

**HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HOUSING AUTHORITY
COMMUNITY DEVELOPMENT COMMISSION
WATER DISTRICT
HESPERIA FIRE PROTECTION DISTRICT – SPECIAL MEETING
AGENDA**

Regular Joint Meetings
1st and 3rd Tuesday

Date: November 19, 2019
REGULAR MEETING

Time: 6:00 P.M. (Closed Session)
6:30 P.M. (Regular Meeting)

CITY COUNCIL MEMBERS

Larry Bird, Mayor

William J. Holland, Mayor Pro Tem

Brigit Bennington, Council Member

Cameron Gregg, Council Member

Rebekah Swanson, Council Member

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Nils Bentsen, City Manager

Eric L. Dunn, City Attorney



City of Hesperia

Council Chambers
9700 Seventh Avenue
Hesperia, CA 92345

City Clerk's Office: (760) 947-1007

**Agendas and Staff Reports are
available on the City Website**

www.cityofhesperia.us

Documents produced by the City and distributed less than 72 hours prior to the meeting, regarding items on the agendas, will be made available in the City Clerk's Office located at 9700 Seventh Avenue during normal business hours.



NOTE: In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (760) 947-1007 or (760) 947-1056. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility.

**NOTICE AND CALL OF SPECIAL MEETING
HESPERIA FIRE PROTECTION DISTRICT**

NOTICE IS HEREBY GIVEN that a special meeting of the Hesperia Fire Protection District will be held on Tuesday, November 19, 2019, at 6:30 p.m. in the City Council Chambers, at 9700 Seventh Avenue, Hesperia, CA 92345 for item number 4, as listed below, on the Joint Hesperia City Council and Subsidiary Districts Agenda.

4. 2019-20 Statement of Investment Policy

Recommended Action:

It is recommended that the Council/Board/Commission adopt Joint Resolution No. 2019-043, Successor Agency to the Hesperia Community Redevelopment Agency Resolution No. SA 2019-01, Hesperia Housing Authority Resolution No. HHA 2019-05, Community Development Commission Resolution No. CDC 2019-05, Hesperia Fire Protection District Resolution No. HFPD 2019-06, and Hesperia Water District Resolution No. HWD 2019-09, amending the Fiscal Year 2019-20 Statement of Investment Policy.

Staff Person: Director of Finance Casey Brooksher



Larry Bird, Chair

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**REGULAR MEETING AGENDA
HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HESPERIA HOUSING AUTHORITY
HESPERIA COMMUNITY DEVELOPMENT COMMISSION
HESPERIA WATER DISTRICT
HESPERIA FIRE PROTECTION DISTRICT - SPECIAL MEETING**

As a courtesy, please silence your cell phones and other electronic devices while the meeting is in session. Thank you.

Prior to action of the Council, any member of the audience will have the opportunity to address the legislative body on any item listed on the agenda, including those on the Consent Calendar.

Individuals wishing to speak during General Public Comments or on a particular numbered item must submit a speaker slip to the City Clerk with the agenda item noted. Speaker slips should be turned in prior to the public comment portion of the agenda or before an agenda item is discussed. Comments will be limited to three minutes for General Public Comments, Consent Calendar items and New Business items. Comments are limited to five minutes for Public Hearing items.

In compliance with the Brown Act, the City Council may not discuss or take action on non-agenda items or engage in question and answer sessions with the public. The City Council may ask brief questions for clarification; provide a reference to staff or other resources for factual information and direct staff to add an item to a subsequent meeting.

CLOSED SESSION - 6:00 PM

Roll Call

*Mayor Larry Bird
Mayor Pro Tem William J. Holland
Council Member Brigit Bennington
Council Member Cameron Gregg
Council Member Rebekah Swanson*

Conference with Legal Counsel – Existing Litigation
Government Code Section 54956.9(d)1

1. Assistant Secretary for FHEO v. City of Hesperia, California, et al.; Case
Number 09-16-4717-8

CALL TO ORDER - 6:30 PM

- A. Invocation**
- B. Pledge of Allegiance to the Flag**
- C. Roll Call**

*Mayor Larry Bird
Mayor Pro Tem William J. Holland
Council Member Brigit Bennington*

Council Member Cameron Gregg
Council Member Rebekah Swanson

D. Agenda Revisions and Announcements by City Clerk

E. Closed Session Reports by City Attorney

ANNOUNCEMENTS/PRESENTATIONS

1. Presentation to Employee of the Quarter for Field Staff to Javier Ramirez, Building Inspector by Mike Hearn, Building Official
2. Presentation to Employee of the Quarter for Office Staff to Bethany Hudson, Engineering Technician by Mark McKinley, Assistant Engineer
3. Community Events Calendar

JOINT CONSENT CALENDAR

1. Page 7 Consideration of the Draft Minutes from the Special Meeting held Thursday, October 31, 2019 and the Regular Meeting held Tuesday, November 5, 2019

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Special Meeting held Thursday, October 31, 2019 and the Regular Meeting held Tuesday, November 5, 2019.

Staff Person: City Clerk Melinda Sayre

Attachments: [Draft CC Min 2019-10-31](#)

[Draft CC Min 2019-11-05](#)

2. Page 13 Warrant Run Report (City - Successor Agency - Housing Authority - Community Development Commission - Water)

Recommended Action:

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR Warrant Run 11-19-2019](#)

[Attachment 1 - Warrant Runs](#)

3. Page 15 Treasurer's Cash Report for the unaudited period ended September 30, 2019

Recommended Action:

It is recommended that the Council/Board accept the Treasurer's Cash Report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Hesperia Water District.

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR Treasurer's Report 11-19-2019](#)
[Attachment 1- Investment Reports](#)

4. Page 23 2019-20 Statement of Investment Policy

Recommended Action:

It is recommended that the Council/Board/Commission adopt Joint Resolution No. 2019-043, Successor Agency to the Hesperia Community Redevelopment Agency Resolution No. SA 2019-01, Hesperia Housing Authority Resolution No. HHA 2019-05, Community Development Commission Resolution No. CDC 2019-05, Hesperia Fire Protection District Resolution No. HFPD 2019-06, and Hesperia Water District Resolution No. HWD 2019-09, amending the Fiscal Year 2019-20 Statement of Investment Policy.

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR 2019-20 Statement of Investment Policy 11-19-2019](#)
[Attachment 1 - Investment Policy FY 19-20 \(clean\)](#)
[Attachment 2 - Investment Policy FY 19-20 \(track changes\)](#)
[Joint Resolution 2019-043](#)

5. Page 61 Fiscal Year 2018-19 Final Budget Amendments

Recommended Action:

It is recommended that the following resolutions be adopted, amending the respective Fiscal Year (FY) 2018-19 Budgets for the City of Hesperia and the Hesperia Water District:

- 1) City of Hesperia No. 2019-062
- 2) Hesperia Water District Resolution HWD 2019-11

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR FY 2018-19 Final Budget Amendments 11-19-2019](#)
[Resolution 2019-062](#)
[Resolution HWD 2019-11](#)

CONSENT ORDINANCES

WAIVE READING OF ORDINANCES

Approve the reading by title of all ordinances and declare that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

6. Page 67 Planned Development PPD18-00001, Conditional Use Permit CUP18-00007 (Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70) Resubmittal Update

Recommended Action:

Place on second reading and adopt by title waiving the text of Ordinance

2019-11 approving Planned Development PPD18-00001, and adopt Resolution 2019-046, approving Conditional Use Permit CUP18-00007 along with a Mitigated Negative Declaration for the development of the project.

Staff Person: Principal Planner Chris Borchert

Attachments: [SR Americana-Hesperia Project Resubmittal Update 11-5-2019](#)

[Attachment 1 - Revised Floor Plan](#)

[Attachment 2 - City Council Staff Report 10-1-2019](#)

[Ordinance 2019-11](#)

[Attachment 4 - Planned Development PPD18-00001](#)

[Resolution 2019-46](#)

[Attachment 6 - List of Conditions](#)

[Attachment 7 - Planning Commission Staff Report](#)

[Attachment 8 - Planning Commission Minutes](#)

PUBLIC HEARING

Individuals wishing to comment on public hearing items must submit a speaker slip to the City Clerk with the numbered agenda item noted. Speaker slips should be turned in prior to an agenda item being taken up. Comments will be limited to five minutes for Public Hearing items.

WAIVE READING OF ORDINANCES

Approve the reading by title of all ordinances and declare that said titles which appear on the public agenda shall be determined to have been read by title and further reading waived.

7. Page 111 Amend the Water Connection Fees for New Connections

Recommended Action:

It is recommended that the Board of Directors of the Hesperia Water District (District) adopt Resolution No. HWD 2019-12 (Attachment 1) to update the water connection fees.

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR Amend Water Connection Fees 11-19-2019](#)

[Resolution HWD 2019-12](#)

8. Page 119 Mitigated Negative Declaration for the Ranchero Road Aqueduct Crossing Project, C.O. No. 7139

Recommended Action:

It is recommended that the City Council Members adopt Resolution No. 2019-063, adopting the Mitigated Negative Declaration (MND) ND19-5 - SCH # 2019099031 for the Ranchero Road Aqueduct Crossing Project, C.O. No. 7139 pursuant to the California Environmental Quality Act (CEQA).

Staff Person: Assistant City Manager Michael Blay

Attachments: [SR Ranchero Road Aqueduct Crossing 11-19-2019](#)
[Attachment 1 - Mitigated Negative Declaration](#)
[Resolution 2019-063](#)

9. Page 125 Commercial Cannabis Program Urgency Ordinance

Recommended Action:

It is recommended that the City Council adopt Urgency Ordinance No. 2019-14, an urgency ordinance of the City Council of the City of Hesperia, California, placing a stay on the Commercial Cannabis Program.

Staff Person: Assistant City Manager Michael Blay and Administrative Analyst Tina Bulgarelli

Attachments: [SR Commercial Cannabis Program Urgency Ordinance 11-19-2019](#)
[Urgency Ordinance 2019-14](#)

NEW BUSINESS

10. Page 131 City of Hesperia Community Assistance Program (CAP) - Policies

Recommended Action:

It is recommended that the City Council consider the following recommendations and provide direction to staff for the program year 2020-21 CAP budget and allocation policies.

Staff Person: Economic Development Manager Rod Yahnke

Attachments: [SR Community Assistance Program Policies 11-19-2019](#)

11. Page 135 Fiscal Year 2019-20 First Quarter Budget Review

Recommended Action:

It is recommended that the Fiscal Year 2019-20 First Quarter Budget Review be received and filed and the related following resolution, amending the Fiscal Year 2019-20 Budget for the City of Hesperia be approved:

1. City of Hesperia Resolution No. 2019-064

Staff Person: Director of Finance Casey Brooksher

Attachments: [SR FY 2019-20 First Quarter Budget Review 11-19-2019](#)
[Attachment 1 - FY 2019-20 First Quarter Budget Review Report](#)
[Resolution 2019-064](#)

GENERAL PUBLIC COMMENTS (For items and matters not listed on the agenda)

Individuals wishing to speak during General Public Comments or on a particular numbered item are requested to submit a speaker slip to the City Clerk with the agenda item noted. Speaker slips should be turned in prior to the public comment portion of the joint agenda or before an agenda item is discussed. Comments will be limited to three minutes for General Public Comments, Consent Calendar items and New Business items. Comments are limited to five minutes for Public Hearing items.

In compliance with the Brown Act, the City Council may not discuss or take action on non-agenda items or engage in question and answer sessions with the public. The City Council may ask brief questions for clarification; provide a reference to staff or other resources for factual information and direct staff to add an item to a subsequent meeting.

COUNCIL COMMITTEE REPORTS AND COMMENTS

The Council may report on their activities as appointed representatives of the City on various Boards and Committees and/or may make comments of general interest or report on their activities as a representative of the City.

CITY MANAGER/CITY ATTORNEY/STAFF REPORTS

The City Manager, City Attorney or staff may make announcements or reports concerning items of interest to the Council and the public.

ADJOURNMENT

I, Melinda Sayre, City Clerk of the City of Hesperia, California do hereby certify that I caused to be posted the foregoing agenda on Thursday, November 14, 2019 at 5:30 p.m. pursuant to California Government Code §54954.2.

Melinda Sayre,
City Clerk

Documents produced by the City and distributed less than 72 hours prior to the meeting regarding items on the agenda will be made available in the City Clerk's Office during normal business hours.



City of Hesperia

Meeting Minutes - Draft

City Council

City Council Chambers
9700 Seventh Ave.
Hesperia CA, 92345

Tuesday, October 31, 2019

4:00 PM

**SPECIAL MEETING AGENDA
HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HESPERIA HOUSING AUTHORITY
HESPERIA COMMUNITY DEVELOPMENT COMMISSION
HESPERIA WATER DISTRICT**

CLOSED SESSION - 4:00 PM

Roll Call

Present: 5 - Mayor Bird, Mayor Pro Tem William J. Holland, Council Member Bennington, Council Member Gregg and Council Member Swanson

Conference with Legal Counsel – Existing Litigation
Government Code Section 54956.9(d)1

1. Assistant Secretary for FHEO v. City of Hesperia, California, et al.; Case Number 09-16-4717-8

The Council met in closed session to discuss the litigation item listed on the agenda. The Council voted unanimously to elect to defend the action in federal court.

ADJOURNMENT

5:00 p.m.

Melinda Sayre,
City Clerk

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City of Hesperia

Meeting Minutes - Draft

City Council

City Council Chambers
9700 Seventh Ave.
Hesperia CA, 92345

Tuesday, November 5, 2019

6:30 PM

**REGULAR MEETING AGENDA
HESPERIA CITY COUNCIL
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
HESPERIA HOUSING AUTHORITY
HESPERIA COMMUNITY DEVELOPMENT COMMISSION
HESPERIA WATER DISTRICT**

CLOSED SESSION - 5:30 PM

Roll Call

Present: 5 - Mayor Bird, Mayor Pro Tem William J. Holland, Council Member Bennington, Council Member Gregg and Council Member Swanson

Conference with Legal Counsel - Potential Litigation:
Government Code Section 54956.9(d)2

1. One (1) case

Conference with Legal Counsel – Existing Litigation
Government Code Section 54956.9(d)1

1. Victor Valley Wastewater Reclamation Authority v. City of Hesperia (Claim for Damages)

Conference with Labor Negotiator
Government Code Section 54957.6

1. Negotiations between the City of Hesperia and the Teamsters Local 1932 with the City's Negotiator. (Staff person: Michael Blay, Assistant City Manager)

CALL TO ORDER - 6:30 PM

- A. Invocation by David Moore of Church of Jesus Christ of Latter –day Saints**
- B. Pledge of Allegiance to the Flag**
- C. Roll Call**

Present: 5 - Mayor Bird, Mayor Pro Tem William J. Holland, Council Member Bennington, Council Member Gregg and Council Member Swanson

- D. Agenda Revisions and Announcements by City Clerk – *Green sheet item provided for item 6 given to the council and the public.***
- E. Closed Session Reports by City Attorney – *No reportable action taken.***

ANNOUNCEMENTS/PRESENTATIONS

1. Presentation by Richard Harmon, Senior Director, Townsend Public Affairs to the City Council on current Legislative activities
2. Community Events Calendar - *More than 500 volunteers from schools, businesses and families partnered with the City to clean-up our desert spaces on Community Cleanup Day; Hesperia Recreation and Park District is hosting its annual Veteran's Day Ceremony on November 11 at 11am at Hesperia Lake Park; City offices will be closed on November 11 in observance of Veteran's Day.*

JOINT CONSENT CALENDAR

Bob Nelson commented on item number 4.

A motion was made by Swanson, seconded by Gregg, that the Consent Calendar be approved. The motion carried by the following vote:

Aye: 5 - Bird, Holland, Bennington, Gregg and Swanson

Nay: 0

1. Consideration of the Draft Minutes from the Regular Meeting held Tuesday, October 15, 2019

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Regular Meeting held Tuesday, October 15, 2019.

Sponsors: City Clerk Melinda Sayre

2. Warrant Run Report (City - Successor Agency - Housing Authority - Community Development Commission - Water)

Recommended Action:

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission and Water District.

Sponsors: Director of Finance Casey Brooksher

3. Approve and Accept Construction of Re-Paint City Hall Decorative Tube Steel

Recommended Action:

It is recommended that the City Council accept the work constructed under Re-Paint City Hall Decorative Tube Steel (C.O. No. 3110-1703), authorize staff to record a "Notice of Completion", and release all withheld retention amounts after 35 calendar days from the date of recordation.

Sponsors: Assistant City Manager Michael Blay

4. Parcel Map No. 19792

Recommended Action:

It is recommended that the City Council adopt Resolution No. 2019-059 approving Parcel Map No. 19792 to create two parcels from 3.46 gross acres zoned General Commercial (C2) located on the northeast corner of Ranchero Road and Seventh Avenue (Applicant: Harp Verma; APN: 0412-172-01).

Sponsors: Assistant City Manager Michael Blay

5. Real Property Purchase and Sale Agreement - 9393 Santa Fe Avenue East

Recommended Action:

It is recommended that the City Council adopt Resolution No. 2019-64: (i) approving the "Agreement For The Purchase and Sale of Real Property and Joint Escrow Instructions" (Agreement) for real property located at 9393 Santa Fe Avenue East, Assessor Parcel Numbers 0410-171-19 & 0410-171-47 (Property) by and between Juvenal Perea and Jessica Vera (Buyer) and the City of Hesperia (Seller); and (ii) authorizing the City Manager to execute all documents necessary to complete the transaction.

Sponsors: Economic Development Manager Rod Yahnke

PUBLIC HEARING

6. **ITEM CONTINUED FROM THE 9/3/2019, 9/17/2019 and 10/1/2019 MEETINGS.** Planned Development PPD18-00001, Conditional Use Permit CUP18-00007 (Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70) Resubmittal Update

Recommended Action:

It is recommended that the City Council review the applicant's proposed changes and determine if they are acceptable for approval. If the proposed changes are acceptable to the City Council, staff recommends that the City Council introduce and place on first reading Ordinance 2019-11 approving Planned Development PPD18-00001, and adopt Resolution 2019-046, approving Conditional Use Permit CUP18-00007 along with a Mitigated Negative Declaration for the development of the project.

Sponsors: Principal Planner Chris Borchert

Kelly Gregg commented on item 6.

A motion was made by Swanson, seconded by Bennington, that this item be approved. The motion carried by the following vote:

Aye: 5 - Bird, Holland, Bennington, Gregg and Swanson

Nay: 0

7. Advance Disposal Rate Structure

Recommended Action:

It is recommended that the City Council conduct a Proposition 218 Public Hearing related to new maximum rates for solid waste and recycling services in the City of Hesperia and allow for rate adjustments pertaining to equipment purchased by City's waste hauler in response to statewide legislation. In the absence of a majority vote of opposition adopt Resolution No. 2019-065 approving the maximum rates for solid waste and recycling services in the City of Hesperia and allow for rate adjustments annually up to five years.

Sponsors: Assistant to the City Manager Rachel Molina and Community Relations Specialist Dan Sousa

The following individuals commented on item 7:

Kim Jones, Ken Foist, Jeri Pike, David Green, Paul Gessaman, Kelly Gregg, Donna Paul, Daniel Krist.

Tom Barry with Advance Disposal provided clarification on statements made during public comments.

A motion was made by Holland, seconded by Gregg, that this item be approved. The motion carried by the following vote:

Aye: 5 - Bird, Holland, Bennington, Gregg and Swanson

Nay: 0

GENERAL PUBLIC COMMENTS (For items and matters not listed on the agenda)

Paul R. Gessaman commented on adding more police officers.

Ken Foist commented on the removal of stop signs along Sequoia and remodel of his driveway.

Kim Jones commented on Advance Disposal hardship rates application process.

Bob Nelson commented on a news article regarding livability in Hesperia and public speech.

Daniel Krist commented on various community issues.

Kelly Gregg commented on investigations currently being conducted at Hesperia Recreation and Park District and a news article regarding the California budget.

Frances Schauwecker commented on Cannabis businesses in the City.

Rick Casas commented on Cannabis business audits.

Jeri Pike commented on trash bins handling by Advance Disposal and crime in her neighborhood.

Bill Jensen commented on the influence of council members as representatives in legislature for a tax increment for the City.

COUNCIL COMMITTEE REPORTS AND COMMENTS

Council Member Gregg commented on attendance at Tri-Agency meeting, Veteran's Day holiday, Advance Disposal rates for low- income residents, and requested that an item be agendized to review the hours of operation for Cannabis businesses.

Council Member Swanson commented on attendance at League of CA Cities conference, State of the City Luncheon, Tri-Agency meeting, Community Clean Up Day, Halloween events, and VVEDA meeting; and attendance at the upcoming SBCTA meeting and Marine Corps Day event on Veteran's Day.

Council Member Bennington commented on State of the City event, attendance at the Meghan's Wings Fundraiser event, and the passing of long time City employee Jeff Ozanne.

Mayor Pro Tem Holland commented on statements made during public comments, attendance at AQMD meeting and Hot Rod Halloween and Haunted House events, Advance Disposal rate increase, Cannabis businesses, and honoree Cody Leis at State of the City event.

Mayor Bird commented on honoree at State of the City event, supporting businesses in the City, attendance at ground breaking of Kaiser facility, Meghan's Wings Fundraiser event, Community Clean Up Day, Hot Rod Halloween and Haunted House events, League of CA Cities conference, and High Desert Opportunity Summit; requested that an item be agendized to report on the current status of Cannabis businesses and consideration of allowable density of new multi-family housing within the City.

CITY MANAGER/CITY ATTORNEY/STAFF REPORTS

None.

ADJOURNMENT

Adjourned at 9:05 p.m. in memory of long time City employee Jeff Ozanne.

Melinda Sayre,
City Clerk

City of Hesperia STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members
City Council, as Successor Agency to the Hesperia Community Redevelopment Agency
Chair and Commissioners, Hesperia Housing Authority
Chair and Commissioners, Community Development Commission
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Anne Duke, Deputy Finance Director
Keith Cheong, Financial Analyst

SUBJECT: Warrant Run Report (City – Successor Agency – Housing Authority – Community Development Commission – Water)

RECOMMENDED ACTION

It is recommended that the Council/Board ratify the warrant run and payroll report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

BACKGROUND

The Warrant Run totals represented below are for the period October 5, 2019 through October 18, 2019.

<u>Agency/District</u>	<u>Accounts Payable</u>	<u>Payroll</u>	<u>Wires</u>	<u>Totals</u>
City of Hesperia	\$2,237,759.19	\$238,459.34	\$0.00	\$2,476,218.53
Successor Agency	3,525.00	0.00	0.00	3,525.00
Housing Authority	458.01	272.49	0.00	730.50
Community Development Commission	1,406.89	6,886.45	0.00	8,293.34
Water	339,640.93	103,092.21	0.00	442,733.14
Totals	\$2,582,790.02	\$348,710.49	\$0.00	\$2,931,500.51

ATTACHMENT(S)

1. Warrant Runs

City of Hesperia
WARRANT RUNS
10/05/2019 - 10/18/2019

		W/E		WARRANT			YEAR-TO	PRIOR FY YTD	
FUND #	FUND NAME	10/11/2019	10/18/2019	TOTALS	Wires		DATE	DATE	
TOTALS *									TOTALS
Accounts Payable									
100	GENERAL	\$ 1,523,554.30	\$ 112,945.69	\$ 1,636,499.99	\$ -	\$ 9,162,596.16	\$ 8,267,767.04		
200	HESPERIA FIRE DISTRICT	\$ -	\$ -	\$ -	\$ -	\$ 700.00	\$ 5,441,687.87		
204	MEASURE I - RENEWAL	\$ -	\$ -	\$ -	\$ -	\$ 7,712.50	\$ 259,972.40		
205	GAS TAX	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,795.00		
207	LOCAL TRANSPORT-SB 325	\$ -	\$ -	\$ -	\$ -	\$ 142,052.11	\$ 134,327.05		
209	GAS TAX-RMRA	\$ -	\$ -	\$ -	\$ -	\$ 1,495,086.16	\$ 24,895.99		
210	HFPD (PERS)	\$ -	\$ -	\$ -	\$ -	\$ 874,510.00	\$ -		
251	CDBG	\$ 2,979.16	\$ 7,322.27	\$ 10,301.43	\$ -	\$ 676,824.23	\$ 130,786.18		
254	AB2766 - TRANSIT	\$ -	\$ -	\$ -	\$ -	\$ 103,315.07	\$ 27,600.00		
256	ENVIRONMENTAL PROGRAMS GRANT	\$ 44.01	\$ 76.65	\$ 120.66	\$ -	\$ 3,785.72	\$ 11,351.10		
257	NEIGHBORHOOD STABILIZATION PROG	\$ -	\$ -	\$ -	\$ -	\$ 47,547.15	\$ 14,266.24		
260	DISASTER PREPARED GRANT	\$ 76.02	\$ -	\$ 76.02	\$ -	\$ 1,318.08	\$ 1,861.87		
263	STREETS MAINTENANCE	\$ 39,209.78	\$ 7,795.65	\$ 47,005.43	\$ -	\$ 793,926.77	\$ 842,950.17		
300	DEV. IMPACT FEES - STREET	\$ 7,200.85	\$ -	\$ 7,200.85	\$ -	\$ 33,514.75	\$ 116,578.00		
301	DEV. IMPACT FEES - STORM DRAIN	\$ 117,079.35	\$ -	\$ 117,079.35	\$ -	\$ 216,079.86	\$ 19,777.50		
402	WATER RIGHTS ACQUISITION	\$ -	\$ -	\$ -	\$ -	\$ 1,018,915.04	\$ 1,028,329.10		
403	2013 REFUNDING LEASE REV BONDS	\$ -	\$ -	\$ -	\$ -	\$ 561,569.37	\$ 555,102.92		
501	CFD 91-3 BELGATE	\$ -	\$ -	\$ -	\$ -	\$ 837,793.25	\$ -		
502	FIRE STATION BUILDING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,766.87		
504	CITY WIDE STREETS - CIP	\$ -	\$ -	\$ -	\$ -	\$ 13,578.51	\$ 22,117.23		
509	CITY FACILITIES CIP	\$ 39,189.17	\$ -	\$ 39,189.17	\$ -	\$ 39,189.17	\$ 1,312.50		
800	EMPLOYEE BENEFITS	\$ 332,279.51	\$ 31,636.18	\$ 363,915.69	\$ -	\$ 2,502,050.69	\$ 2,153,635.14		
801	TRUST/AGENCY	\$ 2,352.34	\$ 1,294.72	\$ 3,647.06	\$ -	\$ 285,026.57	\$ 694,754.12		
802	AD 91-1 AGENCY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
804	TRUST-INTEREST BEARING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67.50		
807	CFD 2005-1	\$ 10,473.54	\$ 2,250.00	\$ 12,723.54	\$ -	\$ 16,205.33	\$ 808,940.54		
808	HFPD (TRANSITION)	\$ -	\$ -	\$ -	\$ -	\$ 1,668,935.57	\$ -		
CITY		\$ 2,074,438.03	\$ 163,321.16	\$ 2,237,759.19	\$ -	\$ 20,502,232.06	\$ 20,565,642.33		
160	REDEVELOP OBLIG RETIREMENT - PA1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,302,466.20		
161	REDEVELOP OBLIG RETIREMENT - PA2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,245.91		
162	REDEVELOP OBLIG RETIREMENT-HOUSING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,473,243.59		
163	REDEVELOP OBLIG RETIREMENT-2018	\$ 3,525.00	\$ -	\$ 3,525.00	\$ -	\$ 7,744,290.38	\$ -		
173	SUCCESSOR AGENCY ADMINISTRATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,005.00		
SUCCESSOR AGENCY		\$ 3,525.00	\$ -	\$ 3,525.00	\$ -	\$ 7,744,290.38	\$ 8,205,960.70		
370	HOUSING AUTHORITY	\$ 6.00	\$ 452.01	\$ 458.01	\$ -	\$ 30,861.69	\$ 75,158.57		
HOUSING AUTHORITY		\$ 6.00	\$ 452.01	\$ 458.01	\$ -	\$ 30,861.69	\$ 75,158.57		
170	COMMUNITY DEVELOPMENT COMMISSION	\$ 113.03	\$ 1,293.86	\$ 1,406.89	\$ -	\$ 130,771.45	\$ 128,928.57		
COMMUNITY DEVELOPMENT COMMISSION		\$ 113.03	\$ 1,293.86	\$ 1,406.89	\$ -	\$ 130,771.45	\$ 128,928.57		
700	WATER OPERATING	\$ 282,434.44	\$ 50,822.97	\$ 333,257.41	\$ -	\$ 2,443,634.74	\$ 2,176,724.18		
701	WATER CAPITAL	\$ 3,185.00	\$ -	\$ 3,185.00	\$ -	\$ 784,778.35	\$ 2,695,200.77		
710	SEWER OPERATING	\$ 2,714.06	\$ 484.46	\$ 3,198.52	\$ -	\$ 980,394.36	\$ 1,347,002.18		
711	SEWER CAPITAL	\$ -	\$ -	\$ -	\$ -	\$ 20,484.50	\$ 61,163.20		
WATER		\$ 288,333.50	\$ 51,307.43	\$ 339,640.93	\$ -	\$ 4,229,291.95	\$ 6,280,090.33		
ACCOUNTS PAYABLE TOTAL		\$ 2,366,415.56	\$ 216,374.46	\$ 2,582,790.02	\$ -	\$ 32,637,447.53	\$ 35,255,780.50		
REG. PAYROLL									
City		\$ -	\$ 238,459.34	\$ 238,459.34	\$ -	\$ 1,892,581.41	\$ 1,877,174.14		
Housing Authority		\$ -	\$ 272.49	\$ 272.49	\$ -	\$ 2,302.98	\$ 18,044.78		
Community Development Commission		\$ -	\$ 6,886.45	\$ 6,886.45	\$ -	\$ 57,141.99	\$ 31,570.87		
Water		\$ -	\$ 103,092.21	\$ 103,092.21	\$ -	\$ 822,342.79	\$ 787,640.98		
PAYROLL TOTAL		\$ -	\$ 348,710.49	\$ 348,710.49	\$ -	\$ 2,774,369.17	\$ 2,714,430.77		

* The year to date totals for this Warrant Report are for the 2019-20 fiscal year starting July 1, 2019.

