483	18%
251 CDBG Administration	144,883	144,883	6,175	4%
370 Hesperia Housing Authority	74,304	74,304	3,698	5%
Total Economic Development	**$ 650,684**	**$ 650,684**	**$ 87,355**	**13%**
Development Services - Community Development				
100 3000 Planning	$ 1,330,418	$ 1,335,918	$ 282,460	21%
100 3020 Building & Safety	1,838,679	1,835,679	523,166	28%
Total D. S. Community Development	**$ 3,169,097**	**$ 3,171,597**	**$ 805,626**	**25%**
Development Services - Code Compliance				
100 3010 Code Enforcement	$ 2,237,546	$ 2,235,046	$ 679,581	30%
100 5000 Animal Control	3,755,915	3,755,915	660,894	18%
Total D. S. Code Compliance	**$ 5,993,461**	**$ 5,990,961**	**$ 1,340,475**	**22%**
Development Services - Public Works				
100 3100 Engineering	$ 900,419	$ 900,419	$ 234,102	26%
100 3110 Building Maintenance	1,850,737	1,797,330	327,343	18%
100 Capital Improvement Program	350,000	350,000	0	0%
263 3150 Street Maintenance	2,779,598	2,785,491	617,046	22%
263 3160 Street Repair	180,508	181,615	49,854	27%
263 3170 Traffic	1,422,412	1,415,412	217,814	15%
Total D.S. - Public Works	**$ 7,483,674**	**$ 7,430,267**	**$ 1,446,159**	**19%**

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2025-26 Budget	2025-26 Amended	September 2025 YTD Expenditures	Percent Expended
Streets Capital Improvement Project (CIP)				
204 Measure I -2010 Renewal	$ 6,775,591	$ 6,869,591	$ 43,871	1%
207 Local Transportation Fund	679,875	679,875	0	0%
209 Gas Tax - RMRA	6,334,983	6,334,983	61	0%
251 CDBG Streets	3,675,554	3,675,554	84,009	2%
301 Storm Drain Development Impact Fee	1,375,149	1,375,149	0	0%
306 DIF 2018-Streets	5,512,028	5,512,028	10,104	0%
313 A-04 Drainage Development Impact Fee	50,000	50,000	0	0%
504 City Streets CIP	7,578,683	7,578,683	249,449	3%
Total Streets CIP Funds	**$ 31,981,863**	**$ 32,075,863**	**$ 387,494**	**1%**
Other City Related Funds				
110 Silverwood	$ 495,400	$ 495,400	$ 2,604	1%
241 CFD 2021-1 Residential Maint. & Service	5,200	5,200	640	12%
242 CFD 2022-1 Non-Residential Maint. & Service	5,200	5,200	640	12%
243 CFD 2023-1 Silverwood Maint.	6,500	6,500	640	10%
256 Beverage Recycling Grant	95,710	95,710	3,492	4%
261 American Rescue Plan Act	2,256,728	2,256,728	0	0%
262 SB 1383 Local Assistance Grant	112,734	112,734	23,796	21%
309 City Hall Facilities 2018 Development Impact Fee	198,233	198,233	0	0%
402 Water Rights Acquisition	1,446,531	1,446,531	0	0%
404 2023 Refunding Lease Revenue Bonds	746,900	746,900	0	0%
Total Other City Related Funds	**$ 5,369,136**	**$ 5,369,136**	**$ 31,812**	**1%**
Development Services - Water				
Water Operating				
4010 Source of Supply	$ 5,068,641	$ 5,068,641	$ 5,250	0%
4020 Production	5,778,128	5,778,128	1,214,047	21%
4030 Distribution	1,757,302	1,788,302	611,409	34%
4035 Pipeline Maintenance	1,302,323	1,302,323	335,182	26%
4040 Engineering	1,860,489	1,858,289	229,823	12%
4050 Customer Service	2,457,742	2,432,742	692,853	28%
4060 Utility Billing	1,521,567	1,521,567	847,347	56%
4070 Administration	8,831,812	8,831,812	2,644,430	30%
4080 Property Management	510,056	506,256	85,218	17%
4160 Street Repair	1,237,564	1,237,564	274,006	22%
Total Water Operating	30,325,624	30,325,624	6,939,566	23%
701 Water Capital Project	1,855,114	1,855,114	391,351	21%
703 Water Capital Rehab and Replace	0	607,000	206,833	34%
720 Reclaimed Water Operations	293,935	293,935	10,930	4%
Total D.S. Water Operating & Capital	**$ 32,474,673**	**$ 33,081,673**	**$ 7,548,680**	**23%**