City of Hesperia STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members
City Council, as Successor Agency to the Hesperia Community Redevelopment Agency
Chair and Commissioners, Hesperia Housing Authority
Chair and Commissioners, Community Development Commission
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Anne Duke, Deputy Finance Director
Keith Cheong, Financial Analyst

SUBJECT: Treasurer's Cash Report for the unaudited period ended September 30, 2019

RECOMMENDED ACTION

It is recommended that the Council/Board accept the Treasurer's Cash Report for the City, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, and Water District.

BACKGROUND

This report is presented to the City Council pursuant to Government Code Section 53646 (b) setting forth the City's investment portfolio.

ISSUES/ANALYSIS

The Treasurer's Cash Reports are presented on the following pages for each agency.

FISCAL IMPACT

These reports reflect unaudited cash balances as of September 30, 2019.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. City of Hesperia Investment Report
2. Successor Agency to the Hesperia Community Redevelopment Agency Investment Report
3. Hesperia Housing Authority Investment Report
4. Community Development Commission Investment Report
5. Hesperia Water District Investment Report

CITY OF HESPERIA

<u>FUND</u>	<u>VALUE</u>
General Fund (100 & 800)	\$ 5,092,638.79
Fire District Fund (200)	13,445.57
HFPD (PERS) (210)	422,004.28
AB27666 - Transit (254)	23,553.14
AB3229 Supplemental Law (255)	89,622.97
AD No. 91-1 (802)	364,084.95
Beverage Recycling Grant (256)	154,521.84
CFD 2005-1 (807)	559,411.90
HFPD Transition (808)	42,181.69
City Wide-Capital Projects (504)	(29,348.68)
City Facilities CIP (509)	39,212.06
Community Dev Block Grant (251, 252, & 253)	214,791.70
Development Impact Fund (300-304)	9,367,206.23
Development Impact Fund 2018 (306-312)	1,917,436.42
Disaster (260)	43,022.19
Gas Tax Fund (205)	(172,384.45)
Gas Tax - RMRA (209)	464,947.75
Gas Tax Swap (206)	17,322.80
Local Transportation SB325 (207)	1,806,969.98
Measure I - Renewal (204)	4,986,673.43
Neighborhood Stabilization Prog (257)	2,275,222.42
Public Works Street Maint (263)	829,975.57
Trust Fund (801, 803-806, & 815)	1,816,892.37
2012 Water Rights Acquisition (402)	(1,006,427.49)
2013 Refunding Lease Rev Bonds (403)	(340,287.38)
TOTAL CITY FUNDS	<u>\$ 28,992,690.05</u>

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

<u>FUND</u>	<u>VALUE</u>
RORF Retention - (163)	<u>\$ 1,611,203.31</u>

HESPERIA HOUSING AUTHORITY

<u>FUND</u>	<u>VALUE</u>
Hesperia Housing Authority Fund (370)	\$ 3,479,329.98
VEDA Housing Authority (371)	1,778,945.39
TOTAL HOUSING AUTHORITY FUNDS	<u>\$ 5,258,275.37</u>

COMMUNITY DEVELOPMENT COMMISSION

<u>FUND</u>	<u>VALUE</u>
Community Development Commission Fund (170)	<u>\$ (1,051,197.41)</u>

WATER

<u>FUND</u>	<u>VALUE</u>
Water Operating (700)	\$ 2,692,620.46
Water Capital (701)	(12,605,944.87)
Water Capital Rehab and Replace (703)	1,405,117.44
Water Contamination Mitigation (704)	1,400,238.75
Sewer Operating (710)	11,001,416.77
Sewer Capital (711)	4,319,381.73
Sewer Capital Rehab and Replace (713)	240,727.87
TOTAL WATER FUNDS	<u>\$ 8,453,558.15</u>

City of Hesperia
Investment Report
Unaudited
September 30, 2019

ATTACHMENT 1

<u>Type of Investment</u>	<u>Institution/ Fiscal Agent</u>	<u>Interest Rate</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Par Value at Maturity</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Account Description</u>
Investments under the direction of the City:								
Local Agency Investment Funds	State of Calif.	2.280%	30-Sep-19	Demand	\$ 23,449,485.62	23,449,485.62	23,449,485.62	
Money Market	Bank of the West	1.420%	30-Sep-19	Demand	5,037,996.41	5,037,996.41	5,037,996.41	
Citizens Business Bank Checking	Citizens Bus Bank	n/a	30-Sep-19	Demand	505,208.02	505,208.02	505,208.02	
Total Unaudited Investments under the direction of the City					\$ 28,992,690.05	\$ 28,992,690.05	\$ 28,992,690.05	


Investments under the direction of fiscal agents:

2012 Lease Revenue Bonds	Union	3.230%	30-Sep-19	Demand	0.31	0.31	0.31	2012 - Water Rights Revenue Fund
2012 Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	369,100.78	369,100.78	369,100.78	2012 - Water Rights Interest Fund
2012 Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	650,000.00	650,000.00	650,000.00	2012 - Water Rights Principal Fund
2012 Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	1,486,401.67	1,486,401.67	1,486,401.67	2012 - Water Rights Reserve Fund
2012 Lease Revenue Bonds	Union	3.230%	30-Sep-19	Demand	0.31	0.31	0.31	2012 - Water Rights Surplus Revenue Fund
2013 Refunding Lease Revenue Bonds	Union	0.640%	30-Sep-19	Demand	1.57	1.57	1.57	2005 Civic Plaza - Revenue Fund
2013 Refunding Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	226,846.91	226,846.91	226,846.91	2005 Civic Plaza - Interest Fund
2013 Refunding Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	335,000.00	335,000.00	335,000.00	2005 Civic Plaza - Principal Fund
2013 Refunding Lease Revenue Bonds	Union	2.100%	30-Sep-19	Demand	1,176,884.14	1,176,884.14	1,176,884.14	2005 Civic Plaza - Reserve Fund
2013 Refunding Lease Revenue Bonds	Union	3.230%	30-Sep-19	Demand	0.31	0.31	0.31	2005 Civic Plaza - Surplus Rev Fund
2014 CFD 2005-1 Refunding	Union	2.090%	30-Sep-19	Demand	279.83	279.83	279.83	2014 CFD 05-1 - Special Tax Fund
2014 CFD 2005-1 Refunding	Union	2.100%	30-Sep-19	Demand	1,433,427.80	1,433,427.80	1,433,427.80	2014 CFD 05-1 - Reserve Fund
2014 CFD 2005-1 Refunding	Union	2.100%	30-Sep-19	Demand	23,666.09	23,666.09	23,666.09	2014 CFD 05-1 Administrative Expense Bonds
Deposits - Workers' Comp	PERMA	n/a	30-Sep-19	n/a	1,266,513.80	1,266,513.80	1,266,513.80	GL 1352
Total Unaudited Investments under the direction of fiscal agents					\$ 6,968,123.52	6,968,123.52	6,968,123.52	

Please Note: All market value data is provided courtesy of the City's fiscal agents,
Union Bank of California & Bank of New York (BNY) Trust Company.

I certify that this investment portfolio is in compliance with the statement of investment policy of the City of Hesperia and the investment program provides sufficient liquidity to meet expenditure requirements for the next six months, as required by the California Government Code sections 53646(b)(2) and (3), respectively.

* Note: 2005 Certificates of Participation began in May 2005 for the financing of the Civic Plaza.


Virginia Villasenor, Senior Accountant

Investment Report

Unaudited

September 30, 2019

Type of Investment	Issuer/ Institution	Interest Rate	Date of Purchase	Date of Maturity	Par Value at Maturity	Book Value	Market Value	Account Description
Investments under the direction of the City:								
Local Agency Investment Funds	State of Calif.	2.280%	30-Sep-19	Demand	\$ 1,303,152.24	\$ 1,303,152.24	1,303,152.24	
Money Market	Bank of the West	1.420%	30-Sep-19	Demand	279,975.28	279,975.28	279,975.28	
Citizens Business Bank Checking	Citizens Bus Bank	n/a	30-Sep-19	Demand	28,075.79	28,075.79	28,075.79	
Total Unaudited Investments under the direction of the City					\$ 1,611,203.31	\$ 1,611,203.31	\$ 1,611,203.31	

Investments under the direction of fiscal agents:

2018 Refunding Bonds	Union	0.000%	30-Sep-19	Demand	1.00	1.00	1.00	2018A & 2018B - Debt Service Account
2018 Refunding Bonds	Union	1.950%	30-Sep-19	Demand	3,979.65	3,979.65	3,979.65	2018A & 2018B - Interest Account
2018 Refunding Bonds	Union	0.000%	30-Sep-19	Demand	1.00	1.00	1.00	2018A & 2018B - Reserve Account
Total Unaudited Investments under the direction of fiscal agents					\$ 3,981.65	\$ 3,981.65	\$ 3,981.65	

Please Note: All market value data is provided courtesy of the City's fiscal agent
Union Bank of California.

I certify that this investment portfolio is in compliance with the statement of investment policy of the City of Hesperia and the investment program provides sufficient liquidity to meet expenditure requirements for the next six months, as required by the California Government Code sections 53646(b)(2) and (3), respectively.

* Note: The 2005 and 2007 Series Bonds were refinanced to 2018 Series Bonds in November 2018.


Virginia Villaseñor, Senior Accountant

Investment Report

Unaudited

September 30, 2019

<u>Type of Investment</u>	<u>Issuer/ Institution</u>	<u>Interest Rate</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Par Value at Maturity</u>	<u>Book Value</u>	<u>Market Value</u>
Investments under the direction of the City:							
Local Agency Investment Funds	State of California	2.280%	30-Sep-19	Demand	\$ 4,252,929.01	4,252,929.01	4,252,929.01
Money Market	Bank of the West	1.420%	30-Sep-19	Demand	913,719.02	913,719.02	913,719.02
Citizens Business Bank Checking	Citizens Business Bank	n/a	30-Sep-19	Demand	91,627.34	91,627.34	91,627.34
Total Unaudited Investments under the direction of the City					\$ 5,258,275.37	\$ 5,258,275.37	\$ 5,258,275.37

I certify that this investment portfolio is in compliance with the statement of investment policy of the City of Hesperia and the investment program provides sufficient liquidity to meet expenditure requirements for the next six months, as required by the California Government Code sections 53646(b)(2) and (3), respectively.


Virginia Villasenor, Senior Accountant

Investment Report**Unaudited**September 30, 2019

<u>Type of Investment</u>	<u>Issuer/ Institution</u>	<u>Interest Rate</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Par Value at Maturity</u>	<u>Book Value</u>	<u>Market Value</u>
Investments under the direction of the City:							
Local Agency Investment Funds	State of California	2.280%	30-Sep-19	Demand	\$ (850,215.64)	(850,215.64)	(850,215.64)
Money Market	Bank of the West	1.420%	30-Sep-19	Demand	(182,664.28)	(182,664.28)	(182,664.28)
Citizens Business Bank Checking	Citizens Business Bank	n/a	30-Sep-19	Demand	(18,317.49)	(18,317.49)	(18,317.49)
Total Unaudited Investments under the direction of the City					\$ (1,051,197.41)	\$ (1,051,197.41)	\$ (1,051,197.41)

I certify that this investment portfolio is in compliance with the statement of investment policy of the City of Hesperia and the investment program provides sufficient liquidity to meet expenditure requirements for the next six months, as required by the California Government Code sections 53646(b)(2) and (3), respectively.


Virginia Villasenor, Senior Accountant

Hesperia Water District
Investment Report
Unaudited
September 30, 2019

<u>Type of Investment</u>	<u>Issuer/ Institution</u>	<u>Interest Rate</u>	<u>Date of Purchase</u>	<u>Date of Maturity</u>	<u>Par Value at Maturity</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Account Description</u>
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Investments under the direction of the City:

Local Agency Investment Funds	State of California	2.280%	30-Sep-19	Demand	\$ 6,837,295.54	6,837,295.54	6,837,295.54	
Money Market	Bank of the West	1.420%	30-Sep-19	Demand	1,468,956.33	1,468,956.33	1,468,956.33	
Citizens Business Bank Checking	Citizens Business Bank	n/a	30-Sep-19	Demand	147,306.28	147,306.28	147,306.28	
Total Unaudited Investments under the direction of the City					\$ 8,453,558.15	\$ 8,453,558.15	\$ 8,453,558.15	

Investments under the direction of fiscal agents:

First American Treas - Money Market	US Bank	0.000%	30-Sep-19	Demand	9,115.64	9,115.64	9,115.64	98 A - 95453340
First American Treas - Money Market	US Bank	0.000%	30-Sep-19	Demand	32.95	32.95	32.95	98 A - 95453341
98 A Dep w/Trustee - Collateral	Bank of America	2.400%	30-Sep-19	Demand	1,880,000.00	1,880,000.00	1,880,000.00	GL 1319
Deposits - Workers' Comp	PERMA	n/a	30-Sep-19	n/a	650,626.91	650,626.91	650,626.91	GL 1352
Deposits w/Other Agencies	Various	n/a	30-Sep-19	n/a	0.00	0.00	0.00	GL 1350
Total Unaudited Investments under the direction of fiscal agents					\$ 2,539,775.50	\$ 2,539,775.50	\$ 2,539,775.50	

Please Note: All market value data is provided courtesy of the City's fiscal agents
Bank of New York (BNY) Trust Company and US Bank.

I certify that this investment portfolio is in compliance with the statement of investment policy of the City of Hesperia and the investment program provides sufficient liquidity to meet expenditure requirements for the next six months, as required by the California Government Code sections 53646(b)(2) and (3), respectively.


Virginia Villasenor, Senior Accountant

City of Hesperia STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members
City Council, as Successor Agency to the Hesperia Community Redevelopment Agency
Chair and Commissioners, Hesperia Housing Authority
Chair and Commissioners, Community Development Commission
Chair and Board Members, Hesperia Fire Protection District
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Anne Duke, Deputy Finance Director
Virginia Villasenor, Senior Accountant

SUBJECT: 2019-20 Statement of Investment Policy

RECOMMENDED ACTION

It is recommended that the Council/Board/Commission adopt Joint Resolution No. 2019-043, Successor Agency to the Hesperia Community Redevelopment Agency Resolution No. SA 2019-01, Hesperia Housing Authority Resolution No. HHA 2019-05, Community Development Commission Resolution No. CDC 2019-05, Hesperia Fire Protection District Resolution No. HFPD 2019-06, and Hesperia Water District Resolution No. HWD 2019-09, amending the Fiscal Year 2019-20 Statement of Investment Policy.

BACKGROUND

The City Treasurer is authorized to invest public funds in accordance with California Government Code Sections 53600 et seq. and 5922(d). The Statement of Investment Policy (Policy) that guides the investment activity of the City, Successor Agency to the Hesperia Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, Fire District, and Water District was adopted by the City Council as required by Senate Bill 564. Government Code Section 53646, added by the same bill, also requires that the City Council review and adopt the Policy annually. External auditors of the Council / Agency / Authority / Commission / Districts also review the Statement of Investment Policy during the annual financial audit process.

ISSUES/ANALYSIS

All funds under the control of the City Treasurer that are available for investment are currently placed with the State Local Agency Investment Fund (L.A.I.F.) and a money market account opened with Bank of the West in September 2013. The quarterly interest rates on funds invested with L.A.I.F. for the last four fiscal years are provided below:

<u>Interest Rate</u>	<u>September</u>	<u>December</u>	<u>March</u>	<u>June</u>	<u>Annual Averages</u>
Fiscal Year 2015-16	0.32%	0.37%	0.46%	0.55%	0.43%
Fiscal Year 2016-17	0.60%	0.68%	0.78%	0.92%	0.75%
Fiscal Year 2017-18	1.07%	1.20%	1.51%	1.90%	1.42%
Fiscal Year 2018-19	2.16%	2.40%	2.55%	2.57%	2.42%

Fiscal Year (FY) 2018-19 L.A.I.F. interest rates are at or above the rate of return of short-term investments (three - month maturity) of similar safety rating as demonstrated in the following chart provided from the Federal Reserve

US Government Securities Rate of Interest with a three - month maturity
per the Federal Reserve System

<u>Interest Rate</u>	<u>September</u>	<u>December</u>	<u>March</u>	<u>June</u>	<u>Federal Annual Averages</u>
Fiscal Year 2015-16	0.04%	0.13%	0.29%	0.26%	0.18%
Fiscal Year 2016-17	0.30%	0.43%	0.61%	0.91%	0.56%
Fiscal Year 2017-18	1.05%	1.23%	1.58%	1.87%	1.43%
Fiscal Year 2018-19	2.07%	2.36%	2.44%	2.35%	2.31%

The advantage of investing in L.A.I.F is that the funds are available the same day, based upon the cash management needs of the City. L.A.I.F. is part of the Pooled Money Investment Account that was created by statute and governed by a five-member board chaired by the State Treasurer. Under Government Code Section 16429.3, funds deposited are excluded from being transferred or seized by any State Agency. The FY 2019-20 Budget assumes an annual average interest rate of 2.49%. Due to grant/loan-funded construction projects included in the FY 2019-20 Budget such as the Recycled Water Distribution System, which reimburse for actual expenditures, the ability to draw funds same day (free of penalties) to pay peak cash flow obligations is important in the City's ability to effectively manage cash for City operations. For this reason, continued investments with LAIF are recommended.

In September 2013, the City invested \$7.5 million in a money market account with Bank of the West, as part of a letter of credit agreement that is needed for an existing variable rate debt issue. This investment earned an average return of 1.54% for Fiscal Year 2018-19. In order to achieve a more competitive rate from this investment, other securities authorized by this policy will be examined, with primary emphasis on safety and liquidity, consistent with this policy and California Local Agency Investment Guidelines.

The Statement of Investment Policy has been reviewed by staff to ensure it continues to conform to the Association of Public Treasurers of the United States and Canada Model Investment Policy and California Local Agency Investment Guidelines. There was one approved change to the local agency investment codes during the 2018 Legislative session. The *2019 Local Agency Investment Guidelines* presented by the California Debt and Investment Advisory Commission (the 2019 Guidelines) included an update to the Government Code Section 53601(o) Mortgage Pass-through Securities. Section 53601(o) amends the statutory maximum maturity requirements from five years to a maximum remaining maturity of five years or less for asset-backed securities and eliminates the securities issuer rating. It should be noted that this change does not impact Hesperia's Statement of Investment Policy, as investments such as these are not authorized under the City's Investment Policy. Lastly, the *2019 Local Agency Investment Guidelines* has a new section (Index of Statutory Changes Effective 1996 to Present), which includes an index of local investment related legislative changes from 1996 to Present, but the index does not require an update to the City's Policy.

As such, there are no substantive changes to the City's FY 2019-20 Policy. However, the dates referenced in the Policy have been updated to reflect that the Policy has been reviewed for any potential impact in statutory changes. These date changes to the Policy are as shown in a "track changes" version (Attachment 2) of the draft Statement of Investment Policy for Fiscal Year 2019-20. These changes have also been included in the "clean" version (Attachment 1) of the FY 2019-20 Policy and are recommended for approval.

FISCAL IMPACT

Adoption of the Statement of Investment Policy has no direct financial impact on the City's Budget.

ALTERNATIVE(S)

1. Failure to adopt a Statement of Investment Policy would result in an audit exception and the requirement to advise investors of the deviation from statutory requirements.
2. Provide alternative direction to staff.

ATTACHMENT(S)

1. Statement of Investment Policy for Fiscal-Year 2019-20 (clean)
2. Statement of Investment Policy for Fiscal-Year 2019-20 (track changes)
3. Joint Resolution No. 2019-043, SA 2019-01, HHA 2019-05, CDC 2019-05, HFPD 2019-06, and HWD 2019-09

Attachment #1

City of Hesperia

**STATEMENT
OF
INVESTMENT
POLICY**

FISCAL YEAR 2019-20



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**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

I. POLICY

This Statement of Investment Policy while conforming to all applicable statutes at the time of adoption is intended to provide guidelines under the “prudent investor” rule, for the investment of public funds, and outline the policies for maximizing the effectiveness and efficiency of Hesperia’s cash management system. The goal is twofold: one is to enhance the economic status of Hesperia while preserving its capital resources; the second is to provide guidelines for authorized investments.

II. SCOPE

The City Treasurer is authorized to invest public funds in accordance with California Government Code (CGC) Sections 53600 et seq. and 5922 (d). This investment policy applies to all financial assets and investment activities of the City of Hesperia and includes, but is not limited to, the following funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Agency Fund
- Any new fund, unless specifically exempted

This policy, however, specifically excludes employees’ retirement, pension and deferred compensation funds. Additionally, moneys held by a trustee or fiscal agent shall be governed by CGC Sections 53601 (m) and 5922 (d).

III. PRUDENCE

All moneys entrusted to the City Treasurer will be pooled in an actively managed portfolio. The City of Hesperia shall participate in standards within the content of the Standard as set forth in CGC Section 53600.3 which states in part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care; skill and prudence and diligence under the circumstances then prevailing, that a prudent investor acting in like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the agency.”

Section 53600.3 of the government code declares each person, treasurer, or governing body authorized to make investment decisions on behalf of local agencies to be a *trustee*, and therefore, a *fiduciary* subject to the *prudent investor standard*. These persons shall act with care, skill and diligence under the circumstances then prevailing when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. Section 53600.5 further stipulates that the primary objective of any person investing funds is to safeguard principal; secondly, to meet liquidity needs; and lastly, to achieve a return or yield on invested funds.

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

IV. OBJECTIVE

The City's treasury management system is designed to monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield available, while investments meet the criteria established for safety, liquidity, and yield, in that order of priority.

A. SAFETY

Safety of principal is the foremost objective of the City of Hesperia. Each investment transaction shall seek to ensure capital losses are avoided, whether from securities default, rating downgrades, broker-dealer defaults, or erosion of market value. The City of Hesperia shall seek the preservation of capital by mitigating two types of risk: credit risk and market risk.

1. Credit risk is the risk of loss due to failure of the issuer and is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of any one issuer would not materially affect the cash flow of the City.
2. Market risk is the risk of market value fluctuations due to changes in the general level of interest rates, and shall be mitigated by limiting the average maturity of the City's investment portfolio to three and one-half years, and the maximum maturity of any one security to five years. Market risk shall also be mitigated by structuring the portfolio so maturing securities match cash outflows, eliminating the need to sell securities prior to their maturity, and to avoid taking positions in securities for the purpose of selling those securities within a short period of time in order to realize a short term profit. It is recognized that within a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall return on the investment.

B. LIQUIDITY

The City of Hesperia's investment portfolio will remain satisfactorily liquid to enable the City to meet all anticipated and operating cash flow requirements.

C. MATURITY MATRIX

Maturities of investments will be selected based on liquidity requirements in order to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored, and the portfolio will be invested accordingly. As a general investment guideline, the following percentages of the pooled portfolio should be utilized in the investment maturity sectors:

<u>Maturity Range</u>	<u>Suggested Percentage</u>
Less than 1 year	0 to 100%
1 - 3 years	0 to 50%
3 - 5 years	0 to 50%

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

D. DIVERSIFICATION

The City of Hesperia's investment pool will be diversified to avoid incurring unreasonable and avoidable risks. The investments will be diversified by security type and institution. Regarding specific security types indicated in Section XV of this Investment Policy, no more than 10% of the City's portfolio will be placed with any single private financial institution.

E. RETURN ON INVESTMENTS

The City of Hesperia's investment portfolio shall be designed to attain a market rate of return throughout economic cycles. Whenever possible with respect to budgetary and cash flow requirements, and consistent with risk limitations and prudent investment principles, the City Treasurer shall seek to augment returns above the market rate of return.

V. MAXIMUM MATURITIES

The City of Hesperia will match its investments with anticipated cash flow requirements. Per California Government Code Sections 53601 et seq., maximum maturities shall not exceed five (5) years. The average maturity of funds should not exceed 1,275 days (3.5 years), and the cash flow requirements shall prevail at all times.

VI. PERFORMANCE STANDARDS

The City's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Hesperia's investment risk constraints and cash flow requirements.

The City of Hesperia will operate in an active capacity in the investment strategy. The benchmark to be used by the City Treasurer to determine whether market yields are achieved shall be the State of California Local Agency Investment Fund (L.A.I.F.).

VII. DELEGATION AND GRANTS OF AUTHORITY

Management responsibility for the investment program is delegated to the City Treasurer (Director of Finance) who shall establish written procedures and policies for the operation of the investment program consistent with this investment policy.

No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The procedures established by the City Treasurer shall contain internal accounting controls specifying delegation and grants of authority for the verification and recording of investment transactions to regulate the activities of subordinate representatives.

In the absence of the City Treasurer, the authority to direct investment transactions affecting City moneys will be restricted to the Deputy Finance Director as to maturity, investment instrument, and dollar size of the investment.

**CITY OF HESPERIA
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VIII. INVESTMENT COMMITTEE

The City of Hesperia City Council shall act as the investment committee consisting of five (5) Council members to include the Mayor and four (4) Council Members as elected by the people; to provide general oversight and guidance concerning the investment policy related to the management of the City's investment pool. The committee shall meet monthly to review the Treasurer's Cash Report.

IX. ETHICS AND CONFLICT OF INTEREST

The City Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The City Treasurer and all investment personnel shall disclose to the City Attorney any material financial interests in financial institutions that conduct business within the jurisdiction, and shall disclose any material financial investment positions that could be related in a conflicting manner to the performance of the City of Hesperia's investment portfolio.

The City Treasurer shall complete on an annual basis, State of California Form 721, Statement of Economic Interests Disclosure.

X. SAFEKEEPING AND CUSTODY AGREEMENTS

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City shall be kept in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All securities will be received and delivered using standard delivery versus payment procedures with the City's custodial bank, and evidenced by safekeeping receipts. Custodial statements are reconciled to transaction schedules by the Deputy Finance Director on a monthly basis.

XI. INTERNAL CONTROLS

Separation of duties among the employees involved in investment activities are designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts on a monthly basis.

An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies and procedures.

XII. FINANCIAL REPORTING

Under provision of Section 53646 of the California Government Code, the City Treasurer may render a quarterly or monthly report to the City Council, providing the

CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY

type of investment, financial institution from which the investment was purchased, the date of maturity, the date upon which the investment becomes subject to redemption provisions, amount (to include both par and book value) of the investment, and the current market value of all investments. The report shall also include the source of the market value. Additionally, the report shall also include the rate of interest, accrued interest earned, the amortized portion of the investment purchased at a premium or discount, and other data so required by the City Council or by amendment to the above section of California Government Code and its successors. The report shall include a statement denoting the City's ability to meet its expenditure requirements for the following six month period, or an explanation as to why sufficient moneys will not be available. Additionally, the City Treasurer shall state whether the City is in compliance with its investment policy and shall sign the Treasurer's Report. Pursuant to Section 53607, local agency treasurers to whom the authority to invest or reinvest funds or to sell or exchange securities has been delegated by the legislative body of a local agency are required to submit a monthly report of transactions to the legislative body. The City renders a monthly Treasurer's Report to the City Council.

XIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City of Hesperia shall transact business only with banks, savings and loan institutions, and registered investment securities dealers, managers, and advisors. The dealers should either be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers qualifying under the Securities and Exchange Commission Rule 15C3-1.

The City Treasurer shall send a copy of the current Statement of Investment Policy to all dealers approved to do business with the City of Hesperia. Confirmation of the dealer's understanding of the City's investment policy shall be provided in writing by the dealer.

The City Treasurer shall examine financial institutions that wish to perform business with the City, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the City's financial investment universe and agree to comply with the conditions set forth in the City of Hesperia's Statement of Investment Policy.

XIV. COLLATERAL REQUIREMENTS

Collateralization is required for investments of public deposits in Certificates of Deposits (in excess of the FDIC insured amount) and all Repurchase Agreements. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest of eligible securities for Certificate of Deposit. The percentage of collateralization on repurchase agreements shall adhere to CGC Section 53601 (i) (2).

In order to conform with provisions of the Federal Bankruptcy Code, which provides for the liquidation of securities held as collateral for Repurchase Agreements, the only securities acceptable as collateral shall be eligible Negotiable Certificates of Deposit, eligible Banker's Acceptances, or securities that are fully guaranteed as to principal and interest by the United States or by any agency of the United States government. All securities held as collateral shall have a maximum maturity of five (5) years.