FY 2025-26 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2025-26 Budget	2025-26 Amended	2025 YTD Expenditures	Percent Expended
Development Services - Sewer				
Sewer Operating				
4200 Operations	$ 6,564,502	$ 6,564,502	$ 1,288,791	20%
4240 Engineering	277,360	277,360	51,849	19%
4260 Utility Billing	312,753	312,753	85,093	27%
4270 Administration	1,763,615	1,763,615	320,775	18%
Total Sewer Operating	8,918,230	8,918,230	1,746,508	20%
711 Sewer Capital	1,778,170	1,778,170	166,163	9%
Total D.S. Sewer Operating & Capital	**$ 10,696,400**	**$ 10,696,400**	**$ 1,912,671**	**18%**
Police	**$ 22,889,390**	**$ 22,889,390**	**$ 5,666,968**	**25%**
Fire District	**$ 1,959,733**	**$ 1,959,733**	**$ 1,896,318**	**97%**
Total City Expenditures	**$ 138,633,698**	**$ 139,334,698**	**$ 27,266,909**	**20%**

PROPOSED BUDGET AMENDMENTS – SUMMARY

The FY 2025-26 First Quarter Budget Review includes seven (7) budget amendments totaling $5,971,263. The following listing categorizes the proposed budget amendments, with the following pages providing detail for each request:

FY 2025-26 1st Quarter Budget Requests	General Fund	Other Funds	Totals
1. SB 1383 CalRecycle (City Manager)	$ 0	$ 114,766	$ 114,766
2. DocAccess ADA Compliance (IT)	20,160	0	20,160
3. Network Firewalls/Licensing Support (IT)	144,376	0	144,376
4. Interview Room Recording System (Police)	52,351	0	52,351
5. Increase to Monthly Law Enforcement Costs (Police)	1,384,549	0	1,384,549
6. ARPA Projects (Water/Sewer)	0	4,142,021	4,142,021
7. Water, Sewer, Recycled Water Rate Study (Water/Sewer)	0	113,040	113,040
Total 1st Quarter Budget Amendments Requests	**$ 1,601,436**	**$ 4,369,827**	**$ 5,971,263**

PROPOSED BUDGET AMENDMENTS – NARRATIVE

City Manager

- **SB 1383 CalRecycle Grant $114,766 (Fund 262) – *Unanticipated***

  The Department of Resources, Recycling, and Recovery (CalRecycle) awarded the City $267,124 of grant funding for the SB 1383 Local Assistance Grant Program. Since the award, City staff have worked with CalRecycle and received approval for the use of grant funds for a Waste Characterization Study to determine the percentage of organics and other materials in the City's waste stream, in compliance with SB 1383 requirements. On June 17, 2025, the City Council approved a professional services agreement with Go2Zero Strategies for a total not-to-exceed amount of $131,685. Due to the timing of CalRecycle's approval and the approval of the professional services agreement, a budget amendment is needed to carry over the funds to complete the study.

Management Services – Information Technology

- **DocAcess – ADA Compliance $20,160 (100-19-228) – *New***

  Under the Americans with Disabilities Act (ADA), Title II, cities are required to ensure that their websites and mobile applications are accessible to people with disabilities. The U.S. Department of Justice issued a final rule in April 2024 requiring compliance with the Web Content Accessibility Guidelines (WCAG) 2.1 Level AA. Cities with populations over 50,000, such as Hesperia, must comply by April 24, 2026, while smaller jurisdictions have until 2027. To meet this requirement, the City negotiated a three-year contract with DocAccess to ensure the accessibility and compliance of City documents available on the website.

Management Services – Information Technology

- **Network Firewalls/Licensing Support $144,376 (100-19-228) – *Presented to the City Council on May 06, 2025***

  During an assessment of the City's information technology infrastructure, it was determined that the network firewalls and wireless access points were nearing the end of their service life. On May 6, 2025, the City Council approved a three-year professional services agreement with Vector Resources, Inc. (dba VectorUSA) for a total amount not to exceed $140,376. The contract includes the provision and installation of Fortinet firewalls, Wi-Fi access points, and associated licensing. These upgrades will replace outdated equipment, strengthen the City's cybersecurity, and improve network performance across all City facilities. Due to extended lead times, the equipment was not received by June 30, 2025, as originally budgeted; therefore, a budget amendment is needed to carry over the funds to complete the project.