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STATEMENT OF INVESTMENT POLICY**

XV. AUTHORIZED AND ACCEPTABLE INVESTMENTS

The City of Hesperia is subject to California Government Code, Section 53601 et seq. Within the context of the governing language, the following investments are authorized and accepted as defined:

A. United States Treasury Bills, Notes and Bonds - Maximum of 100%

United States Treasury Bills, Notes, and Bonds, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio, which can be invested in the category.

B. Obligations issued by the Federal Government, State of California or California Local Agency - Maximum of 100%

Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), Student Loan Marketing Association (SLMA), State of California or California Local Agency. Although there is no percentage limitation on "governmental agency" issues, the prudent investor standard shall apply for a single agency name.

C. Bankers' Acceptances - Maximum of 25%

Bankers' Acceptances (BAs) otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of Bankers' Acceptances shall not exceed 180 days' maturity or 25% of the market value of the portfolio. No more than 5% of the market value of the portfolio may be invested in Bankers' Acceptances issued by any one commercial bank.

D. Commercial Paper - Maximum of 15%

Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph 1 or 2:

1. The entity meets the following criteria:

- a) Is organized and operating in the United States as a general corporation.
- b) Has total assets in excess of five hundred million dollars (\$500,000,000).
- c) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

2. The entity meets the following criteria:

- a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.

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- b) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.
- c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Commercial Paper purchases shall have a maximum maturity of 270 days or less and cannot exceed 15% of the market value of the portfolio (30% if the dollar weighted average maturity of all commercial paper does not exceed 31 days). Purchase of commercial paper may not exceed 10% of outstanding paper of an issuing corporation.

E. Negotiable Certificates of Deposit - Maximum of 25%

Negotiable Certificates of Deposit (NCD) issued by a nationally or state-chartered bank or a state or federal savings and loan association. Pursuant to CGC 53601 (i) and 53638, the NCD must meet the following criteria:

- 1. The deposit should not exceed the shareholder's equity of any depository bank. The shareholder's equity shall be determined in accordance with Section 118 of the Financial Code, but shall be deemed to include capital notes and debentures.
- 2. The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.
- 3. The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.
- 4. The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

Purchases of negotiable certificates of deposits may not exceed 25% of the market value of the portfolio. A maturity limitation of five (5) years is applicable on NCDs.

F. Repurchase Agreements - Maximum of 20%

The City may invest in Repurchase Agreements with banks and dealers with which the City has entered into a Master Repurchase Agreement which specifies terms and conditions of Repurchase Agreements. A signed copy of

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the Master Repurchase Agreement shall be required from the authorized financial dealer prior to the execution of any applicable transaction. The maturity of Repurchase Agreements shall not exceed one year. The market value of securities used as collateral for Repurchase Agreements shall be monitored daily, and will not be allowed to fall below 102% of the value of the Repurchase Agreement as set forth in CGC Section 53601 (j) (2).

G. Local Agency Investment Fund - Maximum of \$65 million per account

The City may invest in the Local Agency Investment Fund (L.A.I.F.) established by the State Treasurer, for the benefit of local agencies, up to the maximum permitted by State law, which is currently \$65 million dollars per account. There is no limitation as to the percentage of the portfolio a local agency can invest in L.A.I.F. under CGC 16429.1, which allows a local agency to remit to the Treasurer any money not required for immediate needs and gives the agency the exclusive determination of the length of time its money will be on deposit with the Treasurer.

H. Medium Term Notes - Maximum of 30%

Medium Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. No more than 30% of the market value of the portfolio may be invested in Medium-Term Notes pursuant to CGC 53601 (k).

I. Mutual and Money Market Funds - Maximum of 20%

Shares of beneficial interest issued by diversified management companies that are funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as defined in Section 53601 (l) of the California Government Code. For securities and obligations investments above two hundred fifty thousand dollars (\$250,000), the investments must comply with the investment restrictions pursuant to Section 53601 (l), companies shall either:

1. Attain the highest ranking or the highest letter and numerical ranking provided by not less than two NRSROs.
2. Retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this section shall not include any commission that these companies may charge and shall not exceed 20% of the agency's moneys that may be invested in mutual funds. In addition, no more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund. Further, the City may invest only in mutual and money market funds which have an

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average maturity of 90 days or less per Securities & Exchange Commission regulations.

3. All positions in government-sponsored investment pools and permitted mutual and money market funds (per Sections G and I, above) shall be subject to periodic review by the City Treasurer, or a designee thereof, in order to ensure that the moneys in question are managed in a manner consistent with the standards and objectives set forth elsewhere in this Policy.

J. Collateralized Bank Deposits - Maximum of 10%

The City may invest in collateralized bank deposits in the form of notes, bonds, or other obligations which are at all times secured by a valid first priority security interest. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or Federal regulations applicable to the types of securities in which the security interest is placed. For purposes of Time Deposits issued by financial institutions, the City may not invest more than 10% of the market value of the portfolio in this category. The maximum term of investment is five (5) years, unless otherwise approved by City Council. To exceed the five year maturity limit, the authority must be approved by the City Council at least three months prior to the purchase of any security exceeding the five-year maturity limit.

K. Investment Pools - Maximum of 30%

Investment structures other than L.A.I.F., rated AA or higher, incorporating investment pools permitted in California Government Code Sections 53601, 53635, and 5922 (d).

L. Municipal Bonds - Maximum of 10%

The City may invest in bonds issued by a state or local government agency. Bonds eligible for investment shall be rated in a rating category of "A" or its equivalent or better by an NRSRO.

M. Bonds Issued by the City of Hesperia – Maximum of 25%

The City may acquire its own bonds, pursuant to Section 53601 (a) and (d), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

N. Supranational Obligations – Maximum of 30%

Pursuant to Government Code Section 53601 (q), the City may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated in a rating category of "AA" or its equivalent or

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better by an NRSRO and shall not exceed 30 percent of the City's moneys that may be invested pursuant to this section.

Summary of Maximum % Limitations of Investments by Investment Type:

The following summary of maximum percentage limits, by investment type, is established for the City's total pooled funds portfolio:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. & State or Local Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None
Medium-Term Notes	5 years	30%	None
Mutual & Money Market Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 years	10%	None
Supranational Obligations	5 years	30%	None

XVI. PROHIBITED INVESTMENTS

In accordance with CGC Section 53601.6, the City will not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. Additionally, the City will not invest any funds in reverse repurchase agreements, mortgage pass-through securities or collateralized mortgage obligations currently permitted under CGC Section 53601. Further, per the Securities and Exchange Commission (SEC), local governments do not qualify as Qualified Institutional Buyers (QIBs) and are not allowed to purchase Rule 144A securities. As such, the City will not invest in Rule 144A securities.

XVII. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the City of Hesperia's Investment Policy, and supersede any and all previous applicable language.

XVIII. INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated on a quarterly basis to various fund accounts where required by law based on the cash balance in each fund as a percentage of the entire pooled portfolio. However,

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accounts requiring full liquidity will receive their proportional distribution of moneys based on the lower of pooled or overnight rates.

XIX. LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater the potential for market price volatility, therefore, it is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

- A. All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.
- B. Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.
- C. All long-term securities will be purchased with the intent to hold all investments to maturity under then-prevailing economic conditions. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

XX. PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principles. The objectives will be achieved by use of the following strategies:

- A. Active Portfolio Management Through active fund and cash flow management taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio (not to exceed 1,275 days).
- B. Portfolio Maturity Management When structuring the maturity composition of the portfolio, the City shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.
- C. Security Swaps The City may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the City's permanent investment file documents.
- D. Competitive Bidding It is the policy of the City to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities, and the sale of all securities, at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio

CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY

constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

XXI. INVESTMENT POLICY REVIEW

This Statement of Investment Policy is intended to conform to all applicable statutes at the time of adoption. The Investment Policy shall be reviewed and approved annually by the City Council at a public meeting to ensure consistency with the overall objectives of the preservation of capital, liquidity, and return of the portfolio. The Investment Policy shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the City of Hesperia.

Investment operations are reviewed monthly during the reconciliation process of investment transactions to the third party statements, and by the Management Services Department in the proof of cash process. The investment portfolio is audited annually by the City's independent auditors which shall include a review for compliance with the City's Statement of Investment Policy.

XXII. INDEMNIFICATION OF INVESTMENT OFFICIALS

Any investment officer exercising his or her assigned authority with due diligence and prudence, and in accordance with the City's Investment Policy, will not be held personally liable for any individual investment losses or for total portfolio losses.

Casey Brooksher
City Treasurer, City of Hesperia

Date

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE: A draft of bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of bill, as well as the issuer.

BID: The price offered by a buyer of securities.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also, refers to securities pledged by a bank to secure deposits of public monies.

COLLATERIALIZED MORTGAGE OBLIGATION: A security backed by a pool of pass through rates, structured so that there are several classes of bondholders with varying maturities, called tranches. The principal payments from the underlying pool of pass through securities are used to retire the bonds on a priority basis as specified in the prospectus.

DERIVATIVE: Contracts, such as options and futures, whose price is derived from the price of an underlying financial asset.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The interest rate that banks with excess reserves charge other banks that need overnight loans.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., and 12 regional banks. It is responsible for regulating monetary policy.

INTEREST-ONLY STRIP: A security based solely on the interest payments from a pool of mortgages, Treasury Bonds, or other bonds. Once the principal on the mortgages or bonds has been repaid, interest payments stop and the value of the interest-only strip falls to zero.

INVERSE FLOATER: A derivative instrument whose coupon rate is linked to the market rate of interest in an inverse relationship.

INVESTMENT POOL: The aggregate of all funds from political subdivisions that are placed in the custody of the Treasurer for investment.

**CITY OF HESPERIA
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GLOSSARY

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size and can be done at those quotes.

MARKET RISK: The risk that the value of investments may decline over a given time period due to economic changes or other events that impact large portions of the market.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

MORTGAGE PASS-THRU SECURITY: A security created when one or more mortgage holders form a collection (pool) of mortgages sells shares or participation certificates in the pool. The cash flow from the collateral pool is passed through to the security holder as monthly payments of principal, interest, and prepayments.

PORTFOLIO: Collection of securities held by an investor.

PRUDENT PERSON RULE: An investment standard. The trustee may invest in a security that someone in that same position would seek as reasonable income and preservation of capital.

REPURCHASE AGREEMENTS: An agreement with a commitment by the seller (dealer) to buy a security back from the purchaser (customer) at a specified price at a designated future date.

REVERSE REPURCHASE AGREEMENT: Refers to a repurchase agreement. From the customer's perspective, the customer provides a collateralized loan to the seller.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

Attachment #2

City of Hesperia

**STATEMENT
OF
INVESTMENT
POLICY**

FISCAL YEAR ~~2018-19~~2019-20



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**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

I. POLICY

This Statement of Investment Policy while conforming to all applicable statutes at the time of adoption is intended to provide guidelines under the “prudent investor” rule, for the investment of public funds, and outline the policies for maximizing the effectiveness and efficiency of Hesperia’s cash management system. The goal is twofold: one is to enhance the economic status of Hesperia while preserving its capital resources; the second is to provide guidelines for authorized investments.

II. SCOPE

The City Treasurer is authorized to invest public funds in accordance with California Government Code (CGC) Sections 53600 et seq. and 5922 (d). This investment policy applies to all financial assets and investment activities of the City of Hesperia and includes, but is not limited to, the following funds:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Agency Fund
- Any new fund, unless specifically exempted

This policy, however, specifically excludes employees’ retirement, pension and deferred compensation funds. Additionally, moneys held by a trustee or fiscal agent shall be governed by CGC Sections 53601 (m) and 5922 (d).

III. PRUDENCE

All moneys entrusted to the City Treasurer will be pooled in an actively managed portfolio. The City of Hesperia shall participate in standards within the content of the Standard as set forth in CGC Section 53600.3 which states in part:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care; skill and prudence and diligence under the circumstances then prevailing, that a prudent investor acting in like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the agency.”

Section 53600.3 of the government code declares each person, treasurer, or governing body authorized to make investment decisions on behalf of local agencies to be a *trustee*, and therefore, a *fiduciary* subject to the *prudent investor standard*. These persons shall act with care, skill and diligence under the circumstances then prevailing when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing funds. Section 53600.5 further stipulates that the primary objective of any person investing funds is to safeguard principal; secondly, to meet liquidity needs; and lastly, to achieve a return or yield on invested funds.

IV. OBJECTIVE

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

The City's treasury management system is designed to monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield available, while investments meet the criteria established for safety, liquidity, and yield, in that order of priority.

A. SAFETY

Safety of principal is the foremost objective of the City of Hesperia. Each investment transaction shall seek to ensure capital losses are avoided, whether from securities default, rating downgrades, broker-dealer defaults, or erosion of market value. The City of Hesperia shall seek the preservation of capital by mitigating two types of risk: credit risk and market risk.

1. Credit risk is the risk of loss due to failure of the issuer and is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of any one issuer would not materially affect the cash flow of the City.
2. Market risk is the risk of market value fluctuations due to changes in the general level of interest rates, and shall be mitigated by limiting the average maturity of the City's investment portfolio to three and one-half years, and the maximum maturity of any one security to five years. Market risk shall also be mitigated by structuring the portfolio so maturing securities match cash outflows, eliminating the need to sell securities prior to their maturity, and to avoid taking positions in securities for the purpose of selling those securities within a short period of time in order to realize a short term profit. It is recognized that within a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall return on the investment.

B. LIQUIDITY

The City of Hesperia's investment portfolio will remain satisfactorily liquid to enable the City to meet all anticipated and operating cash flow requirements.

C. MATURITY MATRIX

Maturities of investments will be selected based on liquidity requirements in order to minimize interest rate risk and maximize earnings. Current and expected yield curve analysis will be monitored, and the portfolio will be invested accordingly. As a general investment guideline, the following percentages of the pooled portfolio should be utilized in the investment maturity sectors:

<u>Maturity Range</u>	<u>Suggested Percentage</u>
Less than 1 year	0 to 100%
1 - 3 years	0 to 50%
3 - 5 years	0 to 50%

D. DIVERSIFICATION

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

The City of Hesperia's investment pool will be diversified to avoid incurring unreasonable and avoidable risks. The investments will be diversified by security type and institution. Regarding specific security types indicated in Section XV of this Investment Policy, no more than 10% of the City's portfolio will be placed with any single private financial institution.

E. RETURN ON INVESTMENTS

The City of Hesperia's investment portfolio shall be designed to attain a market rate of return throughout economic cycles. Whenever possible with respect to budgetary and cash flow requirements, and consistent with risk limitations and prudent investment principles, the City Treasurer shall seek to augment returns above the market rate of return.

V. MAXIMUM MATURITIES

The City of Hesperia will match its investments with anticipated cash flow requirements. Per California Government Code Sections 53601 et seq., maximum maturities shall not exceed five (5) years. The average maturity of funds should not exceed 1,275 days (3.5 years), and the cash flow requirements shall prevail at all times.

VI. PERFORMANCE STANDARDS

The City's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City of Hesperia's investment risk constraints and cash flow requirements.

The City of Hesperia will operate in an active capacity in the investment strategy. The benchmark to be used by the City Treasurer to determine whether market yields are achieved shall be the State of California Local Agency Investment Fund (L.A.I.F.).

VII. DELEGATION AND GRANTS OF AUTHORITY

Management responsibility for the investment program is delegated to the City Treasurer (Director of Finance) who shall establish written procedures and policies for the operation of the investment program consistent with this investment policy.

No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer. The procedures established by the City Treasurer shall contain internal accounting controls specifying delegation and grants of authority for the verification and recording of investment transactions to regulate the activities of subordinate representatives.

In the absence of the City Treasurer, the authority to direct investment transactions affecting City moneys will be restricted to the Deputy Finance Director as to maturity, investment instrument, and dollar size of the investment.

VIII. INVESTMENT COMMITTEE

**CITY OF HESPERIA
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The City of Hesperia City Council shall act as the investment committee consisting of five (5) Council members to include the Mayor and four (4) Council Members as elected by the people; to provide general oversight and guidance concerning the investment policy related to the management of the City's investment pool. The committee shall meet monthly to review the Treasurer's Cash Report.

IX. ETHICS AND CONFLICT OF INTEREST

The City Treasurer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The City Treasurer and all investment personnel shall disclose to the City Attorney any material financial interests in financial institutions that conduct business within the jurisdiction, and shall disclose any material financial investment positions that could be related in a conflicting manner to the performance of the City of Hesperia's investment portfolio.

The City Treasurer shall complete on an annual basis, State of California Form 721, Statement of Economic Interests Disclosure.

X. SAFEKEEPING AND CUSTODY AGREEMENTS

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City shall be kept in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and the City. All securities will be received and delivered using standard delivery versus payment procedures with the City's custodial bank, and evidenced by safekeeping receipts. Custodial statements are reconciled to transaction schedules by the Deputy Finance Director on a monthly basis.

XI. INTERNAL CONTROLS

Separation of duties among the employees involved in investment activities are designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts on a monthly basis.

An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies and procedures.

XII. FINANCIAL REPORTING

Under provision of Section 53646 of the California Government Code, the City Treasurer may render a quarterly or monthly report to the City Council, providing the type of investment, financial institution from which the investment was purchased, the date of maturity, the date upon which the investment becomes subject to redemption provisions,

**CITY OF HESPERIA
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amount (to include both par and book value) of the investment, and the current market value of all investments. The report shall also include the source of the market value. Additionally, the report shall also include the rate of interest, accrued interest earned, the amortized portion of the investment purchased at a premium or discount, and other data so required by the City Council or by amendment to the above section of California Government Code and its successors. The report shall include a statement denoting the City's ability to meet its expenditure requirements for the following six month period, or an explanation as to why sufficient moneys will not be available. Additionally, the City Treasurer shall state whether the City is in compliance with its investment policy and shall sign the Treasurer's Report. Pursuant to Section 53607, local agency treasurers to whom the authority to invest or reinvest funds or to sell or exchange securities has been delegated by the legislative body of a local agency are required to submit a monthly report of transactions to the legislative body. The City renders a monthly Treasurer's Report to the City Council.

XIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City of Hesperia shall transact business only with banks, savings and loan institutions, and registered investment securities dealers, managers, and advisors. The dealers should either be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers qualifying under the Securities and Exchange Commission Rule 15C3-1.

The City Treasurer shall send a copy of the current Statement of Investment Policy to all dealers approved to do business with the City of Hesperia. Confirmation of the dealer's understanding of the City's investment policy shall be provided in writing by the dealer.

The City Treasurer shall examine financial institutions that wish to perform business with the City, in order to confirm whether the participating financial institutions are satisfactorily capitalized, are market makers in securities appropriate to the City's financial investment universe and agree to comply with the conditions set forth in the City of Hesperia's Statement of Investment Policy.

XIV. COLLATERAL REQUIREMENTS

Collateralization is required for investments of public deposits in Certificates of Deposits (in excess of the FDIC insured amount) and all Repurchase Agreements. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest of eligible securities for Certificate of Deposit. The percentage of collateralization on repurchase agreements shall adhere to CGC Section 53601 (i) (2).

In order to conform with provisions of the Federal Bankruptcy Code, which provides for the liquidation of securities held as collateral for Repurchase Agreements, the only securities acceptable as collateral shall be eligible Negotiable Certificates of Deposit, eligible Banker's Acceptances, or securities that are fully guaranteed as to principal and interest by the United States or by any agency of the United States government. All securities held as collateral shall have a maximum maturity of five (5) years.

XV. AUTHORIZED AND ACCEPTABLE INVESTMENTS

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

The City of Hesperia is subject to California Government Code, Section 53601 et seq. Within the context of the governing language, the following investments are authorized and accepted as defined:

A. United States Treasury Bills, Notes and Bonds - Maximum of 100%

United States Treasury Bills, Notes, and Bonds, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio, which can be invested in the category.

B. Obligations issued by the Federal Government, State of California or California Local Agency - Maximum of 100%

Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), Student Loan Marketing Association (SLMA), State of California or California Local Agency. Although there is no percentage limitation on "governmental agency" issues, the prudent investor standard shall apply for a single agency name.

C. Bankers' Acceptances - Maximum of 25%

Bankers' Acceptances (BAs) otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of Bankers' Acceptances shall not exceed 180 days' maturity or 25% of the market value of the portfolio. No more than 5% of the market value of the portfolio may be invested in Bankers' Acceptances issued by any one commercial bank.

D. Commercial Paper - Maximum of 15%

Commercial Paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph 1 or 2:

1. The entity meets the following criteria:

- a) Is organized and operating in the United States as a general corporation.
- b) Has total assets in excess of five hundred million dollars (\$500,000,000).
- c) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by an NRSRO.

2. The entity meets the following criteria:

- a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
- b) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

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- c) Has commercial paper that is rated "A-1" or higher, or the equivalent, by an NRSRO.

Commercial Paper purchases shall have a maximum maturity of 270 days or less and cannot exceed 15% of the market value of the portfolio (30% if the dollar weighted average maturity of all commercial paper does not exceed 31 days). Purchase of commercial paper may not exceed 10% of outstanding paper of an issuing corporation.

E. Negotiable Certificates of Deposit - Maximum of 25%

Negotiable Certificates of Deposit (NCD) issued by a nationally or state-chartered bank or a state or federal savings and loan association. Pursuant to CGC 53601 (i) and 53638, the NCD must meet the following criteria:

1. The deposit should not exceed the shareholder's equity of any depository bank. The shareholder's equity shall be determined in accordance with Section 118 of the Financial Code, but shall be deemed to include capital notes and debentures.
2. The deposit shall not exceed the total of the net worth of any depository savings association or federal association, except that deposits not exceeding a total of five hundred thousand dollars (\$500,000) may be made to a savings association or federal association without regard to the net worth of that depository, if such deposits are insured or secured as required by law.
3. The deposit to the share accounts of any regularly chartered credit union shall not exceed the total of the unimpaired capital and surplus of the credit union, as defined by rule of the Commissioner of Financial Institutions, except that the deposit to any credit union share account in an amount not exceeding five hundred thousand dollars (\$500,000) may be made if the share accounts of that credit union are insured or guaranteed pursuant to Section 14858 of the Financial Code or are secured as required by law.
4. The deposit in investment certificates of a federally insured industrial loan company shall not exceed the total of the unimpaired capital and surplus of the insured industrial loan company.

Purchases of negotiable certificates of deposits may not exceed 25% of the market value of the portfolio. A maturity limitation of five (5) years is applicable on NCDs.

F. Repurchase Agreements - Maximum of 20%

The City may invest in Repurchase Agreements with banks and dealers with which the City has entered into a Master Repurchase Agreement which specifies terms and conditions of Repurchase Agreements. A signed copy of the Master Repurchase Agreement shall be required from the authorized financial dealer prior to the execution of any applicable transaction. The maturity of Repurchase Agreements shall not exceed one year. The market

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value of securities used as collateral for Repurchase Agreements shall be monitored daily, and will not be allowed to fall below 102% of the value of the Repurchase Agreement as set forth in CGC Section 53601 (j) (2).

G. Local Agency Investment Fund - Maximum of \$65 million per account

The City may invest in the Local Agency Investment Fund (L.A.I.F.) established by the State Treasurer, for the benefit of local agencies, up to the maximum permitted by State law, which is currently \$65 million dollars per account. There is no limitation as to the percentage of the portfolio a local agency can invest in L.A.I.F. under CGC 16429.1, which allows a local agency to remit to the Treasurer any money not required for immediate needs and gives the agency the exclusive determination of the length of time its money will be on deposit with the Treasurer.

H. Medium Term Notes - Maximum of 30%

Medium Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by an NRSRO. No more than 30% of the market value of the portfolio may be invested in Medium-Term Notes pursuant to CGC 53601 (k).

I. Mutual and Money Market Funds - Maximum of 20%

Shares of beneficial interest issued by diversified management companies that are funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as defined in Section 53601 (l) of the California Government Code. For securities and obligations investments above two hundred fifty thousand dollars (\$250,000), the investments must comply with the investment restrictions pursuant to Section 53601 (l), companies shall either:

1. Attain the highest ranking or the highest letter and numerical ranking provided by not less than two NRSROs.
2. Retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this section shall not include any commission that these companies may charge and shall not exceed 20% of the agency's moneys that may be invested in mutual funds. In addition, no more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund. Further, the City may invest only in mutual and money market funds which have an average maturity of 90 days or less per Securities & Exchange Commission regulations.
3. All positions in government-sponsored investment pools and permitted mutual and money market funds (per Sections G and I, above) shall

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be subject to periodic review by the City Treasurer, or a designee thereof, in order to ensure that the moneys in question are managed in a manner consistent with the standards and objectives set forth elsewhere in this Policy.

J. Collateralized Bank Deposits - Maximum of 10%

The City may invest in collateralized bank deposits in the form of notes, bonds, or other obligations which are at all times secured by a valid first priority security interest. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or Federal regulations applicable to the types of securities in which the security interest is placed. For purposes of Time Deposits issued by financial institutions, the City may not invest more than 10% of the market value of the portfolio in this category. The maximum term of investment is five (5) years, unless otherwise approved by City Council. To exceed the five year maturity limit, the authority must be approved by the City Council at least three months prior to the purchase of any security exceeding the five-year maturity limit.

K. Investment Pools - Maximum of 30%

Investment structures other than L.A.I.F., rated AA or higher, incorporating investment pools permitted in California Government Code Sections 53601, 53635, and 5922 (d).

L. Municipal Bonds - Maximum of 10%

The City may invest in bonds issued by a state or local government agency. Bonds eligible for investment shall be rated in a rating category of "A" or its equivalent or better by an NRSRO.

M. Bonds Issued by the City of Hesperia – Maximum of 25%

The City may acquire its own bonds, pursuant to Section 53601 (a) and (d), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

N. Supranational Obligations – Maximum of 30%

Pursuant to Government Code Section 53601 (q), the City may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 30 percent of the City's moneys that may be invested pursuant to this section.

Summary of Maximum % Limitations of Investments by Investment Type:

The following summary of maximum percentage limits, by investment type, is established for the City's total pooled funds portfolio:

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STATEMENT OF INVESTMENT POLICY**

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	100%	None
U.S. & State or Local Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	25%	5%
Commercial Paper	270 days	15%	10%
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
Local Agency Investment Fund (LAIF)	N/A	100%	None
Medium-Term Notes	5 years	30%	None
Mutual & Money Market Funds	N/A	20%	10%
Collateralized Bank Deposits	5 years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 years	10%	None
Supranational Obligations	5 years	30%	None

XVI. PROHIBITED INVESTMENTS

In accordance with CGC Section 53601.6, the City will not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. Additionally, the City will not invest any funds in reverse repurchase agreements, mortgage pass-through securities or collateralized mortgage obligations currently permitted under CGC Section 53601. Further, per the Securities and Exchange Commission (SEC), local governments do not qualify as Qualified Institutional Buyers (QIBs) and are not allowed to purchase Rule 144A securities. As such, the City will not invest in Rule 144A securities.

XVII. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into the City of Hesperia's Investment Policy, and supersede any and all previous applicable language.

XVIII. INTEREST EARNINGS

All moneys earned and collected from investments authorized in this policy shall be allocated on a quarterly basis to various fund accounts where required by law based on the cash balance in each fund as a percentage of the entire pooled portfolio. However, accounts requiring full liquidity will receive their proportional distribution of moneys based on the lower of pooled or overnight rates.

XIX. LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater the potential for market price volatility, therefore, it is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY

- A. All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.
- B. Maturity dates for long-term investments will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.
- C. All long-term securities will be purchased with the intent to hold all investments to maturity under then-prevailing economic conditions. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

XX. PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principles. The objectives will be achieved by use of the following strategies:

- A. Active Portfolio Management Through active fund and cash flow management taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced with limited and measurable increases in risk by extending the weighted maturity of the total portfolio (not to exceed 1,275 days).
- B. Portfolio Maturity Management When structuring the maturity composition of the portfolio, the City shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.
- C. Security Swaps The City may take advantage of security swap opportunities to improve the overall portfolio yield. A swap, which improves the portfolio yield, may be selected even if the transactions result in an accounting loss. Documentation for swaps will be included in the City's permanent investment file documents.
- D. Competitive Bidding It is the policy of the City to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities, and the sale of all securities, at least three bidders must be contacted. Competitive bidding for security swaps is also suggested, however, it is understood that certain time constraints and broker portfolio limitations exist which would not accommodate the competitive bidding process. If a time or portfolio constraining condition exists, the pricing of the swap should be verified to current market conditions and documented for auditing purposes.

XXI. INVESTMENT POLICY REVIEW

This Statement of Investment Policy is intended to conform to all applicable statutes at the time of adoption. The Investment Policy shall be reviewed and approved annually by the City Council at a public meeting to ensure consistency with the overall objectives of the preservation of capital, liquidity, and return of the portfolio. The Investment Policy

CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY

shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of the City of Hesperia.

Investment operations are reviewed monthly during the reconciliation process of investment transactions to the third party statements, and by the Management Services Department in the proof of cash process. The investment portfolio is audited annually by the City's independent auditors which shall include a review for compliance with the City's Statement of Investment Policy.