PROPOSED BUDGET AMENDMENTS – NARRATIVE (Continued)

Police

- **Audio/Video System – Interview Room $52,351 (100-51) – *Presented to the City Council on April 15, 2025***

  On April 15, 2025, the City Council approved a contract with Genetec for an amount not to exceed $52,135 to replace the outdated audio and video recording systems in the Hesperia Police Department's interview and observation rooms. The new system aims to enhance investigative capabilities by providing secure, high-quality recordings that are essential for court proceedings and compliance with law enforcement standards. Due to material backorders, the equipment was not received by June 30, 2025, as initially planned; therefore, a budget amendment is required to carry over the funds to complete the project.

- **Increase to Monthly Law Enforcement Costs $1,384,549 (100-51) – *Unanticipated***

  On October 4, 2025, the County of San Bernardino concluded labor negotiations with the Sheriff's Employees' Benefit Association (SEBA). The new Memorandum of Understanding (MOU) includes a 3% salary increase, effective October 4, 2025, followed by a 4% increase, effective October 3, 2026, and another 4% increase, effective October 2, 2027. The net impact of the 3% salary increase, along with benefit adjustments, reflected an overall 6.3% increase to the City's Schedule A. This equates to $1,384,549 annually or approximately $153,839 per month for the remaining nine months of the fiscal year. As this amount was not anticipated with the adoption of the FY 2025-26 Budget, the City will utilize its General Fund Balance to cover the increase for FY 2025–26; however, the subsequent year's increase will be included in the operating budget. Further discussion of the impacts on the FY 2026–27 Budget will be provided in the final section of this report.

Water

- **ARPA Project Carryover $3,760,771 (700) – *Carryover***

  On March 4, 2025, the City Council approved FY 20245-25 Mid-Year Budget Amendments, which included various Water Operating Projects allocated with American Rescue Plan Act (ARPA) funding. Due to extended contract negotiations and lead times on material, several projects were not completed by June 30, 2025, as initially planned; therefore, a budget amendment is needed to carry over the funds to complete the projects, which include $243,765 for Rehabilitation of Five Wells, $3,501,623 for Water Service Line Replacements, and $15,383 for Paint and Coat Water Tanks.

- **Water, Wastewater, and Recycled Water Rate Study (Rate Study) $113,040 (700) – *Presented to the City Council on July 15, 2025***

  As approved by the City Council on July 15, 2025, the Water District engaged a consultant to prepare an updated Water, Sewer, and Recycled Water Rate Study (the Rate Study), as the previous study covered the period from 2017 to 2022. As outlined in the staff report, funding for the Rate Study was to be included in the First Quarter Budget Amendment request.

Sewer

- **ARPA Project Carryover $381,250 (710) – *Carryover***

  On March 4, 2025, the City Council approved FY 2024-25 Mid-Year Budget Amendments, which included various Sewer Operating Projects allocated with American Rescue Plan Act (ARPA) funding. Due to extended lead times on material, the Manhole Repair/Replacement Project was not completed by June 30, 2025, as initially planned; therefore, a budget amendment of $381,250 is needed to carry over the funds to complete this project.

POSITION CHANGE:

A classification change is proposed for the non-represented Deputy Finance Director, reclassifying it from Senior Management to an At-Will Senior Management classification. The position will have an individual employment contract, no auto allowance, and will remain at salary range 46. Beginning in FY 2023-24, each Deputy Director position has been reclassified from Senior Management to At-Will status; the Deputy Finance Director is the final position to complete this transition.

ANIMAL CONTROL UPDATE

Use of Vacancy Savings:

As detailed in the Expenditure Section, Animal Control realized savings during the first quarter due to vacancies in the Veterinarian and Community Program Manager positions. These savings total approximately $75,000. The Community Program Manager position is expected to be filled by the end of the calendar year; however, the City continues to actively recruit for the Veterinarian position, which remains challenging given the limited pool of qualified candidates in the region.

To ensure that Animal Control continues to meet community needs despite these staffing gaps, staff will allocate the realized salary savings to the contract services account. This reallocation will allow the City to expand veterinary contracting services, providing additional capacity for the spay and neuter program and maintaining service levels until the Veterinarian position is filled. This temporary measure will help maintain continuity of essential animal care services and support the City's ongoing commitment to responsible pet ownership and community health.

High Desert Community Foundation 501(c)(3)

The City partners with the High Desert Community Foundation (HDCF) to provide federal tax-exempt status under IRS Section 501(c)(3) for charitable donations benefiting Animal Control. This partnership began in January 2022. As of July 1, 2025, the trust's beginning balance was $134,386. During the first quarter, Animal Control utilized $45,000 to support the Trap-Neuter-Return (TNR) Program. The following table summarizes account activity through the end of the first quarter, resulting in an ending balance of $86,404.