XXII. INDEMNIFICATION OF INVESTMENT OFFICIALS

Any investment officer exercising his or her assigned authority with due diligence and prudence, and in accordance with the City's Investment Policy, will not be held personally liable for any individual investment losses or for total portfolio losses.

Casey Brooksher
City Treasurer, City of Hesperia

Date

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

GLOSSARY

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

BANKERS' ACCEPTANCE: A draft of bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of bill, as well as the issuer.

BID: The price offered by a buyer of securities.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property that a borrower pledges to secure repayment of a loan. Also, refers to securities pledged by a bank to secure deposits of public monies.

COLLATERIALIZED MORTGAGE OBLIGATION: A security backed by a pool of pass through rates, structured so that there are several classes of bondholders with varying maturities, called tranches. The principal payments from the underlying pool of pass through securities are used to retire the bonds on a priority basis as specified in the prospectus.

DERIVATIVE: Contracts, such as options and futures, whose price is derived from the price of an underlying financial asset.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The interest rate that banks with excess reserves charge other banks that need overnight loans.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., and 12 regional banks. It is responsible for regulating monetary policy.

INTEREST-ONLY STRIP: A security based solely on the interest payments from a pool of mortgages, Treasury Bonds, or other bonds. Once the principal on the mortgages or bonds has been repaid, interest payments stop and the value of the interest-only strip falls to zero.

INVERSE FLOATER: A derivative instrument whose coupon rate is linked to the market rate of interest in an inverse relationship.

INVESTMENT POOL: The aggregate of all funds from political subdivisions that are placed in the custody of the Treasurer for investment.

**CITY OF HESPERIA
STATEMENT OF INVESTMENT POLICY**

GLOSSARY

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size and can be done at those quotes.

MARKET RISK: The risk that the value of investments may decline over a given time period due to economic changes or other events that impact large portions of the market.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

MORTGAGE PASS-THRU SECURITY: A security created when one or more mortgage holders form a collection (pool) of mortgages sells shares or participation certificates in the pool. The cash flow from the collateral pool is passed through to the security holder as monthly payments of principal, interest, and prepayments.

PORTFOLIO: Collection of securities held by an investor.

PRUDENT PERSON RULE: An investment standard. The trustee may invest in a security that someone in that same position would seek as reasonable income and preservation of capital.

REPURCHASE AGREEMENTS: An agreement with a commitment by the seller (dealer) to buy a security back from the purchaser (customer) at a specified price at a designated future date.

REVERSE REPURCHASE AGREEMENT: Refers to a repurchase agreement. From the customer's perspective, the customer provides a collateralized loan to the seller.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

**JOINT RESOLUTION NO. 2019-043
RESOLUTION NO. SA 2019-01
RESOLUTION NO. HHA 2019-05
RESOLUTION NO. CDC 2019-05
RESOLUTION NO. HFPD 2019-06
RESOLUTION NO. HWD 2019-09**

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, SUCCESSOR AGENCY FOR THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY, COMMISSIONERS OF THE HESPERIA HOUSING AUTHORITY, COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION, THE BOARD OF DIRECTORS OF THE HESPERIA FIRE PROTECTION DISTRICT, AND THE BOARD OF DIRECTORS FOR THE HESPERIA WATER DISTRICT ANNUALLY APPROVING THE STATEMENT OF INVESTMENT POLICY

WHEREAS, it is the responsibility of the City Treasurer to protect, preserve and maintain cash and investments of the City of Hesperia (City), Successor Agency for the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District, on behalf of the citizens of this community; and

WHEREAS, it is the City Treasurer's responsibility to review and/or amend and present to the City Council, Commissioners, and Board of Directors for approval, a Statement of Investment Policy which is intended to provide guidelines for the prudent investment of public funds while maintaining compliance with all applicable local, state and federal laws and regulations; and

WHEREAS, it is the policy of the City, Successor Agency for the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District to invest public funds not required for immediate day-to-day operations in safe and liquid investments having a market-average rate of return, while conforming to all federal, state and local statutes governing the prudent investment of public funds, with the City's, Successor Agency for the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District's ultimate goal being to enhance its economic status while protecting funds, taking the "Prudent Investor Rule" as its guide in carrying out this goal; and

WHEREAS, it is the City's, Successor Agency for the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District's position that the Statement of Investment Policy shall apply to the investment activities of all contingency reserves and inactive cash balances under the direct authority of the City, Commissioners, and Board of Directors, which shall include investments of the City of Hesperia, Successor Agency for the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Hesperia Community Development Commission, Hesperia Fire Protection District, and Hesperia Water District itself, which investments shall be pooled in a diversified portfolio; and

WHEREAS, the attached Statement of Investment Policy has been developed using the Municipal Treasurers Association Model Investment Policy as a guide, assuring compliance with current state legislation, while providing a management tool to implement future investment decisions by the City Treasurer; and

WHEREAS, an annual review of the Statement of Investment Policy has recently been concluded and the policy is in compliance with California Government Code Sections 53600 et. seq. and 5922(d).

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, SUCCESSOR AGENCY FOR THE HESPERIA COMMUNITY REDEVELOPMENT AGENCY, COMMISSIONERS OF THE HESPERIA HOUSING AUTHORITY, COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION, THE BOARD OF DIRECTORS OF THE HESPERIA FIRE PROTECTION DISTRICT, AND BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT, AS FOLLOWS:

Section 1. That the recitals above are true and correct and adopted as findings.

Section 2. The Statement of Investment Policy, included herein as "Attachment 1" of this Joint Resolution, as the Statement of Investment Policy for the City of Hesperia is hereby adopted.

Section 3. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 19th day of November 2019.

Larry Bird, Mayor/Chair

ATTEST:

Melinda Sayre, City Clerk

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City of Hesperia STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members
Chair and Commission, Hesperia Housing Authority
Chair and Commission, Community Development Commission
Chair and Board Members, Hesperia Fire Protection District
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Lorraine Carmona, Budget/Finance Specialist

SUBJECT: Fiscal Year 2018-19 Final Budget Amendments

RECOMMENDED ACTION

It is recommended that the following resolutions be adopted, amending the respective Fiscal Year (FY) 2018-19 Budgets for the City of Hesperia and the Hesperia Water District:

- 1) City of Hesperia No. 2019-062
- 2) Hesperia Water District Resolution HWD 2019-11

BACKGROUND

In compliance with the City Council's policy direction, staff has reviewed expenditures through the end of FY 2018-19, and has determined that the City of Hesperia and Hesperia Water District will need year-end budget adjustments.

ISSUES/ANALYSIS

The analysis of expenditures through the end of FY 2018-19 indicates that the following budget amendment requests should be considered:

General Fund (100)

- **Operating Transfer Out of Property Tax Revenues for Fire CalPERS obligation – \$535,636**
As part of the annexation/reorganization of the Hesperia Fire Protection District (HFPD) into the County of San Bernardino Fire Department (County Fire), the City of Hesperia received property tax revenue. This property tax revenue was transferred to Fund 210–HFPD PERS to be used to fund the HFPD CalPERS obligation.
- **Operating Transfer Out of Property Tax Revenues for Remittance to County Fire – \$624,215**
As part of the transition of the Fire District operations to County Fire, \$624,215 of property tax received by the City actually belonged to County Fire. This transfer moved the funds to a trust account and was paid to County Fire.

Gas Tax (205)

- **Street Maintenance Fund Allocation – \$83,329**

A late revenue reduction (by the State Board of Equalization) to Fund 206-Gas Tax Swap required a funding change among Funds 204-Measure I Renewal and Fund 205-Gas Tax for Fund 263-Streets Maintenance. A budget amendment is requested to Fund 205-Gas Tax as a result of the revenue change.

Development Impact Fee Public Service (304)

- **Interest Expense – \$8,228**

Since FY 2015-16, the Development Impact Fee (DIF) Public Services Fund has received a loan from the General Fund to cover DIF's contribution for the annual debt service obligation for the 2013 Civic Plaza Refunding Lease Revenue Bonds. The loan accrues interest at the Local Agency Investment Fund (LAIF) rate and is paid to the General Fund quarterly. The interest expense incurred in FY 2018-19 exceeded the budgeted amount by \$8,228 due to an increase in LAIF quarterly interest rates. A budget amendment of \$8,228 is requested to cover the additional interest expense.

City Facilities CIP (509)

- **Animal Control Design and Remodel C.O. 6526 – \$182,247 Previous Staff Report**

The FY 2018-19 Budget included \$620,000 for the construction phase of the remodel of the Animal Control Facility. During construction, there were unforeseen variables which included repairing damaged walls that deteriorated due to the constant water use necessary for cleaning and sanitizing the kennels and floors daily, an upgrade of the existing flooring to an epoxy system that would be easy to clean and maintain and would not allow water into the concrete below or the surrounding walls, and structural changes to allow for Americans with Disabilities Act (ADA) accommodations without disturbing existing structural elements of the facility. As indicated in the staff report presented to the City Council during the July 17, 2018 meeting, a budget amendment would be requested for the unforeseen total costs of \$182,247.

Sewer Operating (710)

- **Salaries and Benefits – \$105,100**

Due to a year-end audit adjustment, a budget amendment is requested to cover the reallocation of costs to the Sewer Operating fund for Salaries and Benefits in the amount of \$105,100.

- **Wastewater – \$62,000**

The Water District's actual million gallons of flow was 709.5809 as compared to the projected budget of 691.9692 million gallons. Approval to cover the actual million gallons of total flow is being requested.

- **Rehabilitation and replacement reserve – \$241,000**

The water and sewer user rate study that was approved during FY 2017-18 recommended an annual establishment of reserves for capital rehabilitation and replacement of reserves. The approval to transfer the funds for the reserves is requested.

FISCAL IMPACT

The proposed Final Fiscal Year 2018-19 Budget Amendments will be funded from a combination of revenues received, operating transfers, and the use of reserves.

ALTERNATIVES

Provide alternative direction to staff.

ATTACHMENTS

1. Resolution No. 2019-062
2. Resolution HWD 2019-11

RESOLUTION NO. 2019-062

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA,
CALIFORNIA, AMENDING THE FISCAL YEAR 2018-19 CITY OF HESPERIA
BUDGET TO FUND CERTAIN RELATED EXPENDITURES**

WHEREAS, the City Council of the City of Hesperia adopted the Fiscal Year (FY) 2018-19 Budget on June 5, 2018; and

WHEREAS, the City Council of the City of Hesperia has authorized various amendments to the FY 2018-19 Budget throughout the year; and

WHEREAS, the City Council of the City of Hesperia has reviewed the proposed FY 2018-19 final budget amendments information and analysis and has found it acceptable.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA CITY COUNCIL AS FOLLOWS:

Section 1. That the recitals above are true and correct and adopted as findings.

Section 2. That the City Council of the City of Hesperia approves the FY 2018-19 final budget amendments.

Section 3. That the City Council of the City of Hesperia approves the budget amendments with the following expenditure appropriations from the funds noted below:

▪ Transfer of Property Tax Revenues for Fire CalPERS obligation and remittance to the County (100)	\$1,159,851
▪ Street Maintenance Fund Allocation (205)	83,329
▪ Interest Expense (304)	8,228
▪ Animal Control Redesign and Remodel C.O. 6526 (509)	<u>182,247</u>
Total	\$1,433,655

Section 4. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 19th day of November 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre, City Clerk

RESOLUTION NO. HWD 2019-11

A RESOLUTION OF THE HESPERIA WATER DISTRICT OF THE CITY OF HESPERIA, CALIFORNIA, AMENDING THE FISCAL YEAR 2018-19 HESPERIA WATER DISTRICT BUDGET TO FUND CERTAIN RELATED EXPENDITURES

WHEREAS, the Board of Directors of the Hesperia Water District adopted the Fiscal Year (FY) 2018-19 Budget on June 5, 2018; and

WHEREAS, the Board of Directors of the Hesperia Water District has authorized various amendments to the FY 2018-19 Budget throughout the year; and

WHEREAS, the Board of Directors of the Hesperia Water District has reviewed the proposed FY 2018-19 final budget amendment information and analysis and have found it acceptable.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT AS FOLLOWS:

Section 1. That the recitals above are true and correct and adopted as findings.

Section 2. That the Board of Directors of the Hesperia Water District approve the FY 2018-19 final budget amendments.

Section 3. That the Board of Directors approve the budget amendment with the following expenditure appropriations from the fund noted below:

- Sewer Operating (710) \$408,100

Section 4. That the Board Secretary shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 19th day of November 2019.

Larry Bird, Chair

ATTEST:

Melinda Sayre, Secretary to the Board

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City of Hesperia

STAFF REPORT



DATE: November 5, 2019

TO: City Council

FROM: Nils Bentsen, City Manager **SECOND READING AND ADOPTION**

BY: Chris Borchert, Principal Planner
Mike Blay, Assistant City Manager

SUBJECT: Planned Development PPD18-00001, Conditional Use Permit CUP18-00007 (Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70) Resubmittal Update

RECOMMENDED ACTION:

It is recommended that the City Council review the applicant's proposed changes and determine if they are acceptable for approval. If the proposed changes are acceptable to the City Council, staff recommends that the City Council introduce and place on first reading Ordinance 2019-11 approving Planned Development PPD18-00001, and adopt Resolution 2019-046, approving Conditional Use Permit CUP18-00007 along with a Mitigated Negative Declaration for the development of the project.

BACKGROUND:

The project consists of a 160-unit senior apartment complex, assisted living facility and two commercial buildings approved through a Planned Development and Conditional Use Permit. At the October 1st City Council public hearing, the City Council heard the item and voiced concerns with regard to getting the proposed project closer to meeting municipal code requirements. While a Planned Development allows some deviations from the municipal code, the Council was concerned that the project was not close enough to code compliance for approval.

Items of concern discussed at the public hearing:

- The size of the senior apartment units being below the 650 square foot minimum;
- The density of the project exceeding the 15 dwelling units per acre at 18 du/acre;
- Allowing alcohol ahead of a project; and
- The purchase of water rights for exceeding the density.

There were several other deviations that included:

- The patios were 86 square feet when 100 square feet is the minimum;
- The amount of required parking for the senior apartments was 22 spaces short; and
- Every unit is required to have a covered parking space, it was conditioned to get to 158, or 2 spaces short.

ISSUES/ANALYSIS:

After the October 1st hearing, the applicant began immediately working to fix each deviation to make it comply with code requirements. The following changes have been made:

- The senior apartment units have been expanded to a minimum of 650 square feet of living area and 100 square feet of private open space.
- The Assisted Living facility has been lowered from 192 units to 128 units, which brings the overall project into compliance with the 15 dwelling units per gross acre.
- The condition has been amended to require a minimum of 160 covered parking spaces.
- Additional parking is provided on the assisted living parcel which exceeds the amount needed for the senior apartments.
- The ability to have off-site alcohol sales in one of the front commercial buildings was removed from the Planned Development document and will be requested in the future if needed.
- The reduction in units to meet the allowable density removes the need to require the purchase of water rights for the additional units.

CONCLUSION:

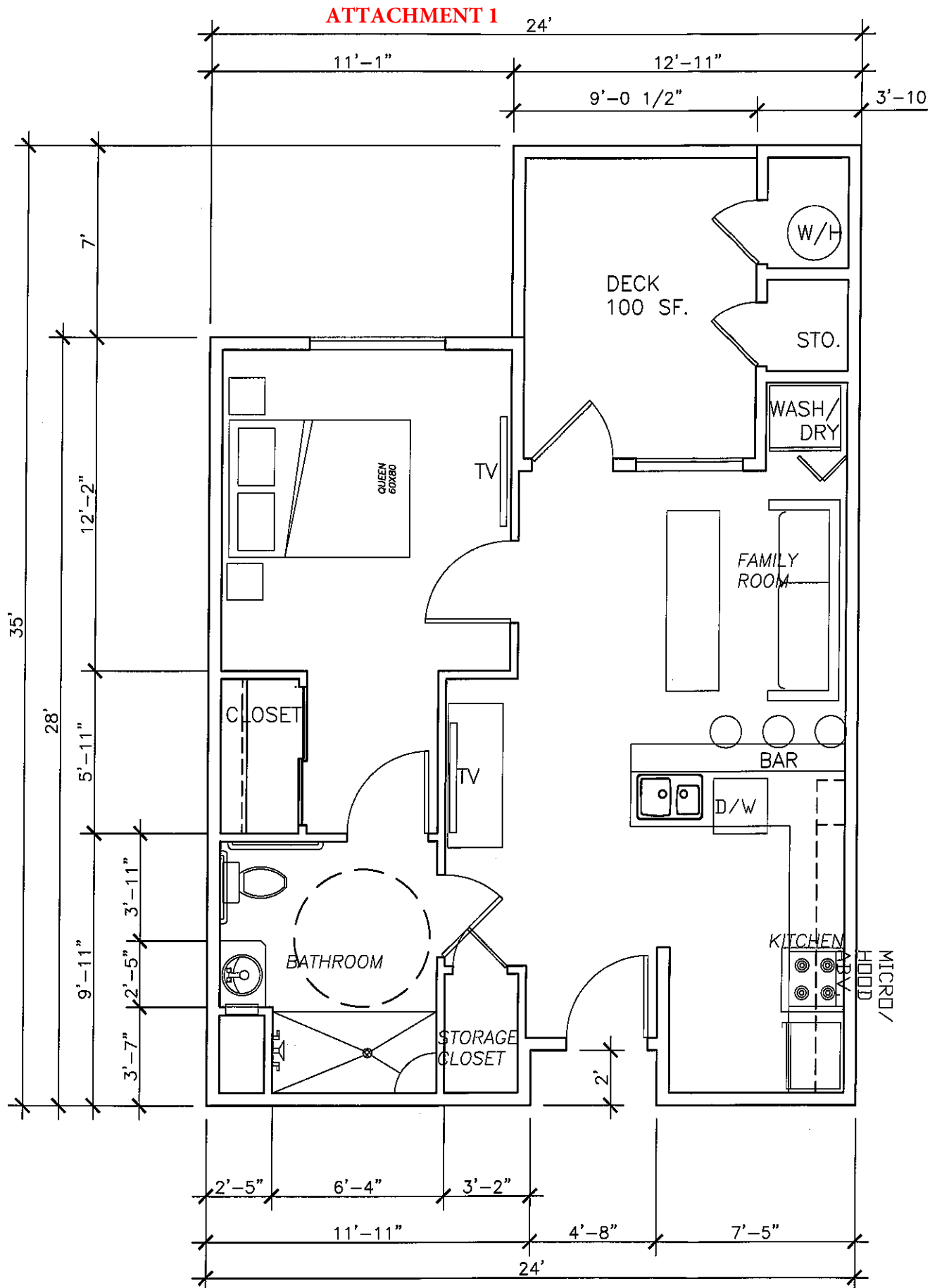
The amended project now complies with the underlying zoning of Medium Density Residential and Neighborhood Commercial, and while there is no reason for the Planned Development at this point, the applicant has agreed to keep it. Several benefits for the City include the commercial entry landscaping is above what is required, the amenities and landscaping amounts of the assisted living and senior apartments are well above requirements; and the Planned Development document prohibits uses such as automotive repair, liquor & small scale convenience stores, nightclubs and tattoo parlors that could possibly be allowed through the base zoning.

FISCAL IMPACT:

None.

ATTACHMENTS:

1. Revised floor plan and page 3 of Conditions of Approval
2. City Council Staff Report from 10-1-2019 Meeting
3. Ordinance No. 2019-11
4. Planned Development PPD18-00001 document
5. Resolution No. 2019-046
6. Attachment A - List of Conditions
7. Planning Commission Staff Report
8. Planning Commission Minutes
9. Negative Declaration and Initial Study



APARTMENT GROUND FLOOR
 1-BEDROOM
 650 SF.
 100 SF. PATIO

COMPLETED
NOT IN COMPLIANCE

COMPLIED BY

COVERED PARKING. The applicant shall provide the amount of covered parking for the total number of senior apartment units. The mix of garages and carports shall equal the number of living units.

COMPLETED
NOT IN COMPLIANCE

COMPLIED BY

INDEMNIFICATION. As a further condition of approval, the Applicant agrees to and shall indemnify, defend, and hold the City and its officials, officers, employees, agents, servants, and contractors harmless from and against any claim, action or proceeding (whether legal or administrative), arbitration, mediation, or alternative dispute resolution process), order, or judgment and from and against any liability, loss, damage, or costs and expenses (including, but not limited to, attorney's fees, expert fees, and court costs), which arise out of, or are in any way related to, the approval issued by the City (whether by the City Council, the Planning Commission, or other City reviewing authority), and/or any acts and omissions of the Applicant or its employees, agents, and contractors, in utilizing the approval or otherwise carrying out and performing work on Applicants project. This provision shall not apply to the sole negligence, active negligence, or willful misconduct of the City, or its officials, officers, employees, agents, and contractors. The Applicant shall defend the City with counsel reasonably acceptable to the City. The City's election to defend itself, whether at the cost of the Applicant or at the City's own cost, shall not relieve or release the Applicant from any of its obligations under this Condition. (P)

COMPLETED
NOT IN COMPLIANCE

COMPLIED BY

ON SITE IMPROVEMENTS. All on site improvements as recorded in these conditions, and as shown on the approved site plan shall be completed in accordance with all applicable Title 16 requirements. Due to the small scale of the site plan, these requirements could result in minor changes to parking spaces and landscape planters. The building shall be designed consistent with the design shown upon the approved elevations, materials board and color exterior building elevations. Any exceptions shall be approved by the Director of Development Services. (P)

COMPLETED
NOT IN COMPLIANCE

COMPLIED BY

RECREATIONAL FACILITIES. The Developer shall submit two sets of plans to develop the recreational facilities to the Building Division with the required application fees. The recreational facilities shall be developed in a similar fashion as shown on the approved plans and any changes to the amenities shall be approved by the director. (P)

CONDITIONS REQUIRED PRIOR TO GROUND DISTURBING ACTIVITY

COMPLETED
NOT IN COMPLIANCE

COMPLIED BY

PRE-CONSTRUCTION MEETING. Pre-construction meetings shall be held between the City the Developer grading contractors and special inspectors to discuss permit requirements monitoring and other applicable environmental mitigation measures required prior to ground disturbance and prior to development of improvements within the public right-of-way. (B)



ATTACHMENT 2

DATE: October 1, 2019
TO: Mayor and Council Members
FROM: Nils Bentsen, City Manager
BY: Chris Borchert, Principal Planner
SUBJECT: Planned Development PPD18-00001, Conditional Use Permit CUP18-00007 (Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70)

RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance 2019-11 approving Planned Development PPD18-00001, and adopt Resolution 2019-046, approving Conditional Use Permit CUP18-00007 for the development of the project.

PROJECT SUMMARY

Proposal: The project represents an expansion of previously approved Planned Development PPD15-00001, based on the City's sale of approximately 10 additional acres of adjacent land to the applicant. It consists of Planned Development PPD18-00001 and Conditional Use Permit CUP18-00007, to construct a two-story, 160 unit, 55+ senior apartment development; a two-story, 192 unit assisted living facility; a 13,462 square foot and 14,820 square foot commercial retail buildings in six phases on 21.55 acres.

Location: On the north side of Main Street, approximately 250 feet east of the California Aqueduct.

Environmental: A Mitigated Negative Declaration (MND) has been prepared for the project pursuant to the California Environmental Quality Act (CEQA).

Planning Commission Review: On July 11, 2019, the Planning Commission voted 4-0 to forward these items to the City Council with a recommendation for approval. Commissioner Cody Leis was absent.

Conclusion: Where the zoning is/was Medium Density Residential, the project proposes multi-family senior apartments (permitted) and assisted living (CUP). Where the zoning was Neighborhood Commercial, commercial buildings are proposed. Staff finds that the amount and quality of the amenities and architecture justifies the proposed deviations to parking, density and unit sizes.

ATTACHMENT(S)

1. Ordinance No. 2019-11
2. Planned Development PPD18-00001 document
3. Resolution No. 2019-046
4. Attachment A - List of Conditions
5. Planning Commission Staff Report
6. Planning Commission Minutes

ORDINANCE NO. 2019-11

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, TO ADOPT A PLANNED DEVELOPMENT WHICH CREATES DEVELOPMENT STANDARDS FOR SENIOR APARTMENTS, ASSISTED LIVING AND TWO COMMERCIAL BUILDINGS IMPLEMENTED THROUGH CONDITIONAL USE PERMIT CUP18-00007 AND AMENDING THE OFFICIAL GENERAL PLAN AND ZONING MAP BY RECLASSIFYING CERTAIN REAL PROPERTY HEREIN DESCRIBED WITHIN THE MAIN STREET AND FREEWAY CORRIDOR SPECIFIC PLAN FROM PPD15-00001 AND MEDIUM DENSITY RESIDENTIAL (MDR) ZONES TO PLANNED DEVELOPMENT PPD18-00001 ON 21.5 GROSS ACRES LOCATED ON THE NORTH SIDE OF MAIN STREET, APPROXIMATELY 250 FEET EAST OF THE CALIFORNIA AQUEDUCT (PPD18-00001)

WHEREAS, On January 5, 1998, the City Council of the City of Hesperia adopted Ordinance No. 250, thereby adopting the Hesperia Municipal Code; and

WHEREAS, On September 2, 2008, the City Council of the City of Hesperia adopted Ordinance No. 2008-12, thereby adopting the Main Street and Freeway Corridor Specific Plan; and

WHEREAS, Americana-Hesperia Retirement Project, LLC has filed an application requesting approval of Planned Development PPD18-00001, to create senior-oriented development standards implemented through Conditional Use Permit CUP18-00007 described herein (hereinafter referred to as "Application"); and

WHEREAS, the Application applies to 21.5 gross acres within PPD15-00001 and Medium Density Residential (MDR) Zones of the Main Street and Freeway Corridor Specific Plan located on the north side of Main Street, approximately 250 feet east of the California Aqueduct and consists of Assessor's Parcel Number 0405-062-56 & 70; and

WHEREAS, the Application, as contemplated, proposes to change the General Plan Land Use designation and zoning of the subject property within the Main Street and Freeway Corridor Specific Plan (Specific Plan) from PPD15-00001 and Medium Density Residential (MDR) Zone to Planned Development PPD18-00001. This Planned Development will create senior-oriented development standards implemented through Conditional Use Permit CUP18-00007; and

WHEREAS, Americana-Hesperia Retirement Project, LLC has also filed applications requesting approval of Conditional Use Permit CUP18-00007 in conjunction with Tentative Parcel Map TPMN18-00002 (PM-19940), to create four parcels, to construct a 2-story, 160-senior apartment development, a 2-story, 192-unit senior assisted living facility including kitchen and dining facilities with the sale of beer and wine, along with two commercial buildings of 13,462 square feet and 14,820 square feet in six phases; and

WHEREAS, the subject property as well as the properties to the north and east, are currently vacant. A restaurant and a multi-tenant retail building exist to the south and a commercial mini- storage exists to the west; and

WHEREAS, the western half of the subject property is currently Planned Development PPD15-00001 and the eastern portion is in the Medium Density Residential (MDR) Zone of the Main Street & Freeway Corridor Specific Plan. The properties to the west are also zoned MDR, however, the Extra Space storage facility is the adjacent property. The properties to the north and east are within the Low Density Residential (LDR) and the properties to the south are within the Regional Commercial (RC) Zone of the Specific Plan; and

WHEREAS, an environmental Initial Study for the proposed project was completed and the review period closed on March 20, 2019 with no agencies commenting. It determined that no significant adverse environmental impacts to either the man-made or physical environmental setting would occur with the inclusion of mitigation measures. A Mitigated Negative Declaration was subsequently prepared and is included and a part of the approvals; and

WHEREAS, on July 11, 2019, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed Application, and concluded said hearing on that date, recommending approval of both PPD18-00001 and CUP18-00007 to the City Council; and

WHEREAS, on October 1, 2019, the City Council of the City of Hesperia conducted a hearing on the Application and recommended that the applicant get the project closer to meeting municipal code requirements in the areas of living spaces and parking and continued said hearing to the November 5, 2019 date; and

WHEREAS, on November 5, 2019, the City Council of the City of Hesperia conducted a hearing on the Application and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Ordinance have occurred.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF HESPERIA DOES ORDAIN AS FOLLOWS:

Section 1. The City Council hereby specifically finds that all of the facts set forth in this Ordinance are true and correct.

Section 2. Based upon substantial evidence presented to the City Council during the above-referenced November 5, 2019 hearing, including public testimony and written and oral staff reports, this Council specifically finds as follows:

- (a) The City Council has independently reviewed and analyzed the Mitigated Negative Declaration ND18-00002 and finds that it reflects the independent judgement of the Council, and that there is no substantial evidence, in light of the whole record, that the project may have a significant effect on the environment.
- (b) The site of the proposed Planned Development is adequate in size and shape to accommodate the land uses permitted within the proposed Planned Development, because the land uses can meet the standards for setbacks, parking, circulation, and access within the proposed Zone District.
- (c) The applicant has modified the request to comply with required

parking space number, ; the covered parking space requirement; the minimum livable square footage of 650 square feet for one bedroom units; the 100 square feet of open space patios; and will meet the maximum of 15 dwelling units per gross acre found in the Medium Density Residential district. The benefits of the project include: quality architecture, materials & design; numerous amenities in the apartment common area including a clubhouse, pool, shuffleboard and garden areas; mixed uses with apartment tenants able to use dining and activity areas in the assisted living facility and easily access commercial as well, adds to quality of life; garages add security and peace of mind for tenants; abundance of open space and landscaped areas also adds aesthetic quality; increased property taxes; and a potential to spur additional development in the area.

- (d) The improvements required to build the development contained in the conditions of approval adequately address the natural and manmade hazards associated with development of the site.
- (e) The proposed Planned Development will not have a significant adverse impact on surrounding properties or the community in general, because the project will be subject to policies governing design and the mitigation measures.
- (f) The proposed project is consistent with the adopted General Plan of the City of Hesperia, with approval of this Planned Development.

Section 3. Based on the findings and conclusions set forth in this Ordinance, this Council hereby approves Planned Development PPD18-00001, amending the Official General Plan and Zoning Map of the City of Hesperia and rescinding PPD15-00001; and approving the Mitigated Negative Declaration (ND18-02) which is attached to the staff report for this item; and establishing the Planned Development standards shown in the PPD 18-00001 document.

Section 4. This Ordinance shall take effect thirty (30) days from the date of adoption.

Section 5. The City Clerk shall certify to the adoption of this Ordinance and shall cause the same to be posted in three (3) public places within the City of Hesperia pursuant to the provisions of Resolution No. 2007-101.

ADOPTED AND APPROVED on this 19th day of November 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre
City Clerk

ATTACHMENT 4

PLANNED DEVELOPMENT

PPD18-00001

IN THE CITY OF HESPERIA, SAN BERNARDINO COUNTY

ASSESSOR PARCEL NUMBERS:

0405-062-56 and 0405-062-70

LEGAL DESCRIPTIONS:

The East 1/2 Of The West 1/2 Of The Southeast 1/4 Of The Southeast 1/4 Of Section 14, Township 4 North Range 5 West, San Bernardino Base And Meridian, In The City Of Hesperia, County Of San Bernardino, State Of California, According To The Official Plat Of Said Land On File In The District Land Office.

and

Parcel 1 Of Parcel Map No. 18444, In The City Of Hesperia, County Of San Bernardino, State Of California, As Per Plat Recorded In Book 225, Pages 7-9 Of Parcel Maps, Records Of Said County.

PREPARED FOR:

AMERICANA-HESPERIA RETIREMENT
PROJECT, LLC C/O AGNES Y. SINCLAIR
150 N. SANTA ANITA AVE.,
#888 ARCADIA, CA 91006

April 21, 2018

REV October 15, 2019

I. PURPOSE

The purpose of this Planned Development (PD) for Americana-Hesperia Retirement Project is to promote public health, safety and welfare for senior residents and adult clients by allowing increased land use flexibility to serve their needs. This age-restricted community is within the boundaries of the Main Street and Freeway Corridor Specific Plan (SP or Specific Plan) in the City of Hesperia (City). This Planned Development will promote neighborhood diversity without ignoring possible concerns regarding potential impacts on surrounding residential uses.

An age-restricted Planned Development strictly for senior residents and adult clients will allow specific development standards that fit the goals and objectives of this unique project, as supported by applications for a Conditional Use Permit, Site Plan, Tentative Parcel Map and Tract Map, Planned Development and numerous other appurtenant maps, reports and documents. Specific tables in this document identify issues addressed as part of this PD project, per request by City of Hesperia.

This PD is a mix of Permitted and Conditionally Permitted land uses. The intent is to create a cohesive and well-planned Adult Senior Living Community with complementary residential and commercial uses for senior residents and adult clients that encourage pedestrian oriented opportunities on-site. All standards for land use and development criteria within this PD are delineated in the following:

II. PROJECT PROPOSAL SUMMARY

This Planned Development is a mixed-use two-story Adult Senior Living Community on 21.78 gross acres of land to be constructed in six phases. The project site is located on the north side of Main Street, about 1 mile east of Interstate-15 Freeway and situated on two lots: Assessor Parcel Numbers (APNs) 0405-062-56 and 0405-062-70. This PD project includes development of the following:

- 160-unit Senior Apartment development for 55-plus-year-old seniors in (4) two-story structures with a total of 38,582 square feet per building x 4 Bldg. =154,328 sf.
 - 3,621 square-foot Clubhouse within the Senior Apartment community;
- 128-unit Assisted Living Facility with a maximum of 176 beds in a combination one / two-story structure. Eighty (80) Studio Units will include one bed per Studio Unit, while the forty eight (48) 1-Bedroom Units could allow up to 2 beds per unit for a total bed occupancy of 176 (96 + 80 = 176), pending State approval;
 - Multi-Purpose Rooms with a total of 9,323 square feet in the 2nd floor of the Assisted Living Building;
 - 9,323 square foot Restaurant centrally located in the 1st floor of the Assisted Living Building;

ATTACHMENT 4

All uses are exclusively for residents of the Senior Apartments and clients of the Assisted Living and Adult Day Care Facilities, inclusive of family and friends.

- Commercial Pad “A” for 14,820 square feet of single-story retail space on Main Street.
- Commercial Pad “B” for 13,462 square feet of single-story retail space Main Street.

III. APPLICABILITY AND CONFORMITY WITH THE PLANNED DEVELOPMENT

Provisions of this Planned Development shall apply only to the following parcels:

- APN 0405-062-56 - Legal Description:

The East 1/2 Of The West 1/2 Of The Southeast 1/4 Of The Southeast 1/4 Of Section 14, Township 4 North Range 5 West, San Bernardino Base And Meridian, In The City Of Hesperia, County Of San Bernardino, State Of California, According To The Official Plat Of Said Land On File In The District Land Office.

- APN 0405-062-70 - Legal Description:

Parcel 1 Of Parcel Map No. 18444, In The City Of Hesperia, County Of San Bernardino, State Of California, As Per Plat Recorded In Book 225, Pages 7-9 Of Parcel Maps, Records Of Said County.

- A. Regulations in this Planned Development document replace those set forth in the Main Street and Freeway Corridor Specific Plan (SP PPD15-00001), planning and zoning provisions of the Hesperia Development Code, and any other applicable ordinances. Where land use regulations and/or development standards of the SP, Development Code (Title 16) of the Hesperia Municipal Code are inconsistent with this Planned Development, the standards and regulations of this Planned Development shall prevail and supersede the applicable provisions of the Specific Plan and Development Code.
- B. This Planned Development does not convey any rights not otherwise granted under the provisions and procedures contained in the Specific Plan and/or Development Code and the other applicable ordinances, except as specifically provided herein after approval. Any issue not specifically covered in this Planned Development shall be subject to the Specific Plan and/or Hesperia Municipal Code, or to subject to interpretation by the Development Services Director or his/her designee if not specifically covered in the City's existing regulations.

ATTACHMENT 4

TABLE 1A: NON-RESIDENTIAL USES			
Phase I Recreational @Senior Apartme nts	Clubhouse		3,621 sq. ft. total
Phase III Wing D @Assisted Living	Restaurant/Kitchen/Dining Rooms	9,323 sq. ft.	18,646 sq. ft. total
	Multipurpose Rooms	9,323 sq. ft.	

Assisted Living Units:

Studio Units (80) -

1-Bedroom Units (48) -

128 Total Units

565 square feet

792 square feet

Senior Apartments:

160 Total Units

1ST FLOOR

1 Bedroom Units (64) -

650 square feet

100 square feet patio

Total:

750 square feet

2 Bedroom Units (16)-

967 square feet

100 square feet patio

Total:

1,067 square feet

2nd FLOOR

1 Bedroom Units (64) -

650 square feet

100 square feet patio

Total:

750 Square feet

2 Bedroom Units (16) -

967 square feet

100 square feet patio

Total:

1,067 square feet

IV. PROJECT DISCUSSION

The Americana-Hesperia Retirement Project Planned Development (PD) consisting of age-restricted mixed-uses will be completed in six phases on 21.78 gross acres (APNs: 0405-062-56 and 0405-062-70) in the City of Hesperia. All uses on-site, excepting the commercial, are exclusively for residents of the Senior Apartments and clients of Assisted Living and Adult Day Care Facilities, inclusive of family and friends, and not open to the public.

Phase I to be completed and occupied by Year 2023

- 80 Senior Apartment dwelling units
- 3,621 square-foot Clubhouse
- Parking Requirements
 - Parking Required: 1.41 x 80 = 113 spaces
 - Parking Provided: = 125 spaces
 - 47 Garage Spaces
 - 78 Open Spaces

Phase II to be completed and occupied by Year 2025

- Remaining 80 Senior Apartment dwelling units.
- Parking Requirements:
 - Parking Required: 1.41 x 80 =113 spaces
 - Parking Provided: =101 spaces
 - 49 Garage Spaces
 - 52 Open Spaces

Phase III to be completed and occupied by 2027-2028 tentatively

- Assisted Living dwelling units; (Wings A & B)
 - Multi-Purpose Rooms with a total of 9,323 square feet in the Assisted Living Building;
 - 9,323 (approximate) square-foot Restaurant;
- Parking Requirements: (approximate based on actual number of units)
 - Parking Required: 62 Studios /3 =21 spaces
 - 42 (1) bedroom
 - 42 x 2=84 /3 =28 spaces
 - Employees =8 spaces
 - Total: =57 spaces
 - Parking Provided: =77 spaces

ATTACHMENT 4

Phase IV to be completed and occupied by 2027-2028 tentatively

- Assisted Living dwelling units; (Wing C)
- Parking Requirements: (approximate based on actual number of units)
 - Parking Required: 58 Studios/3 =19 spaces
 - 30 (1) bedroom
 - 30 x 2=60/3 =20 spaces
 - Employees = 7 spaces
 - Total =46 spaces
 - Parking Provided =107 spaces

Phase V to be completed and occupied by 2027-2028 tentatively

- Commercial Pad “B” for approximately 13,462 square feet of single-story retail space
- Parking requirements: 4 space/1,000 SF of area
 $13,462/1,000=13.46 \times 4 = 54$ spaces
- Parking Provided: = 112 spaces

Phase VI to be completed and occupied by 2027-2028 tentatively

- Commercial Pad “A” for approximately 14,820 square feet of single-story retail space
- Parking requirements: 4 spaces/1,000 SF of area
 $14,820/1,000=14.82 \times 4 =60$ spaces
- Parking provided =84 spaces

A. Commercial Land Uses

The project is located within the Main Street and Freeway Corridor Specific Plan and allowing for the following uses:

Assisted Living Facility

The restaurant within the assisted living facility is approved for on-site beer and wine sales as approved through CUP18-00007.

NC – Neighborhood Commercial

This zone is intended to provide opportunities for immediate day-to-day convenience shopping and services for the residents of the immediate neighborhood.

Proposed uses for bakeries, florist or gift shops, barber shops or beauty parlors, laundry and dry-cleaning establishments, Senior Service placement agencies, ATM, 7-Eleven store, restaurants, etc. And all other uses allowed under the Neighborhood commercial zone.

C2 – General Commercial

This zone is intended to provide opportunities for the full range of retail and service businesses accessible from all area of the city and surrounding communities for the purchase of primary shopper's goods.

Desired uses for the medical clinics, drugstores such as CVS, Rite Aid and Walgreen, discount stores such as Dollar Tree or Dollar Max. *A request for off-site sale of beer, wine and liquor is required to go through the Conditional Use Permit process for approval.*

C3 – Service commercial

This zone is intended to be primarily supportive to the commercial oriented consumer, business to business retail and wholesale sales and services, and to provide convenient services for those people employed in the immediate area.

Proposed uses for retail/professional offices, training schools and various type of businesses permitted under the Service commercial zoning.

ATTACHMENT 4

Prohibited Uses

Any issue not specifically covered in the PD document shall be subject to the Main Street and Freeway Corridor Specific Plan and applicable portions of the Hesperia Municipal Code, or subject to interpretation by the Development Services Director or his/her designee if not specifically covered in the City's existing regulations.

This Planned Development does not allow the following uses for the Commercial Pads:

- ☐ VAPE or smoke shops and similar retail uses
- ☐ Automotive Repair
- ☐ Nightclub
- ☐ Equipment Sales
- ☐ Adult oriented businesses and similar uses
- ☐ Cash Checking and Advance and similar uses
- ☐ Tattoo Parlor and similar uses
- ☐ Pawnshops and similar uses
- ☐ Gold Sales and Exchange and similar use
- ☐ Liquor stores and small scale conveniences stores selling alcohol

B. Parking Information:

- Off-Site based "Private Transportation Services" will be available to meet the residents' needs;
- On-site grooming, medical, retail and dining services are proposed;
- Any changes to the proposed uses will be subject to additional review for compliance and legal entitlement processes with City, including Off-Street parking and other requirements;
- The combination of on-site uses minimizes vehicular transportation needs;
- The combination of on-site uses provides a major concept of in-lieu amenities for the integrated design of this project;
- 96 garages are designed for ease of parking in the Apartment complex.
- All Parking and Driveways shall have a "Reciprocal Access and Parking Easement," as delineated on the Site Plan under "Information" Note; and
- The project does not propose a Bus Stop in front of this site due to the limited frontage and lack of larger commercial retail uses. NOTE: Kevin Kane, G.M. of the Victor Valley Transit Agency (VVTa) was contacted regarding this issue.

1. Wing D in Assisted Living Building

a. Restaurant, Kitchen, and Dining Rooms

Restaurant services will be limited to use by on-site residents, inclusive of family and friends. This use does not require additional off-street parking because these services are for internal use only and will not be made available to the public.

b. Multipurpose Rooms

Any activities in the Multipurpose Rooms will be limited to use by on-site residents, inclusive of family and friends. This use does not require additional off-street parking because these services are for internal use only and will not be made available to the public.

2. Clubhouse

All activities in the Clubhouse will be limited to on-site senior residents or adult clients, inclusive of family and friends. This use does not require additional off-street parking because these services are for internal use only and will not be made available to the public.

ATTACHMENT 4

3. Recreational Area

All activities in the Recreational Area will be limited to on-site senior residents or adult clients, inclusive of family and friends. This use does not require additional off-street parking because these services are for internal use only and will not be made available to the public.

4. Loading Zones

There are 2 designated Loading Zones (1 each for institutional uses at the Assisted Living Buildings) as requested by City Staff. Additionally, a ten (10) minute limited parking zone is provided.

Parking Summary Chart

Table 4			
USE	Required Resident/Client Parking	Required Staff Parking	Total Parking Provided
Apartments	248	Not Applicable	248
Assisted Living Facility	59	15	162
Retail Building "A"	60		84
Retail Building "B"	54		112
Sub-Total Required	421	15	436
		Total Spaces Provided	606

ATTACHMENT 4

ADA Parking Summary Chart

Table 5						
USE	Parking Spaces Required	ADA Parking	Van Accessible Parking	Total ADA Required Parking	ADA Parking Provided Std. Van	Requirement Met
Apartments	248	6	1	7	5 5	Yes
Assisted Living Facility	103	5	1	6	8 8	Yes
Retail Building "A"	60	2	1	3	2 2	Yes
"B"	54	2	1	3	2 2	Yes
Total	443	15	4	19	17 17	Yes

Notes:

- ☐ Van Accessible ADA Parking requirements are a minimum of 1 and 1 for every 6 ADA parking spaces, or portion thereof. Retail Buildings requiring less than 25 spaces are required to have at least 1 ADA Van Accessible space.
- ☐ City staff requested one ADA Van-Accessible parking space for each primary use, a minimum of 18 van-accessible parking spaces will be provided, as shown on Table 6.

RESOLUTION NO. 2019-046

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, APPROVING A CONDITIONAL USE PERMIT TO CONSTRUCT A 2-STORY, 160-UNIT SENIOR APARTMENT DEVELOPMENT, A 2-STORY, 128-UNIT SENIOR ASSISTED LIVING FACILITY INCLUDING KITCHEN AND DINING FACILITIES WITH THE SALE OF BEER AND WINE, AND TWO COMMERCIAL RETAIL BUILDINGS OF APPROXIMATELY 28,000 SQUARE FEET ON 21.5 GROSS ACRES LOCATED ON THE NORTH SIDE OF MAIN STREET, APPROXIMATELY 250 FEET EAST OF THE CALIFORNIA AQUEDUCT (CUP18-00007)

WHEREAS, Americana-Hesperia Retirement Project, LLC has filed an application requesting approval of CUP18-00007 described herein (hereinafter referred to as "Application"); and

WHEREAS, the Application applies to 21.5 gross acres which the western portion is currently PPD15-00001 and the eastern portion is within the Medium Density Residential (MDR) Zone of the Main Street and Freeway Corridor Specific Plan located on the north side of Main Street, approximately 250 feet east of the California Aqueduct and consists of Assessor's Parcel Number 0405-062-56 & 70; and

WHEREAS, the Application, as contemplated, proposes to construct a 2-story, 160-unit senior apartment development, a 2-story, 128-unit senior assisted living facility including kitchen and dining facilities with the sale of beer and wine, and approximately 28,000 square feet in two commercial buildings, in six phases; and

WHEREAS, Americana-Hesperia Retirement Project, LLC has also filed an application requesting approval of Planned Development PPD18-00001, which will replace the existing zoning to provide specific development standards allowing this unique mix of senior uses at the proposed intensity/density of development; and

WHEREAS, the subject property as well as the properties to the north and east, are currently vacant. A restaurant and a multi-tenant retail building exist to the south and a commercial mini-storage exists to the west; and

WHEREAS, approximately 10 acres of the subject property is currently within the Medium Density Residential (MDR) Zone of the Specific Plan. The properties to the north and east are within the Low Density Residential (LDR) and the properties to the south are within the Regional Commercial (RC) Zone of the Specific Plan; and

WHEREAS, the review period for the environmental Initial Study for the proposed project was completed on March 20, 2019, which determined that no significant adverse environmental impacts to either the man-made or physical environmental setting would occur with the inclusion of mitigation measures. Mitigated Negative Declaration ND18-02 was subsequently prepared; and

WHEREAS, on July 11, 2019, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed Application, and concluded said hearing on that date, the unanimous approval to recommend to the City Council the adoption and approval of both cases; and

WHEREAS, on October 1, 2019, the City Council of the City of Hesperia conducted a hearing on the Application and recommended that the applicant get the project closer to meeting municipal code requirements in the areas of living spaces and parking and continued said hearing to the November 5, 2019 date; and

WHEREAS, on November 5, 2019, the City Council of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed Application, and concluded said hearing on that date; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA CITY COUNCIL AS FOLLOWS:

Section 1. The City Council hereby specifically finds that all of the facts set forth in this Resolution are true and correct.

Section 2. Based upon substantial evidence presented to the City Council during the above-referenced November 5, 2019 hearing, including public testimony and written and oral staff reports, this Council specifically finds as follows:

- (a) Based upon Negative Declaration ND18-02 and the initial study which supports the Mitigated Negative Declaration, the City Council finds that there is no substantial evidence that the proposed General Plan Amendment will have a significant effect on the environment;
- (b) The City Council has independently reviewed and analyzed the Negative Declaration, and finds that it reflects the independent judgement of the Council, and that there is no substantial evidence, in light of the whole record, that the project may have a significant effect on the environment.
- (c) The site for the proposed use is adequate in size and shape to accommodate the proposed project subject to approval of the regulations within Planned Development PPD18-00001 and Conditional Use Permit CUP18-00007. The proposed assisted living facility as well as the sale of alcoholic beverages are allowed, pursuant to PPD18-00001. This conditional use permit also allows the 2-story, 160-unit senior apartment development, uses including kitchen and dining facilities. The use would not impair the integrity and character of the surrounding neighborhood, and is consistent with the Planned Development as well as the Main Street and Freeway Corridor Specific Plan. The sale of alcoholic beverages associated with the dining area is restricted to the sale of beer and wine for on-site consumption for the seniors who stay within the apartments or assisted living unit or friends and family of those. Any future alcohol uses would have to follow the regulations in place at the time. This project will meet all regulations of Planned Development PPD18-00001,

which is consistent with the objectives of the General Plan and the Specific Plan.

- (d) The proposed conditional use permit is consistent with the goals, policies, standards and maps of the adopted Zoning, Specific Plan, Development Code and all applicable codes and ordinances adopted by the City of Hesperia with approval of PPD18-00001. The project also complies with the Americans with Disabilities Act (ADA), as the required accessible parking spaces and paths of travel meet the standards within the ADA as well as state and federal handicapped accessible regulations. The development will be constructed pursuant to the California Building and Fire Codes and adopted amendments as well.
- (e) The site for the proposed use will have adequate access based upon its access from Fuente Avenue, La Rosa Street and Main Street. There are also adequate provisions for sanitation, water and public utilities and general services to ensure the public convenience, health, safety and general welfare. The residential and nonresidential buildings will have adequate infrastructure to operate with the extension of La Rosa Street and Fuente Avenue to Main Street and an approximately 1,350 foot extension of sewer line to connect with the existing sewer line to the north.

Section 3. Based on the findings and conclusions set forth in this Resolution, the City Council hereby approves Conditional Use Permit CUP18-00007 subject to the conditions of approval as shown in Attachment "A" and Negative Declaration ND18-02, which is attached to the staff report for this item.

Section 4. That City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 5th day of November 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre
City Clerk

ATTACHMENT 6

ATTACHMENT "A"
List of Conditions for CUP18-00007

Approval Date: November 05, 2019
Effective Date: November 05, 2019
Expiration Date: November 05, 2022

This list of conditions applies to: Consideration of Planned Development PPD18-00001 and Conditional Use Permit CUP18-00007 to construct a two-story, 160 unit senior apartment development, a two-story, 128 unit senior assisted living facility, a 13,462 square foot commercial building, and a 14,820 square foot commercial building on 22 gross acres within the PPD (15-00001) and the Medium Density Residential (MDR) zones of the Main Street and Freeway Corridor Specific Plan located on the north side of Main Street, approximately 250 feet east of the California Aqueduct (Applicant: Americana Hesperia Retirement Project LLC; APN: 0405-062-56 & 70)

The use shall not be established until all conditions of this land use approval application have been met. This approved land use shall become null and void if all conditions have not been completed by the expiration date noted above. Extensions of time may be granted upon submittal of the required application and fee prior to the expiration date.

(Note: the "COMPLETED" and "COMPLIED BY" spaces are for internal City use only).

ADDITIONAL CONDITIONS

<u>COMPLETED</u>	<u>COMPLIED BY</u>
NOT IN COMPLIANCE	

PRE-CONSTRUCTION SURVEY. ACDFW 30-day pre-construction survey be performed immediately prior (i.e. 30 days or less) to the start of any future construction activities to determine if any owls have moved onto the site since the May 2018 surveys. (P)

<u>COMPLETED</u>	<u>COMPLIED BY</u>
NOT IN COMPLIANCE	

PROTECTED PLANTS. Three copies of a protected plant plan shall be submitted to the Building Division showing the present location and proposed treatment of all smoke tree, species in the Agavaceae family, mesquite, large creosote bushes, Joshua Trees, and other plants protected by the State Desert Native Plant Act. Prior to issuance of a grading permit, the grading plan shall require transplanting of all protected plants as specified in the approved protected plant plan. (P)

CONDITIONS REQUIRED AS PART OF SUBMITTAL OF PUBLIC IMPROVEMENT PLANS

<u>COMPLETED</u>	<u>COMPLIED BY</u>
IN COMPLIANCE	

THESE CONDITIONS SHALL APPLY TO EACH SEPARATE AND INDIVIDUAL PHASE OF DEVELOPMENT (IF APPLICABLE TO THAT PHASE).

<u>COMPLETED</u>	<u>COMPLIED BY</u>
NOT IN COMPLIANCE	

SPECIALTY PLANS. The following additional plans/reports shall be required for businesses with special environmental concerns: (B)

A. Restaurants and food handling facilities shall submit plans to the San Bernardino County Department of Environmental Health Services. One set of the approved plans shall be submitted to the Building Division with the required application fees.

B. Submit two (2) sets of engineered plans for the proposed swimming pool to the Building Division for review and construction permits with the required application fees. The plans shall have prior review and approval by the San Bernardino County Department of Environmental Health Services.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CONSTRUCTION PLANS. Five complete sets of construction plans prepared and wet stamped by a California licensed Civil or Structural Engineer or Architect shall be submitted to the Building Division with the required application fees for review. (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

PARCEL MAP. A Parcel Map shall be prepared by or under the direction of a registered civil engineer or licensed land surveyor, based upon a survey, and shall conform to all provisions as outlined in article 66444 of the Subdivision Map Act as well as the San Bernardino County Surveyors Office Map Standards. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

TRAFFIC STUDY. The applicant shall be required to provide a traffic study prepared by a California licensed traffic engineer. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

GEOTECHNICAL REPORT. The Developer shall provide two copies of the soils report to substantiate all grading building and public improvement plans. Include R value testing and pavement recommendations for public streets. (E B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

TITLE REPORT. The Developer shall provide a complete title report 90 days or newer from the date of submittal. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

UTILITY NON INTERFERE/QUITCLAIM DOCS. The Developer shall provide non interference and or quitclaim letter(s) from any applicable utility agencies for any utility easements that affect the proposed project. All documents shall be subject to review and approval by the Engineering Department and the affected utility agencies. The improvement plans will not be accepted without the required documents and approval from the affected agencies. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

PLAN CHECK FEES. Plan checking fees must be paid in conjunction with the improvement plan submittal. All required plans, maps, requested studies, CFD annexations, etc. must be submitted as a package. The Developer shall coordinate with the City's Engineering Analyst, Jamie Carone at (760)947-1149 or jcarone@cityofhesperia.us, to obtain the fee calculation form which shall be completed and submitted, along with fee payment, at time of plan submittal. Any outstanding fees must be paid before final inspection and the release of bonds. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

IRREVOCABLE OFFERS OF DEDICATION. The Developer shall submit an Offer of Dedication to the City's Engineering Department for review and approval. At time of submittal the developer shall complete the City's application for document review and pay all applicable fees. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

COVERED PARKING. The applicant shall provide the amount of covered parking for the total number of senior apartment units. The mix of garages and carports shall equal the number of living units.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

INDEMNIFICATION. As a further condition of approval, the Applicant agrees to and shall indemnify, defend, and hold the City and its officials, officers, employees, agents, servants, and contractors harmless from and against any claim, action or proceeding (whether legal or administrative), arbitration, mediation, or alternative dispute resolution process), order, or judgment and from and against any liability, loss, damage, or costs and expenses (including, but not limited to, attorney's fees, expert fees, and court costs), which arise out of, or are in any way related to, the approval issued by the City (whether by the City Council, the Planning Commission, or other City reviewing authority), and/or any acts and omissions of the Applicant or its employees, agents, and contractors, in utilizing the approval or otherwise carrying out and performing work on Applicants project. This provision shall not apply to the sole negligence, active negligence, or willful misconduct of the City, or its officials, officers, employees, agents, and contractors. The Applicant shall defend the City with counsel reasonably acceptable to the City. The City's election to defend itself, whether at the cost of the Applicant or at the City's own cost, shall not relieve or release the Applicant from any of its obligations under this Condition. (P)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

ON SITE IMPROVEMENTS. All on site improvements as recorded in these conditions, and as shown on the approved site plan shall be completed in accordance with all applicable Title 16 requirements. Due to the small scale of the site plan, these requirements could result in minor changes to parking spaces and landscape planters. The building shall be designed consistent with the design shown upon the approved elevations, materials board and color exterior building elevations. Any exceptions shall be approved by the Director of Development Services. (P)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

RECREATIONAL FACILITIES. The Developer shall submit two sets of plans to develop the recreational facilities to the Building Division with the required application fees. The recreational facilities shall be developed in a similar fashion as shown on the approved plans and any changes to the amenities shall be approved by the director. (P)

CONDITIONS REQUIRED PRIOR TO GROUND DISTURBING ACTIVITY

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

PRE-CONSTRUCTION MEETING. Pre-construction meetings shall be held between the City the Developer grading contractors and special inspectors to discuss permit requirements monitoring and other applicable environmental mitigation measures required prior to ground disturbance and prior to development of improvements within the public right-of-way. (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

APPROVAL OF IMPROVEMENT PLANS. All required improvement plans shall be prepared by a registered Civil Engineer per City standards and per the City's improvement plan checklist to the satisfaction of the City Engineer. Five sets of improvement plans shall be submitted to the Development Services Department and Engineering Department for plan review with the required plan checking fees. All Public Works plans shall be submitted as a complete set. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

DEDICATION(S). The Developer shall grant to the City an Irrevocable Offer of Dedication for Main Street. The right of way full width for Main Street shall be one-hundred (100') feet. The Developer shall also grant to the City an Irrevocable Offer of Dedication for La Rosa Street. The right of way full width for La Rosa Street shall be sixty (60') feet. The Developer shall also grant to the City an Irrevocable Offer of Dedication for any part of the Path of Travel located behind any commercial drive approaches that encroach onto private property. It is the Developers responsibility to obtain any additional Right of Way dedication needed to satisfy the 26 minimum paving requirement at no cost to the City. Corner cut off right of way dedication per City standards is required at all intersections. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

UTILITY NON INTERFERE/QUITCLAIM DOCS. The Developer shall provide non-interference and or quitclaim letter(s) from any applicable utility agencies for any utility easements that affect the proposed project. All documents shall be subject to review and approval by the Engineering Department and the affected utility agencies. Grading permits will not be issued until the required documents are reviewed and approved by all applicable agencies. Any fees associated with the required documents are the Developer's responsibility. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

GRADING PLAN. The Developer shall submit a Grading Plan with existing contours tied to an acceptable City of Hesperia benchmark. The grading plan shall indicate building footprints and proposed development of the retention basin(s) as a minimum. Site grading and building pad preparation shall include recommendations provided per the Preliminary Soils Investigation. All proposed walls shall be indicated on the grading plans showing top of wall (tw) and top of footing (tf) elevations along with finish grade (fg) elevations. Wall height from finish grade (fg) to top of wall (tw) shall not exceed 6.0 feet in height. Grading Plans are subject to a full review by the City of Hesperia and the City Engineer upon submittal of the Improvement Plans. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

OFF-SITE GRADING LETTER(S). It is the Developers responsibility to obtain signed Off-Site Grading Letters from any adjacent property owner(s) who are affected by any Off-Site Grading that is needed to make site work. The Off-Site Grading letter(s) along with the latest grant deed(s) must be submitted and appropriate fees paid to the City's Engineering Department for plan check approval. (E)

COMPLETED **COMPLIED BY**

STREET IMPROVEMENTS. The Developer shall design

NOT IN COMPLIANCE

COMPLETED

NOT IN COMPLIANCE

COMPLIED BY

street improvements in accordance with City standards and these conditions. (E)

MAIN STREET: Saw-cut (2-foot min.) and match-up asphalt pavement on Main Street across the project frontage, based on City's 120-foot Main Street Corridor "A" Roadway Standard. The curb face is to be located at 44' from the approved construction centerline. The design shall be based upon an acceptable centerline profile extending a minimum of three hundred (300) feet beyond the project boundaries where applicable. These improvements shall consist of:

- A. 8" Curb and Gutter per City standards.
- B. Sidewalk (width = 6 feet) per City standards.
- C. Roadway drainage device(s).
- D. Streetlights per City standards.
- E. Intersection improvements including handicapped ramps per City standards.
- F. Commercial driveway approaches per City standards.
- G. Pavement transitions per City Standards.
- H. Design roadway sections per existing, approved street sections and per "R" value testing with a traffic index of 12 and per the soils report.
- I. Cross sections every 50-feet per City standards.
- J. Traffic control signs and devices as required by the traffic study and/or the City Engineer.
- K. Provide a signage and striping plan per City standards.
- L. Relocate existing utilities as required. The Developer shall coordinate with affected utility companies.
- M. Provide signage and striping for a Class 2 bike trail, per City's adopted non-motorized transportation plan.