Animal Control Donation Trust

Cash Flow Summary – First Quarter Ended September 30, 2025

Beginning Balance (July 1, 2025)	$	134,386
Activity During Quarter:		
Donations Received		20
Fees Paid (HDCF Administrative Fee)		(2)
Distributions – TNR Program		(45,000)
Net Change in Balance		(44,982)
Ending Balance (September 30, 2025)	**$**	**89,404**

Fiscal Year 2026-27 Budget Outlook

The First Quarter Report not only provides a snapshot of activity from July through September, but also serves as an opportunity to review information that will impact the upcoming budget. To date, the City has received the FY 2026–27 CalPERS unfunded liability and projected impacts to the Schedule A for law enforcement services, both of which will be key considerations in the next budget cycle.

California Public Employees Retirement System (CalPERS):

In July 2025, the City received the actuarial valuation report for the year ended June 30, 2024. This report outlines the unfunded liability costs that will impact the FY 2026–27 Budget. According to the report, CalPERS achieved a rate of return of 9.3%, representing a 2.5% positive change from the actuarially assumed rate of 6.8%. The following table provides a summary of the resulting increase in unfunded liability payments for the upcoming FY 2026–27 Budget.

	UAL Annual Liability			
Plan	**FY 2025-26**	**FY 2026-27**	**Difference**	**% Increase**
Miscellaneous Plan for the City of Hesperia	1,848,172.00	2,064,357.00	216,185.00	12%
Miscellaneous Plan for the HWD	773,469.00	859,205.00	85,736.00	11%
Miscellaneous Plan for the HFPD	31,373.00	32,823.00	1,450.00	5%
Safety Plan for the HFPD	1,783,162.00	1,858,154.00	74,992.00	4%
Total	**4,436,176.00**	**4,814,539.00**	378,363.00	9%
General Fund (portion to Fund 263)	3,662,707.00	3,955,334.00	292,627.00	8%
Water Fund	773,469.00	859,205.00	85,736.00	11%
Total	**4,436,176.00**	**4,814,539.00**	378,363.00	9%

It is anticipated that the FY 2026–27 General Fund Budget will increase by approximately $300,000, which includes adjustments for both the City and Fire District CalPERS Plans. Based on preliminary reporting from CalPERS, as of June 30, 2025, the rate of return was 11.6%, exceeding the actuarially assumed rate of 6.8% by 4.8 percentage points. This strong performance suggests that the unfunded liability payment for FY 2027–28 is expected to increase at a slower pace than that of FY 2026–27, reflecting the positive investment returns as of June 30, 2025.

County of San Bernardino Safety Contract – Schedule A Increases:

As discussed, on October 4, 2025, the County of San Bernardino concluded labor negotiations with the Sheriff's Employees' Benefit Association (SEBA). The new multi-year MOU includes salary increases of 4% effective October 3, 2026, and another 4% effective October 2, 2027. The impact for FY 2025–26, effective October 4, 2025, resulted in a 6.3% increase, or about $1.4 million over the adopted contract amount of $22.1 million. The 6.3% reflects both the 4% salary adjustment and changes to benefits.

While the City is aware of the salary increases for FY 2026–27, the benefit changes will not be known until the County releases the final Schedule A in May 2026. For planning purposes, staff is assuming a total increase of 6% for FY 2026-27, reflecting a 4% salary adjustment and a 2% increase in benefits.

Using these assumptions, the anticipated increase to the FY 2026-27 Schedule A is 6%, or approximately $1.4 million, over the October 2026 Schedule A of $23.5 million, and 12%, or $2.7 million, over the adopted FY 2025–26 Schedule A of $22.1 million. Since this increase represents ongoing operational costs, it will need to be funded through General Fund operating revenue.

Estimated Increase to Revenue:

Looking ahead, General Fund revenue would need to increase by approximately 4%, or $3.0 million, to cover the FY 2026-27 CalPERS unfunded liability and the projected increase for maintaining the current level of law enforcement service. The General Fund's largest revenue source, Sales Tax, is only projected to increase by about $0.4 million based on current trends, which, alone, will not be sufficient to offset these anticipated cost increases.

It should be noted that the FY 2025-26 General Fund Budget was balanced, with revenues exceeding expenditures by $13,084. While it is still early in the development of the FY 2026–27 Budget, staff will continue to monitor revenues and expenditures closely and provide an updated financial analysis as part of the FY 2025–26 Mid-Year Report.