COMPLETED

NOT IN COMPLIANCE

COMPLIED BY

FUENTE AVENUE. Construct 26' minimum paving on Fuent Avenue across the project frontage, based on City's 80-foot Secondary Arterial Roadway Standard. The curb face is to be located at 25' from the approved centerline. The design shall be based upon an acceptable centerline profile extending a minimum of three hundred (300) feet beyond the project boundaries where applicable. These improvements shall consist of:

- A. 8" Curb and Gutter per City standards.
- B. Sidewalk (width = 6 feet) per City standards.
- C. Roadway drainage device(s).
- D. Street lights per City standards.
- E. Intersection improvements including handicapped ramps per City standards.
- F. Commercial driveway approaches per City standards.
- G. Pavement transitions per City Standards.
- H. Design roadway sections per existing, approved street sections and per "R" value testing with a traffic index of 10 and per the soils report.
- I. Traffic control signs and devices as required by the traffic study and/or the City Engineer.
- J. Provide a signage and striping plan per City standards.
- K. It is the Developer's responsibility to obtain any off-site dedications for transition tapers including acceleration / deceleration tapers per City standards. It is also the

Developer's responsibility to obtain any additional Right-of-Way dedication needed to satisfy the 26' minimum paving requirement at no cost to the City.
 L. Relocate existing utilities as required. The Developer shall coordinate with affected utility companies.

COMPLETED **COMPLIED BY**
 NOT IN COMPLIANCE

LA ROSA STREET. Construct 26' paving minimum on La Rosa Street across the project frontage, based on City's 60-foot Local Roadway Standard. The curb face is to be located at 20' from the approved centerline. The design shall be based upon an acceptable centerline profile extending a minimum of three hundred (300) feet beyond the project boundaries where applicable. These improvements shall consist of:

- A. 8" Curb and Gutter per City standards.
- B. Sidewalk (width = 6 feet) per City standards.
- C. Roadway drainage device(s).
- D. Streetlights per City standards.
- E. Intersection improvements including handicapped ramps per City standards.
- F. Commercial driveway approaches per City standards.
- G. Pavement transitions per City Standards.
- H. Design roadway sections per existing, approved street sections and per "R" value testing with a traffic index of 8 and per the soils report.
- I. Traffic control signs and devices as required by the traffic study and/or the City Engineer.
- J. Provide a signage and striping plan per City standards.
- K. It is the Developer's responsibility to obtain any off-site dedications for transition tapers including acceleration / deceleration tapers per City standards. It is also the Developer's responsibility to obtain any additional Right-of-Way dedication needed to satisfy the 26' minimum paving requirement at no cost to the City.
- L. Relocate existing utilities as required. The Developer shall coordinate with affected utility companies.

COMPLETED **COMPLIED BY**
 NOT IN COMPLIANCE

UTILITY PLAN. The Developer shall design a Utility Plan for service connections and / or private hydrant and sewer connections. Any existing water, sewer, or storm drain infrastructures that are affected by the proposed development shall be removed / replaced or relocated and shall be constructed per City standards at the Developer's expense.
 (E)

- A. A remote read automatic meter reader shall be added on all meter connections as approved by the City Engineer.
- B. The Developer shall design a Utility Plan for service connections and / or private water and sewer connections. The Developer will be required to design and construct 8" (min.) PVC water main in Fuente Avenue and La Rosa Street per City standards.
- C. It is the Developer's responsibility to connect to sewer and pay the appropriate fees. The Developer will be required to design and construct 8" (min.) PVC sewer main and tie proposed sewer into existing sewer in Live Oak Street per City standards.

D. Complete V.V.W.R.A.'s "Wastewater Questionnaire for Commercial / Industrial Establishments" and submit to the Engineering Department. Complete the "Certification Statement for Photographic and X-ray Processing Facilities" as required.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

WATER IMPR. PLAN. The Developer shall design and construct an 8 minimum PVC water main in Fuente Avenue from Main Street to La Rosa Street and in La Rosa Street from Fuente Avenue to westerly property line. Design shall consist of plan and profile per City standards. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

WATER/SEWER IMPR. PLAN. The Developer shall design water and sewer improvements in accordance with City standards, and as indicated below. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

SEWER IMPROVEMENT PLAN: The Developer shall design and construct an 8 minimum PVC SDR 35 sewer main in La Rosa Street from Fuente Avenue to westerly property line and north to Live Oak Street where Developer will tie into existing sewer main. Design shall consist of plan and profile per City standards. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CULTURAL RESOURCES. In the event that pre-contact cultural resources are discovered during project activities, all work in the immediate vicinity of the find (within a 60-foot buffer) shall cease and a qualified archaeologist meeting Secretary of Interior standards shall be hired to assess the find. Work on the other portions of the project outside of the buffered area may continue during this assessment period. Additionally, the San Manuel Band of Mission Indians Cultural Resources Department will be contacted if any such find occurs and be provided information after the archaeologist makes his/her initial assessment of the nature of the find, so as to provide Tribal input with regards to significance and treatment. The archaeologist shall complete an isolate/site record for the find and submit this document to the applicant and Lead Agency for dissemination to the San Manuel Band of Mission Indians.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CULTURAL RESOURCES. If pre-contact cultural resources are discovered and avoidance cannot be ensured, an SOI-qualified archaeologist shall be retained to develop a cultural resources Treatment Plan, as well as a Discovery and Monitoring Plan, the drafts of which shall be provided to San Manuel Band of Mission Indians Cultural Resources Department for review and comment. The Lead Agency and/or applicant shall, in good faith, consult with San Manuel Band of Mission Indians Cultural Resources Department on the disposition and treatment of any other cultural materials encountered during the project.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CULTURAL RESOURCES. If human remains or funerary objects are encountered during any activities associated with the project, work in the immediate vicinity (within a 100-foot buffer of the find) shall cease and the County Coroner shall be contacted pursuant to State Health and Safety Code §7050.5 and that code enforced for the duration of the project.

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

LOT MERGER. A lot merger shall be submitted, approved, and recorded if construction occurs before the recordation of the Parcel Map. The lot merger and the required application and fees shall be submitted to the Planning Division prior to review and approval by the City for recordation. (P)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE FEE. The applicant shall submit a check to the City in the amount of \$2,404.75 payable to the Clerk of the Board of Supervisors of San Bernardino County to enable the filing of a Notice of Determination. (P)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

The applicant/developer shall coordinate with the San Bernardino County Fire Department for plan check purposes prior to submittal to the City.

CONDITIONS REQUIRED PRIOR TO BUILDING PERMIT ISSUANCE

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CONSTRUCTION WASTE. The developer or builder shall contract with the City's franchised solid waste hauler to provide bins and haul waste from the proposed development. At any time during construction, should services be discontinued, the franchise will notify the City and all building permits will be suspended until service is reestablished. The construction site shall be maintained and all trash and debris contained in a method consistent with the requirements specified in Hesperia Municipal Code Chapter 15.12. All construction debris, including green waste, shall be recycled at Advance Disposal and receipts for solid waste disposal shall be provided prior to final approval of any permit. (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

DEVELOPMENT FEES. The Developer shall pay required development fees as follows:

A. School Fees (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

LANDSCAPE PLANS. The Developer shall submit three sets of landscape and irrigation plans including water budget calculations, required application fees, and completed landscape packet to the Building Division. Plans shall utilize xeriscape landscaping techniques in conformance with the Landscaping Ordinance. The number, size, type and configuration of plants approved by the City shall be maintained in accordance with the Development Code. (P)

CONDITIONS REQUIRED PRIOR TO CERTIFICATE OF OCCUPANCY

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

DEVELOPMENT FEES. The Developer shall pay required development fees as follows:

A. Development Impact Fees (B)

B. Park Fees (Not applicable to commercial portion) (B)

C. Utility Fees (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

UTILITY CLEARANCE AND C OF O. The Building Division

will provide utility clearances on individual buildings after required permits and inspections and after the issuance of a Certificate of Occupancy on each building. Utility meters shall be permanently labeled. (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

DIRECTORY ADDRESSING. Apartments with more than three separate buildings on site shall have a building directory. Directories are to be posted at the main entrance(s) to the complex on the entry driveway side. Directories shall not be located in the public right-of-way or clear sight triangle areas. Directories shall be of sufficient size to be clearly visible from the public roadway serving the entrance driveway but in no case less than two feet in either dimension or six square feet. The directory shall be lighted from a power source dedicated to the general premises. (B)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

AS BUILT PLANS. The Developer shall provide as built plans, Notice of Completion, and One Year Maintenance Bonds to the Engineering / Water Sewer Departments. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

ELECTRONIC COPIES. The Developer shall provide electronic copies of the approved project in AutoCAD format Version 2007 to the City's Engineering Department. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

PUBLIC IMPROVEMENTS. All public improvements shall be completed by the Developer and approved by the Engineering Department. Existing public improvements determined to be unsuitable by the City Engineer shall be removed and replaced. (E)

COMPLETED **COMPLIED BY**
NOT IN COMPLIANCE

CFD ANNEXATION. The applicant shall annex the property into Community Facilities District CFD 94-01 prior to occupancy of any building or concurrent with recordation of the parcel map. (F)

NOTICE TO DEVELOPER: IF YOU NEED ADDITIONAL INFORMATION OR ASSISTANCE REGARDING THESE CONDITIONS, PLEASE CONTACT THE APPROPRIATE DIVISION LISTED BELOW:

(B) Building Division	947-1300
(E) Engineering Division	947-1476
(F) Fire Prevention Division	947-1603
(P) Planning Division	947-1200
(RPD) Hesperia Recreation and Park District	244-5488



ATTACHMENT 7

DATE: July 11, 2019
TO: Planning Commission
FROM: Chris Borchert, Principal Planner
SUBJECT: Planned Development PPD18-00001, Conditional Use Permit CUP18-00007 (Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70)

RECOMMENDED ACTION

It is recommended that the Planning Commission adopt Resolution No. PC-2019-11, recommending that the City Council introduce and place on first reading an ordinance approving PPD18-00001 and adopt Resolution No. PC-2019-12, recommending approval of CUP18-00007 for the entire development including assisted living facility and alcohol sales.

BACKGROUND

Proposal: The project consists of Planned Development PPD18-00001 and Conditional Use Permit CUP18-00007, to construct a two-story, 160 unit 55+ senior apartment development; a two-story, 192 unit assisted living facility; a 13,462 square foot and 14,820 square foot commercial retail buildings in six phases on 21.55 acres.

Tentative Parcel Map TPMN18-00002 (PM-19940) will create four parcels within the 21 acre site, allowing separate ownership of the senior apartments, the assisted living facility and the two separate retail buildings. An easement will be recorded as part of the parcel map to provide reciprocal access across all parcels within the project. The parcel map was unable to be completed in time to include it with the approvals, it will go through the Development Review Committee process in the near future.

This project is unique in that it will attempt to provide an independent adult senior living community (only persons 55 years or older qualify), where residents have access to many needed services without leaving the development. The project is designed to provide meals, exercise and recreational facilities, medical care, and hair care for those residing within the apartments and assisted living facilities and those seniors visiting. After gaining approval of the western portion of the project in 2015, the City sold the neighboring 10 acres to the applicant for the expansion of the Planned Development. The project required/requires approval of a Planned Development, as the Main Street and Freeway Corridor Specific Plan (Specific Plan) does not allow the proposed intensity of residential development nor the proposed reductions in development standards.

Location: On the north side of Main Street, approximately 250 feet east of the California Aqueduct. (Attachment 1)

Current General Plan, Zoning and Land Uses: The western portion of the property is currently zoned PPD15-00001, and the northern/eastern portion is Medium Density Residential within the Specific Plan. The surrounding land is designated as noted on Attachment 2. The project site, as well as the properties to the north and east are currently vacant. A restaurant and a multi-tenant retail building exist to the south and a commercial mini-storage exists to the west.

ISSUES/ANALYSIS

Planned Development

A Planned Development is similar to a Specific Plan, but on a smaller scale. It allows a submittal based on the following purpose:

The planned development review procedure shall be used for large scale development projects generally below one thousand (1,000) dwelling units where, because of a mixture of uses or because of site constraints, flexibility in design and cohesive planning of the entire site is deemed necessary. Projects exceeding one thousand (1,000) dwelling units, or commercial, industrial or mixed-use projects of size or impacts should be filed as a specific plan. The planned development process provides an alternative site planning process that encourages creative and imaginative design of large-scale, multi-phased residential, commercial or industrial developments, or a mixture of such uses, within the framework of a single development plan. The procedure permits greater regulatory and design flexibility than conventional zoning, in order to achieve a more economical and efficient use of land and a high quality of design.

The project is proposing commercial where it was previously Neighborhood Commercial, and the assisted living and senior apartments are within the Medium Density Residential zone which is appropriate. As stated above, you are allowed “greater regulatory” flexibility in order to “achieve a more economical and efficient use of land and a high quality of design.”

Senior Apartments

The northern 8.78 acres of the subject property will be for 160 senior apartments restricted to those 55 years and older. 128 units are 1 bedroom utilizing the same floor plan, just reversed or “flipped” throughout the buildings. 32 of the units are two-bedroom. Each 1-bedroom unit is listed as 618 square feet, when the minimum living area for a one bedroom is required to be 650 square feet. The 2-bedroom unit is 967 square feet whereas the minimum required is 950 square feet with 2 bathrooms. The Planned Development justifies the reduced floor area since seniors do not require as much additional space for the belongings of children and young adults. Each second story unit has an 86 square foot patio, 14 square feet below the 100 s.f. minimum. The first story units have 100 s.f. patios.

A central driveway and parking in the original design were removed in order to increase the open space and centralize the pool and clubhouse location. The clubhouse is proposed to be 3,621 s.f. and provides a fitness room, bathrooms, office and a large multi-function room with kitchen. The multi-function room opens onto a trellis covered patio, the pool deck, and a 21' by 41' pool. The large open space areas between the units will have various activity areas such as shuffleboard, bocce ball, putting greens and gazebos with picnic tables.

The municipal code requires 1.5 parking spaces for each one bedroom senior apartment and 1.75 spaces for two bedroom units, which equates to 248 spaces. The proposal includes 226 parking spaces, or 1.41 spaces per unit. Additionally, each unit is supposed to have a covered parking stall with storage area. The proposal has 96 full garages, which is 64 short of the code requirement, however, each unit has a storage room accessed from the patio. A condition of approval requires covered parking over the parking on the north side of the project (La Rosa Street) which is an additional 62 spaces.

The Medium Density Residential district has a maximum density of 15 units per acre, the proposal would allow for 18.2 units per acre. This can also be approved through the Planned Development.

The Specific Plan requires a minimum 15-foot separation between buildings. The Planned Development provides 15-foot separations between habitable buildings, but allows garages and other non-habitable structures to be only 10 feet apart.

The architectural design of the apartment buildings comply with many of the guidelines, the main inconsistencies are relating to the length of the buildings and the lack of roof plane variation.

Assisted Living

The center 8.95 acres of the site will be the two story 192 unit senior assisted living facility which will house residents with some type of disability that prevents them from safely living on their own. The facility offers 120 studio and 72 one bedroom options interspersed throughout the building. The studio units are 565 square feet (550 sf required) and the one bedrooms are 792 square feet (650 sf required) and both offer a full kitchen. Nursing stations are strategically located to provide access to the different wings of the building.

The central portion of the facility, or "Wing D", will consist of 9,342 square feet which will house a restaurant, kitchen and dining area on the first floor, and 9,342 square feet of multi-purpose rooms for various activities on the second floor. This facility will be for both residents in the assisted living as well as the senior apartments. Friends and family of the seniors may also dine within the facility during visiting hours.

The conditional use permit approval would allow beer and wine to be sold for on premise consumption within the restaurant/dining areas of Wing D as part of the Planned Development.

The design of the buildings creates centralized landscaped courtyards and the southeast portion of the site is a very large landscaped area that helps to beautify and buffer the units from the adjacent commercial property and Main Street. The buildings exhibit changes in wall and roof planes which contain decorative tile roofing, complimentary earth tone stucco wall colors with columns, arches, insets with decorative tile, corbels, and other enhancements as shown on Attachments 11 and 12.

Review and approval of the project is required from the City as well as from the Office of Statewide Health Planning and Development (OSHPOD) for the assisted living facility.

Commercial / Retail Buildings

The final buildout of the site will include two retail buildings of 13,462 and 14,820 square feet. These sizes, and the building layouts, are assumptions since no tenants are planned at this time. The original plan involved an adult day care and a potential retail pharmacy such as a CVS or Walgreens type use.

The Main Street entrance onto the site will provide access to the retail buildings as well as the Assisted Living facility and will be installed in Phase 1. Both buildings would require the same parking ratio of 1 space per 200 s.f. of building area, and both exceed the minimum requirement.

The conditional use permit approval would also acknowledge the Planned Development to allow beer, wine and liquor sales in the future in one of the buildings, more than likely the retail

pharmacy tenant. Language in the PUD document does not allow liquor stores or small scale convenience store which sell alcohol.

Alcohol Sales

The applicant will file an application for a Type 41 (On-Sale beer and wine) license with the State Department of Alcoholic Beverage Control (ABC) for the proposed restaurant/dining area within phase III. Approval of the Planned Development will take the place of a CUP for the sale of alcoholic beverages.

Table 1 identifies two existing on-sale alcoholic beverage licenses within Census Tract 100.16 (Attachment 13). ABC authorizes this census tract to have four on-sale licenses. Consequently, this area is not over concentrated and the City is not required to make a finding of public convenience and necessity.

Table 1: Existing On-Sale Licenses in Census Tract 100.16

Status	Business Name	Business Address	Type of License
Active	Chipotle Mexican Grill	9770 Mariposa Road	47-Beer, Wine, and Liquor
Active	Shabang Seafood	14466 Main Street	41-Beer and Wine

The commercial buildings may also have a restaurant with alcohol sales located in them as part of the Planned Development document. Having this in the document now, guarantees this right regardless of future development within the census tract.

The Planned Development would also allow for the off-site sales of alcoholic beverages in one of the front commercial/retail buildings, but not in a “liquor” store fashion. Language stating that the alcohol sales cannot be with a small scale convenience store is provided in the Planned Development document. There are currently 5 off-sale alcohol licenses as shown in Table 2.

Table 2: Existing Off-Sale Licenses in Census Tract 100.16

Status	Business Name	Business Address	Type of License
Active	Shell gas station	13100 Main Street	20-Beer and Wine
Active	Chevron gas station	13188 Main Street	21-Beer, Wine, Liquor
Active	Aldi grocery store	13360 Main Street	20-Beer and Wine
Active	Stater Bros grocery store	14466 Main Street	21-Beer, Wine, Liquor
Active	Mobil gas station (Shop n Go)	14518 Main Street	20-Beer and Wine

ABC authorizes this census tract to have 3 off-sale licenses. By approving an alcohol use through the Planned Development, it will be allowed regardless of future development in the census tract. Due to this reasoning, a condition has been added to require the PUD document to be modified to restrict the commercial buildings to only one off-sale alcohol business.

Project Phasing

The entire project is planned to be built over a period of about 8-10 years, depending on many variables. The project is phased from north to south as shown in Table 3, with the senior

apartments being the first two phases, the assisted living facility being phases three and four, and the commercial buildings being phases five and six.

Table 3: Phasing Information

Phase	Use	Number of Dwelling Units/Rooms	Parking Provided
1	Senior Apartments	80 units	47 garages/35 covered/60 uncovered spaces
2	Senior Apartments	80 units	49 garages/27 covered/25 uncovered spaces
3	Assisted Living Facility Wings A, B & D	104 rooms	76 uncovered spaces
4	Assisted Living Facility Wing C	88 rooms	39 uncovered spaces
5	13,462 S.F. Retail		119 uncovered spaces
6	14,820 S.F. Retail		77 uncovered spaces

Drainage: The project shall retain the drainage created on-site beyond that which has occurred historically within an approved drainage system in accordance with City standards. Further, the proposed development is not allowed to concentrate or redirect stormwater flow. Although the site is approximately 800 feet upstream of a major regional drainage flow, the project site is not impacted. Therefore, the site is not impacted by drainage and will not impact properties downstream.

Water and Sewer: The development will be installing and connecting to an existing 8-inch water line in Main Street. The nearest sewer line is located approximately 1,500 feet to the north in Live Oak Street. Therefore, prior to issuance of a grading permit, improvement plans for this sewer connection shall be submitted.

Traffic Impact: Due to the size and nature of the project, a traffic study was prepared and analyzed by the Engineering Division. The requirements for street widths, turn lanes and the future traffic signal at the intersection of Main Street and Fuente Avenue were all based on the traffic study and Circulation Element requirements.

Schools and Parks: Topaz Elementary is located approximately one-mile to the northeast and Hesperia Community Park (Datura) is located approximately one mile to the north.

Environmental: Approval of this development requires adoption of a mitigated negative declaration pursuant to the California Environmental Quality Act (CEQA). The mitigated negative declaration and initial study (Attachment 10) prepared for the development conclude that there are no significant adverse impacts resulting from the project if adhering to five mitigation measures. After consultation with the San Manuel Band of Mission Indians, the mitigated negative declaration and initial study were routed through the State Clearinghouse as SCH# 2019029096 and the review period closed on March 20, 2019 with no agencies commenting. The mitigation measures address the following: a pre-construction survey for the burrowing owl will be conducted prior to issuance of a grading permit; a protected plant plan was also submitted, which ensures

that all transplantable plants protected by the City's Ordinance will be handled in accordance with the City's Protected Plant Ordinance; and cultural resources, if found during grading, will be handled as requested by the San Manuel Band of Mission Indians.

Conclusion: The project proposes multi-family senior apartments (permitted) and assisted living (CUP) where the zoning is/was Medium Density Residential, and commercial buildings where the zoning was Neighborhood Commercial. As stated in the purpose section, the Planned Development is to allow deviations in the regulations for creative, large scale projects with high quality. While not necessarily creative, Staff focused on quality and improvements over the existing Planned Development (PPD15-00001). Many of the previous nonconformities have been eliminated due to the larger site size and changes to the design. We have also worked with the applicant to add architectural details to the buildings, recreational activity areas, driveway pavers, colored stamped concrete and landscaping across the entire site. Staff finds that the project exceeds what would typically be expected and it justifies the density increase, the decrease in apartment sizes, and lack of parking on the senior apartment site.

FISCAL IMPACT

Development will be subject to payment of all development impact fees adopted by the City.

ALTERNATIVE(S)

1. The Planning Commission may disagree with one or more of the provisions within the Planned Development which provide reduced parking spaces and deficiencies for other development standards that allow for the proposed increased intensity of development. For Staff, the biggest deficiency seemed to be covered parking, therefore, we added a condition of approval requiring 62 spaces along the northern property line to be covered, bringing the project into compliance with that aspect.
2. Provide alternative direction to staff.

ATTACHMENT(S)

1. Aerial photo
2. General Plan & zoning map
3. Site Plan
4. 1 Bedroom Senior Apartment Floor Plan
5. 2 Bedroom Senior Apartment Floor Plan
6. Assisted Living Studio Unit Floor Plan
7. Assisted Living 1BR Unit Floor Plan
8. Elevations for Apartments & Assisted Living
9. Negative Declaration ND18-02 with the Initial Study
10. Resolution No. PC-2019-11 with Exhibit "A" (PPD18-00001)
11. Resolution No. PC-2019-12, with list of conditions (CUP18-00007)



City of Hesperia Meeting Minutes Planning Commission

City Council Chambers
9700 Seventh Ave.
Hesperia CA, 92345
www.cityofhesperia.us

Thursday, July 11, 2019

6:30 PM

Council Chambers

CALL TO ORDER - 6:30 PM

A. Pledge of Allegiance to the Flag

Pledge was led by Commissioner Caldwell

B. Invocation

Invocation was led by Commissioner Blocker

C. Roll Call

Present Chair Tom Murphy
 Commissioner Rusty Caldwell
 Commissioner James Blocker
 Commissioner Kerrie Justice

Absent Vice Chair Cody Leis

D. Reorganization of the Planning Commission

1. Election of Chair
2. Election of Vice Chair

A motion was made by Murphy, seconded by Justice, that Cody Leis be elected Chair and Rusty Caldwell be elected Vice Chair. The motion carried by the following vote:

Aye: Chair Tom Murphy
 Commissioner Rusty Caldwell
 Commissioner James Blocker
 Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

JOINT PUBLIC COMMENTS

Chair Murphy Opened the Public Comments at 6:33 pm.
There were no Public Comments.
Chair Murphy closed the Public Comments at 6:33 pm.

CONSENT CALENDAR

1. Consideration of the May 9, 2019 Planning Commission Draft Meeting Minutes

Recommended Action:

It is recommended that the Planning Commission approve the Draft Minutes from the regular meeting held on May 9, 2019

Sponsor: Administrative Secretary Erin Baum

A motion was made by Caldwell, seconded by Blocker, that this item be approved. The motion carried by the following vote:

Aye: Commissioner Kerrie Justice
Commissioner Rusty Caldwell
Commissioner James Blocker

Abstain: Chair Tom Murphy

Absent: Vice Chair Cody Leis

PUBLIC HEARINGS

1. Consideration of a Conditional Use Permit, CUP19-00005, to allow the sale of beer, wine and liquor for on-site consumption within a restaurant (Culichi Town Restaurant) (Applicant: Culichi Town Hesperia, Inc; APN: 3064-481-13).

Recommended Action:

It is recommended that the Planning Commission adopt Resolution No. PC-2019-13, approving CUP19-00005.

Sponsor: Senior Planner Ryan Leonard

Senior Planner Ryan Leonard gave a presentation on the project.

Chair Tom Murphy opened the Public Comments at 6:37pm.

There were no Public Comments.

Chair Tom Murphy closed the Public Comments at 6:38pm.

A motion was made by Blocker, seconded by Caldwell, that this item be approved. The motion carried by the following vote:

Aye: Chair Tom Murphy
Commissioner Rusty Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

2. Tentative Tract TT18-00002 (TT-20259), Site Plan SPR18-00011 & Minor Exception ME19-00001

Recommended Action:

It is recommended that the Planning Commission adopt Resolution PC No. 2019-14, approving TT18-00002 (TT-20259), Site Plan SPR18-00011 and Minor Exception ME19-00001.

Sponsor: Senior Planner Ryan Leonard

Senior Planner Ryan Leonard gave a presentation on the project.

Chair Tom Murphy opened the Public Comments at 6:45 pm.

There were no Public Comments.

Chair Tom Murphy closed the Public Comments at 6:45 pm.

A motion was made by Justice, seconded by Caldwell, that this item be approved. The motion carried by the following vote:

Aye: Chair Tom Murphy
Commissioner Rusty Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

3. Planned Development PPD18-00001, Conditional Use Permit CUP18-00007(Americana-Hesperia Retirement Project, LLC; APN: 0405-062-56 & 70)

Recommended Action:

It is recommended that the Planning Commission adopt Resolution No. PC-2019-11, recommending that the City Council introduce and place on first reading an ordinance approving PPD18-00001 and adopt Resolution No. PC-2019-12, recommending approval of CUP18-00007 for the entire development including assisted living facility and alcohol sales.

Sponsor: Senior Planner Ryan Leonard

Senior Planner Ryan Leonard gave a presentation on the project.

Chair Tom Murphy opened the Public Comments at 7:04 pm.

Applicant's representative Dino DeFazio spoke in regards to the liquor licenses requested on the project.

Chair Tom Murphy closed the Public Comments at 7:06 pm.

A motion was made by Caldwell, seconded by Justice, that this item be approved. The motion carried by the following vote:

Aye: Chair Tom Murphy
Commissioner Rusty Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

4. Consideration of a Conditional Use Permit, CUP19-0004 to establish a microbrewery and a beer-tasting lounge at 11430 "I" Avenue (Applicant: 3 Dogs Barking Brewing Company' APN: 0415-272-11).

Recommended Action:

It is recommended that the Planning Commission adopt Resolution No. PC-2019-15, approving CUP19-00004 to establish a microbrewery and a beer-tasting lounge.

Sponsor: Senior Planner Daniel Alcayaga

Senior Planner Daniel Alcayaga gave a presentation on the project.

Chair Tom Murphy opened the Public Comments at 7:17pm.

Jennifer Sweet spoke in favor of the project and applicant.

Bob Tarango spoke in favor of the project and applicant.

Randolph Fincter spoke in favor of the project and applicant.

The applicant, Jessie Canelle spoke in favor of the project and offered to answer Commission questions.

Chair Tom Murphy closed the Public Comments at 7:28 pm.

A motion was made by Justice, seconded by Caldwell, that this item be approved. The motion carried by the following vote:

Aye: Chair Tom Murphy
Commissioner Rusty Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

5. Consideration of a Revised Site Plan Review, SPRR19-00003 to construct 20 units on a site that is partially improved with a 12-unit apartment complex, in conjunction with Variance VAR19-00001 to allow setback reductions, on 3.1 gross acres within the Medium Density Residential (MDR) Zone of the Main Street and Freeway Corridor Specific Plan located at 9578 Maple Avenue. This project is categorically exempt from CEQA (Applicant: Maple West, LLC; APNs: 3057-131-35).

Recommended Action:

It is recommended that the Planning Commission adopt Resolution Nos. PC-2019-17 and PC-2019-18, approving SPRR19-00003 to construct 20 units on a site that is partially improved with a 12-unit apartment complex, in conjunction with VAR19-00001 to allow setback reductions.

Sponsor: Senior Planner Daniel Alcayaga

Chair Tom Murphy recused himself for item #6.

Senior Planner Daniel Alcayaga gave a presentation on the project.

Commissioner Rusty Caldwell opened the Public Comments at 7:35pm

Architect Tom Steeno spoke in favor of the project.

Commissioner Rusty Caldwell closed the Public Comments at 7:37 pm.

A motion was made by Justice, seconded by Blocker, that this item be approved. The motion carried by the following vote:

Aye: Commissioner Rust Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

Recused: Chair Tom Murphy

6. Reconsideration of CUP19-00002 to allow for the sale of beer, wine, and liquor for on-site consumption (Type 47) in conjunction with a restaurant at 17376 Main Street, Unit C (Applicant: M.O.R.R. - Round Table Pizza; APN: 0410-135-56).

Recommended Action:

It is recommended that the Planning Commission adopt Resolution No. PC-2019-19, approving CUP19-00002 to allow for the sale of beer, wine and liquor for on-site consumption (Type 47) in conjunction with a restaurant at 17376 Main Street, Unit C.

Sponsor: Senior Planner Daniel Alcayaga

Senior Planner Daniel Alcayaga gave a presentation on the project.

Chair Tom Murphy opened the Public Comments at 7:42pm.

Applicant Rudolpho Rocha spoke about the project and offered to answer Commission questions.

Chair Tom Murphy closed the Public Comments at 7:44pm.

A motion was made by Blocker, seconded by Justice, that this item be approved. The motion carried by the following vote:

Aye: Chair Tom Murphy
Commissioner Rusty Caldwell
Commissioner James Blocker
Commissioner Kerrie Justice

Absent: Vice Chair Cody Leis

PRINCIPAL PLANNER'S REPORT

Senior Planner Daniel Alcayaga filled in for Principal Planner Chris Borchert, who is on vacation. Daniel gave the Commission an update on pending and future projects.

At this time the Commission circled back to the Commission Reorganization item previously passed over.

The Principal Planner or staff may make announcements or reports concerning items of interest to the Commission and the public

E. DRC Comments

There were no comments

F. Major Project Update

There were no updates.

PLANNING COMMISSION BUSINESS OR REPORTS

The Commission Members may make comments of general interest or report on their activities as a representative of the Planning Commission.

ADJOURNMENT

Meeting was adjourned at 7:50pm until Thursday September 12, 2019.



Erin Baum,
Planning Commission Secretary



Cody Leis
Vice Chair

City of Hesperia

STAFF REPORT



DATE: November 19, 2019

TO: Chairman and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance

SUBJECT: Amend the Water Connection Fees for New Connections

RECOMMENDED ACTION

It is recommended that the Board of Directors of the Hesperia Water District (District) adopt Resolution No. HWD 2019-12 (Attachment 1) to update the water connection fees.

BACKGROUND

At the November 20, 2007 Water Board meeting, the Board of Directors (Board) approved the current Water Connection fees, which consist of two components. The first component is a capital facility charge that is used to expand the District's infrastructure to accommodate the new users; while the second component is the supplemental water supply charge (supplemental charge). The supplemental charge is assessed to allow the District to purchase replacement water to offset the usage from new connections. The following chart demonstrates the current water connection fee by meter size, identifying the capital facility charge and supplemental charge components individually.

Meter Size	2007 Adopted Rates		
	Capital Facility Charge	Supplemental Charge	Total Fee
3/4 inch	\$ 3,513	\$ 2,662	\$ 6,175
1 inch	5,270	3,993	9,263
1-1/2 inch	14,052	10,648	24,700
2 inch	22,483	17,037	39,520
3 inch	44,966	34,074	79,040
4 inch	70,260	53,240	123,500
6 inch	140,520	106,480	247,000
8 inch	224,832	170,368	395,200

The connection fees were derived from information within the October 17, 2007 "draft final" Water Master Plan, which was finalized in 2008. In summary, the Water Master Plan assesses the demand by user type, creates a plan to accommodate growth, and identifies future infrastructure needs. One key component from the Water Master Plan is the water demand factor. This factor identifies the annual water usage per ¾-inch meter, which is 0.5915 per acre foot of water. Another way to look at the demand factor is that a ¾-inch meter will annually require 59% of 1 acre-foot, which is approximately 192,740 gallons of water.

The current rate for the water connection fee has not been adjusted for market increases since it was adopted in FY 2007-08. For example, the adopted supplemental charge assumed that permanent water rights cost approximately \$4,500 per acre foot. Given the recent permanent

water rights transactions within the Alto Basin, to which the District belongs, permanent water rights are now approximately \$5,200 per acre foot.

As the Board is aware, the District must adhere to the free production allowance of water as identified by the Mojave Basin Area Watermaster (Watermaster) and the subsequent judicial judgements. The District, which is considered an industrial/municipal user, is allowed to use 60% of its base annual production (the free production allowance). For example, the District owns 14,170 acre feet of base annual production; however, it can only utilize 8,502 acre feet (free production allowance). For any production of water over the free production allowance, the District must annually lease the water, purchase permanent water, or purchase make-up water from the Watermaster. For Water Year 2018-19, it is projected that the Water District over produced by 4,722 acre-feet. With the increased cost of replacement water in recent years, the current supplemental fee is not adequate to allow the District to seek replacement water for new connections. This creates additional annual lease costs to replenish the overproduction.

For the capital facility fee portion, a 27% fee reduction was approved during the April 02, 2013 Board Meeting. Subsequently, the Capital Facility Fee was restored to the adopted rate on December 18, 2018. While the maximum rate, depending on meter size, is being assessed, there is no annual inflationary factor attributed to the rate.

ISSUES/ANALYSIS

A key component to the connection fee is identifying the impact of annual water usage by a new user and assessing the fee to replenish that use. To accomplish this, there needs to be rate structures to address single family residential, multi-family, and hotels.

Single Family Residential Connection Fee Charge:

As described, the connection fee is comprised of two components: capital facility charge and the supplemental charge. For single family residential, it is proposed to update the methodology from the 2007 Water Connection Study. For FY 2018-19, there is no proposed change to the capital facility charge. As will be explained later, for each fiscal year thereafter, it is recommended to increase the capital facility charge by the cost of living adjustment (COLA).

To address the increased cost of permanent water rights, it is proposed to adjust the supplemental water fee. As mentioned, the 2007 Water Connection Study assumed permanent replacement costs of \$4,500 per acre foot, whereas the FY 2018-19 projected permanent replacement rate is \$5,200 per acre foot. By applying the user demand factor of 0.5915 to the \$5,200 per acre foot replacement cost, this creates a new supplemental charge of \$3,076 for ¾-inch meters. This is a \$414 increase over the current supplemental charge for a ¾-inch meter of \$2,662. As the meter size increases, so does the capital facility charge and supplemental charge. The following chart demonstrates the new methodology compared to the current 2007 rates.

Meter Size	2007 Adopted Rates			2019-20 Update			Difference
	Capital Facility Charge	Supplemental Charge	Total Fee	Capital Facility Charge	Supplemental Charge	Total Fee	
3/4 Inch	\$ 3,513	\$ 2,662	\$ 6,175	\$ 3,513	\$ 3,076	\$ 6,589	\$ 414
1 inch	5,270	3,993	9,263	5,270	4,614	9,884	621
1-1/2 inch	14,052	10,648	24,700	14,052	12,304	26,356	1,656
2 inch	22,483	17,037	39,520	22,483	19,686	42,170	2,650
3 inch	44,966	34,074	79,040	44,966	39,373	84,339	5,299
4 inch	70,260	53,240	123,500	70,260	61,520	131,780	8,280
6 inch	140,520	106,480	247,000	140,520	123,040	263,560	16,560
8 inch	224,832	170,368	395,200	224,832	196,864	421,696	26,496

Multi-Family Connection Fees:

The current connection fee does not distinguish from single family residential and multi-family users. All charges are based on meter size. The issue with the single fee approach is that the 2008 Water Master Plan assumes that single family residential consists of 3.3 persons per dwelling unit; whereas for multi-family, the assumption is 2.7 persons per dwelling unit. So, for example, if one single family residential home is serviced by a ¾-inch meter, the cost is \$6,175 in connection fees (capital facility of \$3,513 and supplemental charge of \$2,662) for 3.3 persons. If two apartments are serviced by one ¾-inch meter, the cost is the same connection fee of \$6,175 for 5.4 persons (2.7 persons in each unit).

To address this potential inequity, it is proposed to charge each dwelling unit a supplemental charge. This is accomplished by using the demand factor of 0.5915, which was identified in the 2008 Water Master Plan and the 2007 Water Connection Study. The demand factor will then be applied to the permanent water replacement cost of \$5,200 per acre foot to establish the multi-family per unit replacement cost of \$3,076. The per dwelling replacement cost will be multiplied by the number of units. The following demonstrates two units; however, for example, if a project is for ten units, the supplemental charge would be \$30,076 (10 units x per unit cost of \$3,076).

Multi-Family Per Unit

Supplemental Water Supply Charge Per AF

Demand per User		0.5915
Per Acre Projected Permanent Water Replacement Rate	x \$	5,200
Multi-Family Per Dwelling Unit Replacement Water Cost	\$	3,076
Multi-Family Per Dwelling Unit Replacement Water Cost	\$	3,076
Number of Dwelling Units	x # of Units	
Total Supplemental Water Supply Charge for Multi-Family		Total Fee

The supplemental charge is variable and dependent on the number of dwelling units; whereas the capital facility charge is associated with the size of the project's meter. Both of these components create the multi-family connection fee. It is worth mentioning that the per meter size capital facility charge for multi-family is the same as the capital facility charge for the single family residential.

Hotel Connection Fees:

It is proposed that for hotels (excluding single family residential and multi-family) connection fees follow a similar methodology identified for multi-family connections (per dwelling unit supplemental fee). It is recommended that the City Engineer determine and confirm demand per user. The City Engineer identified demand per user will be used to determine the per unit supplemental charge for all other users. The capital facility charge will be determined by meter size.

Proposed Annual Increases:

To ensure that both the capital facility charge and supplemental charge reflect the current market conditions, it is proposed to annually recommend updates to the Board. The annual review will ensure that the connection fee is sufficient to offset the District's costs for all new customers. This will be accomplished by recommending an annual cost of living adjustment (COLA) increase for the capital facility charge component of the connection fee. The annual COLA will ensure that

the capital facility charge will keep pace with inflation. The permanent replacement costs will be monitored for recommended changes to the supplemental charge.

It is proposed that both the COLA for the capital facility charge and market changes to permanent replacement water be reviewed and presented to the Board as part of the annual update to the City-wide Fee Schedule.

FISCAL IMPACT

The current water connection fees are based on the 2007 Connection Fee Study. With the exception of a temporary reduction to the capital facility charge in FY 2012-13 and the subsequent restoration in FY 2018-19, there has been no change to the maximum rate charged by the District for new connections. Since the adoption of the rates, costs for replacement water have increased approximately \$700 from the 2007 rate of \$4,500 per acre foot to the projected rate of \$5,200 per acre foot. By not addressing this change this creates difficulty for the District to purchase replacement water.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution No. HWD 2019-12

RESOLUTION HWD 2019-12

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT OF THE CITY OF HESPERIA, CALIFORNIA, UPDATING THE WATER CONNECTION RATES FOR NEW CUSTOMERS

WHEREAS, the Hesperia Water District provides water service to customers within its boundaries; and

WHEREAS, the established rates for new customers are based upon the cost of providing the service; and

WHEREAS, on November 20, 2007, the Board approved Resolution HWD 2007-014, which provided an update to the water connection fee for new users; and

WHEREAS, the water connection fee consists of the capital facility charge and a supplemental water supply charge (supplemental charge); and

WHEREAS, it is necessary to review and revise the Hesperia Water District's water connection fee to ensure the costs of providing service to new customers are recovered by the rates charged.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT AS FOLLOWS:

Section 1. The Board hereby finds that all of the facts set forth in the Resolution are true and correct.

Section 2. The water connection fees for single family residential is shown in Attachment A.

Section 3. The water connection fees methodology for multi-family users is shown in Attachment B. The capital facility component portion for multi-family users is the same as the single family residential. The supplemental fee portion of the water connection fee is assessed by multiplying the demand factor of 0.5915 by the current permanent water replacement rate per acre foot (identified in this resolution as \$5,200) to determine the per unit replacement water cost. The per unit water replacement cost is then multiplied by the number of units to determine the total supplemental water supply charge for multi-family.

Section 4. The water connection fee methodology for hotels, excluding single family residential and multi-family, will follow a similar methodology of multi-family users. The demand factor for such connections will be determined by the City Engineer for each specific project. The City Engineer determined demand factor will be multiplied by the current permanent water replacement rate per acre foot in order to determine the replacement water cost. The water replacement cost is then multiplied by the number of units to determine the total supplemental water supply charge.

Section 5. Annually, a cost of living adjustment (COLA) will be presented to the Board of Directors to increase the capital facility charge. The COLA will be recommended by the proportionate change in the consumer price index (CPI) for all urban consumers for Riverside-San Bernardino-Ontario published by the U.S. Department of Labor. This CPI adjustment will be based on the change in the published index between May of the previous year to May of the current. The first recommended COLA will be measured from May 2019 to May 2020. Any recommended changes will be presented as part of the City-wide Fee schedule update.

Section 6. Annually, a review of the permanent replacement water costs will be conducted. A recommendation will be made to the Board of Directors to increase the supplemental water charge based on changes to the permanent water replacement costs. Any recommended changes will be presented as part of the City-wide Fee schedule update.

Section 7. The effective date of the rates contained in this Resolution shall be January 19, 2020, at which time those rates and charges found in Resolution HWD 2007-14 pertaining solely to the water connection shall be repealed and replaced as detailed herein.

Section 8. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED THIS 19th DAY OF NOVEMBER 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre, City Clerk

ATTACHMENT A

Single Family Residential Connection Fee

Meter Size	Capital Facility Charge	Supplemental Charge	Total Fee
3/4 Inch	\$ 3,513	\$ 3,076	\$ 6,589
1 inch	5,270	4,614	9,884
1-1/2 inch	14,052	12,304	26,356
2 inch	22,483	19,686	42,170
3 inch	44,966	39,373	84,339
4 inch	70,260	61,520	131,780
6 inch	140,520	123,040	263,560
8 inch	224,832	196,864	421,696

ATTACHMENT B

Multi-Family Connection Fee

Capital Facility Fee + Supplemental Water Fee = Multi-Family Connection Fee

Capital Facility Fee

<u>Meter Size</u>	<u>Capital Facility Charge</u>
3/4 Inch	\$ 3,513
1 inch	5,270
1-1/2 inch	14,052
2 inch	22,483
3 inch	44,966
4 inch	70,260
6 inch	140,520
8 inch	224,832

Supplemental Water Fee

Multi-Family Per Unit

Supplemental Water Supply Charge Per AF

Demand per User		0.5915
Per Acre Projected Permanent Water Replacement Rate	x \$	5,200
Multi-Family Per Dwelling Unit Replacement Water Cost	\$	3,076

Multi-Family Per Dwelling Unit Replacement Water Cost	\$	3,076
Number of Dwelling Units	x # of Units	
Total Supplemental Water Supply Charge for Multi-Family		Total Fee



DATE: November 19, 2019

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Michael Blay, Assistant City Manager
Tina Souza, Senior Management Analyst

SUBJECT: Mitigated Negative Declaration for the Ranchero Road Aqueduct Crossing Project, C.O. No. 7139

RECOMMENDED ACTION

It is recommended that the City Council Members adopt Resolution No. 2019-063, adopting the Mitigated Negative Declaration (MND) ND19-5 - SCH # 2019099031 for the Ranchero Road Aqueduct Crossing Project, C.O. No. 7139 pursuant to the California Environmental Quality Act (CEQA).

BACKGROUND

The Ranchero Road Aqueduct Crossing Project (Project) consists of removing the existing bridge and constructing a new bridge to the ultimate street configuration consisting of six vehicle travel lanes and shared pedestrian/bicycle pathways over the California aqueduct on Ranchero Road.

On June 18, 2013, the City adopted Resolution No. 2013-028 certifying Environmental Impact Report (EIR) SCH# 2012061058 for the Ranchero Corridor Widening Project, which consisted of approximately five miles of Ranchero Road between the Ranchero Underpass and the Ranchero Road/Interstate 15 Interchange. Although the vicinity of the aqueduct crossing was included in the EIR, specific analysis of the new bridge structure was not included because engineering had not yet been performed in order to provide adequate information regarding the new bridge structure. Consequently, in order to carry out the project, CEQA requires the preparation of an Initial Study (IS)/MND for the aqueduct crossing.

In December of 2014, the City contracted with TranSystems Corporation (formerly Athalye Consulting Engineering Services, Inc.) to perform the engineering design and necessary environmental studies, as well as prepare any necessary environmental documents that evaluate potential effects the project may have in accordance with CEQA requirements.

The IS/MND for the Project was prepared in compliance with CEQA and the City's General Plan. The Project is subject to review and approval by the California Department of Water Resources, California Department of Fish and Wildlife (CDFW) for a 1602 Streambed Alteration Permit, the Regional Water Quality Control Board (RWQCB) – Lahontan Region for 401 Water Quality Certification and National Pollution Discharge Elimination System (NPDES) Construction General Permit (CGP) for non-stormwater discharges associated with construction activities, which also includes a Storm Water Pollution Prevention Plan (SWPPP).

ISSUES/ANALYSIS

A proposed IS/MND was prepared for the Project in September 2019. The results of the analysis indicated that there are no significant impacts. Certain impacts as a result of the Project were identified which are less than significant with mitigation incorporated. In compliance with CEQA, the IS/MND and Notice of Intent to Adopt were completed.

The IS/MND was circulated to 18 agencies as well as the State Clearinghouse. The public review period for the draft was from September 12, 2019 to October 14, 2019. Two Comment Letters were received by State agencies, the Department of Water Resources (DWR) and RWQCB – Lahontan Region. Comments received do not constitute “significant new information” (CEQA Guidelines Section 15073.5) that would warrant recirculation of the IS/MND or preparation of an Environmental Impact Report (EIR). The City responded to each of the Comment Letters. A copy of each comment letter and the respective Response to Comment Letter is included in the Final MND under Appendix F.

In accordance with CEQA requirements, the MND must be adopted prior to any further action on the project such as Right-of-Way (ROW) acquisition.

Following adoption of the MND, a Notice of Determination will be filed with the County of San Bernardino Clerk’s Office in compliance with CEQA.

FISCAL IMPACT

Efforts associated with this phase of the project were included in the adopted 2019-20 Capital Improvement Program under Funds 204 and 207. There is no fiscal impact with the adoption of the MND. Future phases of the project such as ROW acquisition and construction will be brought before the Council for consideration as warranted at a later date.

ALTERNATIVE(S)

1. Do not adopt the MND and do not proceed with the Project.
2. Provide alternative direction to staff.

ATTACHMENT(S)

1. Mitigated Negative Declaration (available for review in the City Clerk’s Office)
2. Resolution 2019-063

ATTACHMENT AVAILABLE FOR REVIEW IN THE CITY CLERK'S OFFICE

RESOLUTION NO. 2019-063

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, ADOPTING MITIGATED NEGATIVE DECLARATION ND19-5 - SCH# 2019099031 FOR THE RANCHERO ROAD AQUEDUCT CROSSING PROJECT.

WHEREAS, the Rancho Aqueduct Crossing Project (Project) consists of removing the existing bridge and constructing a new bridge to the ultimate street configuration consisting of six vehicle travel lanes and shared pedestrian/bicycle pathways over the California aqueduct on Rancho Road; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA) (Public Res. Code § 21000 et seq.) and the State CEQA Guidelines (14 CCR § 15000 et seq.), the City Council of the City of Hesperia (Council) is the lead agency for the project as the public agency with general governmental powers; and

WHEREAS, an Initial Study/ Proposed Mitigated Negative Declaration (IS/MND) prepared in September 2019, indicated that there are no significant impacts that could not be mitigated; and

WHEREAS, a Notice of Intent (NOI) to adopt the IS/MND was distributed to numerous state, federal, and local agencies for a scoping period of 32 days from September 12, 2019 to October 14, 2019; and

WHEREAS, a total of two comments were received from two State agencies during the comment period. The responses to the comments received are included in the Final MND; and

WHEREAS, requirements of CEQA, the State CEQA guidelines and the City's Local CEQA Guidelines have been satisfied in the IS/MND. Environmental effects of the project have been adequately evaluated and are sufficiently detailed in the MND; and

WHEREAS, environmental impacts which the City finds are less than significant and do not require mitigation are described in the MND; and

WHEREAS, environmental impacts which are identified as significant, but the City finds can be mitigated to a level of less than significant through feasible mitigation measures are described in the MND; and

WHEREAS, the findings and conclusions made by the City pursuant to this Resolution are based upon the oral and written evidence presented as a whole and not based solely on the information provided in this Resolution; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESERIA CITY COUNCIL AS FOLLOWS:

Section 1. The City Council hereby specifically finds that all of the facts set forth in this Resolution, are true and correct.

- Section 2. The City Council hereby declares that pursuant to CEQA Guidelines, Section 15093, the City Council has considered the benefits of proposed Project against any environmental impacts in determining whether to approve the proposed project. The benefits of the proposed Project outweigh the less than significant environmental impacts and those impacts are considered acceptable.
- Section 3. The Council finds that it has made a reasonable and good faith effort to eliminate or substantially mitigate potential impacts resulting from the Project.
- Section 4. Based on conclusions set forth above, this Council hereby adopts the Mitigated Negative Declaration ND19-5 - SCH# 2019099031 and the findings therein.
- Section 4. That City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 19th day of November 2019.

Larry Bird, Chair

ATTEST:

Melinda Sayre
City Clerk

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City of Hesperia

STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Mike Blay, Assistant City Manager
Tina Bulgarelli, Administrative Analyst

SUBJECT: Commercial Cannabis Program Urgency Ordinance

RECOMMENDED ACTION

It is recommended that the City Council adopt Urgency Ordinance No. 2019-14, an urgency ordinance of the City Council of the City of Hesperia, California, placing a stay on the Commercial Cannabis Program.

BACKGROUND

In November 2017, the City Council adopted regulations to allow for Commercial Cannabis activity specific to Medicinal Non-Storefront Retailer Delivery Only Dispensaries.

ISSUES/ANALYSIS

To date the City has received forty-seven applications for Commercial Cannabis businesses. Of these forty-seven, nine businesses have opened and are operating. Nineteen of the applicants are in Part II of the process, meaning they have received approval from Planning and are working to complete their Tenant Improvements. The remaining nineteen applicants are in Part I of the process, which includes verification of zoning, eligibility, and general site review; have been denied or revoked, or are on hold.

The below table summarizes the status of all applications:

Part I Application being reviewed	Part II Application being reviewed	On Hold	Denied or Revoked	Operating
13	19	4	2*	9

* One of the revoked/denied licenses re-applied and is operating legally and is included in the nine operating.

Staff anticipates that the number of applicants will continue to grow for several reasons. First, the cost of Hesperia's permit process is in the low to mid-range of permitting costs across California, which is enticing to prospective cannabis business owners. Second, and more importantly, nearly every city, except Hesperia, employs some sort of cap, lottery or very short application period. Most cities are not accepting applications at this time and have not accepted applications since shortly after the ballot measure passed.

There is a concern that Hesperia will end up with a disproportionate number of licenses in comparison to cities of the same size. There are also concerns that Hesperia is being used as a "hub" for cannabis operators to obtain a state license, who have no intention of serving Hesperia

residents but intend to operate in other cities under their Hesperia license. The original intent of the cannabis program was to provide Hesperia residents safe access to cannabis medicine and at this time, staff does not believe that is what is taking place.

Finally, there are many components of the cannabis program, which take several levels of staff review to ensure compliance with state and City law. This review involves up to five different departments and at times, projects go through review many times in order to bring them into compliance with all regulations.

Placing a stay on the program will allow the existing forty-six applicants to begin operating while placing a pause on the program to see if Hesperia can support more than forty-seven businesses at current staff and infrastructure levels and to preserve the original intent of the Ordinance by licensing operators who intend to serve Hesperia residents.

If adopted, the Urgency Ordinance would not allow any new applications to be accepted as of the Effective Date of the Ordinance. Applications that were received prior to the Effective Date will continue to be processed, except that no new permits will be issued for any applications which are denied or rejected, or relate to a change of ownership, or which do not complete Part I and Part II of the approval process within specified time periods.

FISCAL IMPACT

Staying the program could result in a slight loss of revenue, however, not staying the program could result in a disproportionate number of cannabis businesses in Hesperia and the administration, police, code enforcement and staff support required to administer the program will likely outweigh any increase in revenue should the program continue.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Ordinance No. 2019-14 AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, PLACING A STAY ON THE COMMERCIAL CANNABIS PROGRAM

ORDINANCE NO. 2019-14

AN URGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, PLACING A STAY ON THE COMMERCIAL CANNABIS PROGRAM

WHEREAS, In November 2017, the City Council adopted Ordinance No. 2017-16 allowing and regulating Commercial Cannabis activity specific to Medicinal Non-Storefront Retailer Delivery Only Dispensaries; and

WHEREAS, the City has accepted forty-seven applications for commercial cannabis delivery dispensaries; and

WHEREAS, there is a concern that there is an over-saturation of commercial cannabis delivery businesses in the City; and

WHEREAS, there is also a concern that because the City of Hesperia is one of the only cities in the region currently accepting applications, there may be a disproportionately large number of applications in Hesperia as compared to cities that are similar in size; and

WHEREAS, there is a concern, which is substantiated by information staff receives from potential applicants, that Hesperia is being used as a “hub” for cannabis operators seeking a state license, who have no intention of legitimately operating within Hesperia, or of benefitting Hesperia residents with safe access to cannabis, which was the original intent of the adoption of the program; and

WHEREAS, the City Council desires to place a stay on the Commercial Cannabis program, suspending any new applications, to allow the existing applicants to complete the process to ensure that the City is adequately staffed and able to support the approved and operating cannabis businesses and to ensure that the cannabis program legitimately benefits Hesperia residents and the intent of the original Ordinance is being followed; and

WHEREAS, the City Council, now desires to adopt this Urgency Ordinance in the interest of preserving the intent of the original ordinance, providing legitimate safe access to cannabis medicine to Hesperia residents, ensuring that staff is able to fully administer the program provided the number of applicants today, and minimizing the impact of an over-saturation of cannabis delivery dispensaries in the City ;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HESPERIA DOES HEREBY ORDAIN AS FOLLOWS.

Section 1. All of the above recitals are true and correct and incorporated herein by reference as if set forth in full.

Section 2. This Urgency Ordinance is enacted pursuant to the authority conferred upon the City Council of the City of Hesperia by Government Code Sections 36934 and 36937 and shall be in full force and effect immediately upon its adoption by a four-fifths (4/5) vote of the City Council as if and to the same extent that such ordinance had been adopted pursuant to each of the individual sections set forth hereinabove. This Urgency Ordinance shall take effect immediately upon adoption and shall become operative on November 20, 2019.

- Section 3. Urgency Findings. That the adoption of this Urgency Ordinance is necessary for the immediate preservation of the public peace, health, or safety, as those terms are defined in Government Code Section 36937(b), in at least the following respects: the City anticipates that the number of applicants for the Commercial Cannabis program will continue to grow disproportionately in Hesperia due to the fact that there are few to no other cities accepting applications, and there is a concern that the Hesperia licensing procedure is being used to provide access to a state license that will not be used to serve Hesperia residents, but merely serve as a hub for cannabis operators who have no intention of legitimately operating in Hesperia. This could result in the public peace, health, and safety being detrimentally affected, because the City will be less able to provide services such as police, fire, building & safety enforcement, code enforcement, and other enforcement activities. Accordingly, this ordinance shall take effect immediately upon adoption.
- Section 4. A stay shall be placed on the Commercial Cannabis program and no new applications shall be accepted as of the Effective Date of this Ordinance. Applications that were received prior to the Effective Date shall continue to be processed, except that no new delivery dispensary permits shall be issued for:
- a. any existing application which is denied or rejected pursuant to Chapter 5.50 of the Hesperia Municipal Code;
 - b. any application for a change of ownership of already licensed delivery dispensaries;
 - c. any application which does not successfully complete Part I of the application process within six months of the initial application date; or
 - d. any application which does not commence with Part II within 90 days of the approval of Part I.
- Section 5. Any application denied or terminated pursuant to Section 4 shall not be considered or accepted for a re-application or new application.
- Section 6. If any section, subsection, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining sections, subsections, sentences, clauses, phrase, or portions of this ordinance. The City Council hereby declares that it would have adopted this Ordinance and each section, subsection, sentence, clause, phrase, or portion thereof, irrespective of the fact of the fact that any one or more sections, subsections, sentences, clauses, phrases, or portions be declared invalid or unconstitutional.
- Section 7. The City Clerk shall certify to the adoption of this Ordinance and shall cause a copy of the same to be published in a manner prescribed by law.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Hesperia, California, at a regular meeting held on this 19th day of November, 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre, City Clerk

APPROVED AS TO FORM

Eric Dunn, City Attorney

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City of Hesperia STAFF REPORT



DATE: November 19, 2019
TO: Mayor and Council Members
FROM: Nils Bentsen, City Manager
BY: Rod Yahnke, Economic Development Manager
SUBJECT: City of Hesperia Community Assistance Program (CAP) – Policies

RECOMMENDED ACTION

It is recommended that the City Council consider the following recommendations and provide direction to staff for the program year 2020-21 CAP budget and allocation policies.

BACKGROUND

The City receives an annual allocation of approximately \$1.0 million from the U.S. Department of Housing and Urban Development (HUD) under the Community Development Block Grant (CDBG) Program. HUD regulations allow 15% of the grant, or roughly \$150,000 to be allocated to public service organizations, such as food banks and homeless services.

In November 2016, the City Council authorized a reallocation of funds between CDBG and the General Fund, as well as the implementation of the Community Assistance Program (CAP). CAP utilizes the General Fund as the funding mechanism for public service organizations rather than HUD's CDBG program which stipulates onerous federal reporting requirements, allowing the CAP program to establish its own guidelines, reporting, and regulations which streamlined the funding and reporting processes for CAP funding recipients. In turn, CDBG funds were allocated to City street projects which already required strict adherence to onerous federal funding and reporting requirements. The intent was to preserve CDBG for roads and provide general fund money to community needs. This past year, this intent was compromised when a nonprofit received CAP money then also applied for CDBG money that was awarded to them.

The information below contains data and outcomes of the CAP program implementation along with areas the City Council may wish to consider in forming the 2020-21 CAP budget allocation policies.

ISSUES/ANALYSIS

CAP Implementation Impact

CAP program recipient data is reflected in the table below:

Program Year	2017-18	2018-19	2019-20
Program Allocation	\$125,000	\$150,000	\$150,000
Number of Recipients	11	16	23

The simplicity of the CAP program increased the number of applicants and eventually CAP funding recipients from a low of eight (8) when CDBG was utilized as the funding source prior to the 2017-2018 funding year, to twenty-three (23) during the 2019-20 program year.

CAP Outcomes

The increase in the number of applicants being awarded funding led to a decrease in the amount of funding allocated to each recipient. For example, in the last funding year one applicant received \$1,500 and others received \$2,000 - \$3,000 in award. These smaller award amounts become difficult to justify as each CAP recipient, despite the funding amount awarded requires the same time consuming administrative processing carried out by staff including contracts, purchase orders, and reimbursement audits. Smaller CAP awards also reduce the impact of each award on recipient programs.

Applicant Requirements

Applicant requirements are intended to enhance the likelihood that Hesperia residents benefit from CAP funding to address community needs. In accordance with current guidelines, some CAP funding recipients are neither located within the City and/or do not focus programs and services on Hesperia residents. While CAP funding recipients only receive reimbursement for the services provided to Hesperia residents, the reimbursement audit process is another time consuming portion of the process which has been difficult to manage at current staffing levels.

Program Modification Recommendations

The following CAP program modifications are recommended based on the information above and to improve the effectiveness of the CAP program:

- 1) Limit program to those organizations that provide for either food, clothing, shelter or medical needs;
- 2) Limit the total number of CAP funding recipients ten (10) to ensure administration of the CAP program is manageable at current staff levels;
- 3) Create a minimum allocation of \$5,000 and a maximum of \$8,000 to increase the positive impact to CAP recipient programs;
- 4) Give priority to applicants that are located within the City of Hesperia and that focus their efforts on Hesperia residents to enhance CAP program impacts to the immediate community;
- 5) Allow staff to screen applications and forward those which provide basic life necessities to the City Council Advisory Committee to vet for ranking;
- 6) Allow the City Council Advisory Committee to forward only the top 10 ranked applicants to the City Council for funding allocation.

FISCAL IMPACT

The CAP grant will be funded through, and included in, the City's Annual General Fund budget pursuant to City Council's direction. A Notice of Funding Availability (NOFA) will be advertised and published in early December and will include City Council's directives.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

None

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City of Hesperia

STAFF REPORT



DATE: November 19, 2019

TO: Mayor and Council Members
Chair and Commission, Hesperia Housing Authority
Chair and Commission, Community Development Commission
Chair and Board Members, Hesperia Fire Protection District
Chair and Board Members, Hesperia Water District

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Lorraine Carmona, Budget/Finance Specialist

SUBJECT: Fiscal Year 2019-20 First Quarter Budget Review

RECOMMENDED ACTION

It is recommended that the Fiscal Year 2019-20 First Quarter Budget Review be received and filed and the related following resolution, amending the Fiscal Year 2019-20 Budget for the City of Hesperia be approved:

1. City of Hesperia Resolution No. 2019-064

BACKGROUND

In compliance with the City Council's policy direction, staff has prepared the Fiscal Year 2019-20 First Quarter Budget Review for the City Council, Successor Agency to the Hesperia Community Redevelopment Agency, Hesperia Housing Authority, Community Development Commission, Hesperia Fire Protection District, and the Hesperia Water District Board's consideration and action.

ISSUES/ANALYSIS

The attached document entitled "Fiscal Year 2019-20 First Quarter Budget Review" includes a report on the status of the City's Fiscal Year 2019-20 Budget and a financial review of the first three months experience of the current fiscal year. The report format is used to facilitate the review of complex financial information for an efficient and effective financial review process.

FISCAL IMPACT

See attached Fiscal Year 2019-20 First Quarter Budget Review Report document.

ALTERNATIVE

1. Provide alternative direction to staff.

ATTACHMENTS

1. Fiscal Year 2019-20 First Quarter Budget Review Report
2. Resolution No. 2019-064

ATTACHMENT 1



FISCAL YEAR 2019-20

FIRST QUARTER BUDGET REVIEW

November 19, 2019



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EXECUTIVE SUMMARY

Overall, Fiscal Year 2019-20 Budget revenue and expenditures are proceeding as planned. The following chart compares the FY 2019-20 Budget and September 2019 year-to-date (YTD) revenue and expenditure totals, with the difference being budgeted reserves and transfers.

	2019-20 Budget	2019-20 Amended	September 2019 YTD	Amended % Received/Expended
Revenue	\$ 86,034,127	\$ 86,034,127	\$ 13,057,051	15%
Loan Proceeds	4,500,000	4,500,000		
Use of Reserves	9,752,653	9,752,653		
Net Transfers	0	0		
Total Resources	100,286,780	100,286,780		
Expenditures	98,496,938	99,525,606	15,800,934	16%
Difference	\$ 1,789,842	\$ 761,174		

Status of Overall City Fiscal Year 2019-20 Budget

The percentage comparisons for expenditures are based on comparing the September 2019 YTD to the 2019-20 Amended Budget. The Amended Budget is used to accurately reflect any changes to the adopted budget that occur from City Council approving budget amendments during the first three months of the fiscal year.

- **Revenue:** Through September 2019, YTD revenue is \$13.1 million, which is approximately 12% more than the September 2018 YTD revenue of \$11.6 million. This increase over the previous year can primarily be attributed to the inclusion of General and Administrative Recovery (G & A) for administration services provided by general fund staff to other departments within the City which was previously recorded as a Transfer In. However, without the G & A revenue, the September 2019 YTD revenue would only be 6% more than September 2018. Other revenue is being collected at nearly the same pace between the two fiscal years. Currently, revenue is 15% collected through September 2019. Additional detail is provided further within the report.
- **Expenditures:** At 16% utilized, the FY 2019-20 Budget is proceeding as planned. Overall, the September 2019 YTD expenditures of \$15.8 million are \$0.2 million or 1% less than the September 2018 YTD of \$16.0 million. It should be noted that there are four (4) budget amendments totaling \$560,981 included in this report.
- **September 2019 YTD Difference:** Through September 2019, the difference between revenues and expenditures is \$2.7 million. The reason for the difference between revenues and expenditures can be partially explained by the timing of when the majority of revenues are received, compared to when the expenditures are made. Typically, expenditures trend in a predictable and even-based fashion; whereas, revenues, especially tax based or reimbursement type revenues are received toward the latter half of the fiscal year. Finally, the use of transfers and budgeted reserves are shown as resources to pay expenditures, but are not counted as revenue, thereby contributing to the difference.
- **Reserves:** The General Fund and Water District (operating and capital) exceed the City Council's policy of 10% cash reserves. The following estimated reserve calculations are based on the June 30, 2018 ending cash balances included in the June 30, 2018 audited Comprehensive Annual Financial Report (CAFR). Using the CAFR audited data assures that the estimated reserves are based on actual information. In addition, the four (4) First Quarter Budget Amendments, totaling \$560,981, are reflected below where appropriate:

	General Fund		Water District	
10% Cash Reserves (Council/Board Policy)	\$ 3,471,370	10%	\$ 3,823,835	10%
Cash Reserves Above 10% Reserve	2,565,164	7%	68,490	0%
Total Estimated Cash Reserves	\$ 6,036,534	17%	\$ 3,892,325	10%

2019-20 FIRST QUARTER BUDGET REVIEW REPORT

EXECUTIVE SUMMARY (Continued)

Proposed Budget Amendments – 4 Budget Amendments are proposed for \$560,981

The FY 2019-20 First Quarter Budget Review includes four (4) items as proposed budget amendments totaling \$560,981. The proposed budget amendments are included in the fund balance analyses where appropriate:

FY 2019-20 1st Quarter Budget Requests	General Fund	Other Funds	Totals
Re-Paint Decorative Tube Steel at City Hall	\$ 11,500	\$ 0	\$ 11,500
2018-19 CDBG Street Improvements	0	139,648	139,648
Live Oak Street - Septic	0	11,433	11,433
Funding source correction - FY 16-17 & 17-18 ALPR cameras and equipment purchase (DIF - Police)	0	398,400	398,400
Total 1st Quarter Budget Amendments Requests	\$ 11,500	\$ 549,481	\$ 560,981

Revenues and Expenditures through September 30, 2019 for the City's main funds are summarized as follows:

	2019-20 Revenue			2019-20 Expenditures		
	Amended Budget	September	% Received	Amended Budget	September	% Expended
General Fund						
City Council				\$ 902,533	\$ 91,891	10%
City Manager				2,901,500	769,043	27%
Management Services				4,238,398	1,699,359	40%
D.S.-Community Development				2,131,385	599,870	28%
D.S.-Code Compliance				2,934,291	734,321	25%
D.S.-Public Works (G.F.)				1,963,689	437,429	22%
Police				17,086,541	4,248,854	25%
Total General Fund	\$ 34,516,450	\$ 2,931,166	9%	\$ 32,158,337	\$ 8,580,767	27%
Community Development Block Grant	1,758,197	56,497	3%	1,804,919	446,800	25%
Community Development Commission	34,863	15,000	43%	529,790	183,066	35%
Hesperia Housing Authority	218,721	17,177	8%	83,360	13,321	16%
D.S.-Public Works	17,000	603	4%	4,368,994	822,813	19%
Streets CIP Funds	18,692,173	2,050,981	11%	18,521,765	699,338	4%
Other Transportation Related Funds	485,182	14	0%	484,482	0	0%
Other City Related Funds	1,106,665	103,550	9%	2,429,953	244	0%
D.S.-Water Operating and Capital	24,173,152	6,599,041	27%	29,744,668	3,603,434	12%
D.S.-Sewer Operating and Capital	4,998,324	1,282,533	26%	8,493,682	576,641	7%
Fire District	33,400	489	1%	905,656	874,510	97%
Total	\$ 86,034,127	\$ 13,057,051	15%	\$ 99,525,606	\$ 15,800,934	16%

2019-20 FIRST QUARTER BUDGET REVIEW REPORT

STATUS OF CITY GENERAL FUND 2019-20 BUDGET, BUDGET AMENDMENTS, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change Dollars	Percent
RESOURCES				
General Fund Operating Revenue	\$ 31,819,112	\$ 31,819,112	\$ 0	0%
1. Fund 700 - Indirect Cost Allocation - Water	2,289,972	2,289,972		
2. Fund 710 - Indirect Cost Allocation - Sewer	407,366	407,366		
Total General Fund Revenue	\$ 34,516,450	\$ 34,516,450		0%
Budgeted Reserves				
1. Budgeted Reserves	0	0		
2. 2014 Development Impact Fee Loan (DIF-Public Service)	0	0		
Total Budgeted Reserves	\$ 0	\$ 0		
Transfers In				
1. Fund 255 - AB 3229 COPS Grant	246,000	246,000		
Total Transfers In	246,000	246,000		
Total Revenues	34,762,450	34,762,450		
Total General Fund Resources	\$ 34,762,450	\$ 34,762,450		
EXPENDITURES				
Total General Fund Operating Expenses	\$ 32,158,337	\$ 32,158,337		
1. Fund 210 - HFPD CalPERS	644,000	644,000		
2. Fund 304 - 2014 DIF Loan (DIF-Public Service)	350,000	350,000		
3. Fund 402 - 2012 Water Rights Acquisition Debt Service	1,443,175	1,443,175		
4. Fund 403 - 2005 COP Refinance Debt Service	106,686	106,686		
Total Transfers Out	2,543,861	2,543,861		
Total General Fund Expenditures & Transfers Out	34,702,198	34,702,198	0	0%
First Quarter Budget Amendments				
1. Re-Paint Decorative Tube Steel at City Hall	0	11,500		
Total First Quarter Budget Amendment	0	11,500	11,500	n/a
Total Expenditures and Amendments	34,702,198	34,713,698	11,500	0%
DIFFERENCE RESOURCES/EXPENDITURES	\$ 60,252	\$ 48,752		
Fund Balance				
July 1 Beginning Balance	\$ 10,041,678	\$ 10,041,678		
Difference Resources/Expenditures	60,252	48,752		
Estimated June 30 Ending Fund Balance	\$ 10,101,930	\$ 10,090,430	\$ (11,500)	0%
Months of Cash to Pay Expenditures and Transfers Out				
Beginning Cash July 01,	\$ 5,987,782	\$ 5,987,782		
Estimated Revenues & Transfers In	34,762,450	34,762,450		
Estimated Expenditures & Transfers Out	(34,702,198)	(34,713,698)		
Estimated Ending Cash June 30,	\$ 6,048,034	\$ 6,036,534		
Months of Cash to Pay Expenditures and Transfers Out	2.1	2.1		
Total Estimated Cash Reserves Percentage	17%	17%		

STATUS OF WATER DISTRICT 2019-20 BUDGET, BUDGET AMENDMENTS, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change	
			Dollars	Percent
RESOURCES				
Revenue				
Water Operating and Capital	\$ 21,873,152	\$ 21,873,152		
Sewer Operating and Capital	4,998,324	4,998,324		
Total Revenue	26,871,476	26,871,476	0	0%
CIP Grants and Loans:				
Prop 84 Drought Relief Grant	0	0		
Prop 1 Grant	2,300,000	2,300,000		
Loan Proceeds-State Revolving Fund (SRF)	4,500,000	4,500,000		
Sub-total One-Time Revenue	6,800,000	6,800,000		
Budgeted Reserves	3,672,000	3,672,000		
Total Resources	37,343,476	37,343,476	0	0%
EXPENDITURES				
Water Operating and Capital	29,744,668	29,744,668	0	0%
Sewer Operating and Capital	8,493,682	8,493,682		
Total Expenditures	38,238,350	38,238,350	0	0%
Difference Resources/Expenses	(894,874)	(894,874)		
Fund Balance				
July 1 Beginning Balance	\$ 90,316,084	\$ 90,316,084		
Budgeted Reserves	(3,672,000)	(3,672,000)		
Difference Resources/Expenditures	(894,874)	(894,874)		
Estimated June 30 Ending Fund Balance	\$ 85,749,210	\$ 85,749,210		
Months of Cash to Pay Expenditures				
Beginning Cash July 01,	\$ 8,459,199	\$ 8,459,199		
Estimated Revenue	35,318,364	35,318,364		
Estimated Expenditures	(39,885,238)	(39,885,238)		
Estimated Ending Cash June 30,	\$ 3,892,325	\$ 3,892,325		
Months of Cash to Pay Expenditures and Transfers Out	1.2	1.2		
Total Estimated Cash Reserves Percentage	10%	10%		

STATUS OF STREETS MAINTENANCE FUND 2019-20 BUDGET, FUND BALANCE, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change Dollars	Percent
RESOURCES				
Total Street Maintenance Fund Revenue	\$ 17,000	\$ 17,000	\$ 0	0%
Budgeted Reserves	250,000	250,000		
Transfers				
Fund 204 - Measure I - Renewal	\$ 1,344,000	\$ 1,344,000		
Fund 205 - Gas Tax Fund	1,530,000	1,530,000		
Fund 206 - Gas Tax Swap	990,000	990,000		
Fund 207 - Local Transportation Fund (LTF)	300,000	300,000		
Total Transfers	4,164,000	4,164,000		
TOTAL RESOURCES				
(Revenue, Budgeted Reserves, and Transfers)	4,431,000	4,431,000	0	0%
STREET MAINTENANCE FUND EXPENDITURES	4,368,994	4,368,994	0	0%
DIFFERENCE RESOURCES/EXPENDITURES	\$ 62,006	\$ 62,006		
Fund Balance				
July 1 Beginning Balance	\$ 504,739	\$ 504,739		
Total Budgeted Reserves	(250,000)	(250,000)		
Difference Resources/Expenditures	62,006	62,006		
Estimated June 30 Ending Balance	\$ 316,745	\$ 316,745		

STATUS OF COMMUNITY DEVELOPMENT COMMISSION 2019-20 BUDGET, FUND BALANCE, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change Dollars	Percent
RESOURCES				
Community Development Commission Revenue	\$ 34,863	\$ 34,863	\$ 0	0%
Budgeted Reserves	0	0		
Transfers	0	0		
Total Resources	34,863	34,863	0	0%
Total Expenditures	529,790	529,790	0	0%
DIFFERENCE RESOURCES/EXPENSES	\$ (494,927)	\$ (494,927)	\$ 0	0%
Fund Balance				
July 1 Beginning Balance	\$ 11,216,861	\$ 11,216,861		
Budgeted Reserves	0	0		
Difference Resources/Expenditures	(494,927)	(494,927)		
Estimated June 30 Ending Balance	10,721,934	10,721,934		
Less: Land Held for Resale	(12,102,122)	(12,102,122)		
June 30th Ending Operating Fund Balance	\$ (1,380,188)	\$ (1,380,188)		

STATUS OF HESPERIA HOUSING AUTHORITY FUND 2019-20 BUDGET, FUND BALANCE, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change	
			Dollars	Percent
RESOURCES				
Total Housing Authority Revenue	\$ 218,721	\$ 218,721	\$ 0	0%
Budgeted Reserves	0	0		
Total Resources	\$ 218,721	\$ 218,721	\$ 0	0%
EXPENDITURES				
370 Hesperia Housing Authority	83,360	83,360		
371 WEDA Housing Authority	0	0		
Total Expenditures	83,360	83,360	0	0%
DIFFERENCE RESOURCES/EXPENSES	\$ 135,361	\$ 135,361	\$ 0	0%
Fund Balance				
July 1 Beginning Balance	\$ 14,150,933	\$ 14,150,933		
Budgeted Reserves	0	0		
Difference Resources/Expenditures	135,361	135,361		
Estimated June 30 Ending Balance	\$ 14,286,294	\$ 14,286,294		
Less: Land Held for Resale	(8,911,584)	(8,911,584)		
June 30th Ending Operating Fund Balance	\$ 5,374,710	\$ 5,374,710		

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW

MAJOR FUNDS REVENUE SUMMARY

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
General Fund	\$ 34,516,450	\$ 2,931,166	9%	\$ 34,516,450	\$ 0
Community Development Block Grant	1,758,197	56,497	3%	1,758,197	0
Community Development Commission	34,863	15,000	43%	34,863	0
Hesperia Housing Authority	218,721	17,177	8%	218,721	0
Street Related Funds	19,194,355	2,051,598	11%	19,194,355	0
Other City Related Funds	1,106,665	103,550	9%	1,106,665	0
Water Operating	21,073,152	6,034,455	29%	21,073,152	0
Water Capital	3,100,000	564,033	18%	3,100,000	0
Water Reserves	0	553	n/a	0	0
Total Water Operating, Capital, & Reserves	24,173,152	6,599,041	27%	24,173,152	0
Sewer Operating	4,560,324	1,259,317	28%	4,560,324	0
Sewer Capital	438,000	23,157	5%	438,000	0
Sewer Reserves	0	59	n/a	0	0
Total Sewer Operating, Capital, & Reserves	4,998,324	1,282,533	26%	4,998,324	0
Water District	29,171,476	7,881,574	27%	29,171,476	0
Fire District	33,400	489	1%	33,400	0
Total All Funds	\$ 86,034,127	\$ 13,057,051	15%	\$ 86,034,127	\$ 0

Overall – Through the end of September 2019, 15% percent of the budgeted revenue has been collected, which is a normal percentage for the First Quarter. For the 2019-20 Mid-Year Review, more revenue sources will have received revenue including: approximately 50% of property tax revenue (with receipts beginning in November), grant reimbursement revenue, and Community Development Block Grant (CDBG) revenue, which will be collected for the activity that occurred during the First Quarter.

Though much of the City's revenue is received later during the fiscal year, Water Operating has collected 29% of its budget, and is up \$285,000 from the same period a year ago, primarily a result of the rates established in the approved Water Rate Study of November 2017. Sewer Operating & Capital combined is 26% collected.

With this First Quarter Report, no major revisions to the FY 2019-20 Budget revenue estimates are recommended at this time; however, revisions may be recommended during the FY 2019-20 Mid-Year Budget Review in February 2020.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

GENERAL FUND REVENUES

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Sales and Use Tax	\$ 9,665,000	\$ 734,405	8%	\$ 9,665,000	\$ 0
Vehicle License Fees	8,705,693	0	0%	8,705,693	0
Franchise Fees	3,571,144	62,500	2%	3,571,144	0
Total Top Three Revenues	21,941,837	796,905	4%	21,941,837	0
Transient Occupancy Tax	1,175,000	159,066	14%	1,175,000	0
Property Transfer Tax	270,000	56,283	21%	270,000	0
Secured Property Tax	549,612	0	0%	549,612	0
Secured Property Tax - LAFCO	644,000	0	0%	644,000	0
Business License	350,000	123,773	35%	350,000	0
Community Facilities District 2005-1	297,203	71,966	24%	297,203	0
Leased Water Rights	2,312,024	0	0%	2,312,024	0
Development Related Revenues					
Planning	172,964	59,240	34%	172,964	0
Building & Safety	2,136,818	455,447	21%	2,136,818	0
Engineering	333,228	118,364	36%	333,228	0
Sub-Total Development Related Revenues	2,643,010	633,051	24%	2,643,010	0
Sub-Total Top 13 Revenue Sources	30,182,686	1,841,044	6%	30,182,686	0
General & Administrative Recovery	2,697,338	674,334	25%	2,697,338	0
All Other General Fund Revenues	1,636,426	415,788	25%	1,636,426	0
Total General Fund Revenues	\$ 34,516,450	\$ 2,931,166	9%	\$ 34,516,450	\$ 0

General Fund Revenue Comments:

General Fund Revenue – Through September 2019, YTD revenue is \$2,931,166, which is \$934,805 or 47% more than September 2018 YTD revenue of \$1,996,361. This increase is mainly attributed to the inclusion of General and Administrative Recovery (G & A) revenue for administrative services provided by general fund staff to other departments within the City. The inclusion of the G & A revenue represents a change in how the funds are recorded and represented. Previously shown as an Operating Transfer In, G & A is now reflected as a revenue source. Evaluating the change in revenue without the G & A classification impact results in a first quarter FY 2019-20 revenue increase of \$260,471, or 13% over the prior fiscal year. It is necessary to note that the FY 2019-20 Budget assumes 165 residential permits for the year, and, as previously mentioned, any General Fund revisions will be presented with the FY 2019-20 Mid-Year Budget Review.

Sales and Use Tax – The FY 2019-20 Sales Tax revenue of \$734,405 is \$10,710 less than the September 2018 YTD of \$745,115 and is expected to be received as budgeted.

Vehicle License Fee (VLF) – This revenue is based on the City's assessed valuation. As the assessed valuation changes from the prior year, this revenue changes by the same percentage. There is no revenue reported through September 2019, as the first installment of the VLF is expected to be received during January 2020.

Franchise Fees – Franchise fees for Cable TV, Advance Disposal, Southwest Gas, Southern California Edison, and Water for September 2019 YTD total \$62,500, which is unchanged from the prior three years. Please note that the majority of franchise fees are received in the second half of the fiscal year.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

General Fund Revenue Comments (Continued):

Transient Occupancy Tax (TOT) – Through September 2019, YTD revenue is \$159,066, which is \$18,271 more than the September 2018 YTD of \$140,795. This reflects a 13% increase, which can be attributed to the timing of receipts received from the hotels.

Property Transfer Tax – This revenue reflects the change in property valuation upon change of ownership within the City. Due to a lag in receiving the revenue, the YTD total of \$56,283 reflects two receipts for the same time period and is a 7% increase over September 2018 YTD of \$52,656.

Secured Property Tax – The first remittance from the County will be received in November 2019; therefore, there is no revenue to report through September 2019.

Secured Property Tax LAFCO – This revenue is the additional property tax from the Hesperia Fire Protection District (HFPD) annexation to the County. In the near term, this revenue will be used to assist with the costs for the HFPD CalPERS obligation and is expected to be received starting in November 2019.

Business License – This revenue is paid by each business operating in the City. Current First Quarter collections of \$123,773 represent an 84% increase over the September 2018 collections of \$67,186. This increase can be primarily attributed to the issuance of cannabis business licenses as compared to none in the FY 2018-19 First Quarter.

Community Facilities District 2005-1 – This special assessment district, (generally west of Maple Avenue and south of Main Street), was formed to refinance the bonds of CFD 91-3 and assesses the properties within the district to repay the bonds. Part of the annual assessment includes a public safety portion to offset some of the costs that residential development places on the City's public safety providers. The September 2019 YTD is \$71,966, which is unchanged from the September 2018 YTD.

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. The leasing of water rights will occur later during the fiscal year.

Development Related Revenue – The FY 2019-20 Budget anticipates issuing 165 new single family residential (SFR) building permits. Through September 30, 2019, the City issued 34 permits, which is 21% of the budgeted total. This is 28% lower than the forty-seven (47) permits issued through September 2018. In addition, 39,528 additional commercial square feet was added over the previous period with new businesses including, Beyond Gas Station, Shell Building, and Metal Building, and new additions to Frontier Apartments, as well as a recreation building and building addition to High Desert Church. As shown in the table below, Development Revenue is 2% more than FY 2018-19 First Quarter.

<u>Division</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Change</u>	
	<u>September 2018</u>	<u>September 2019</u>	<u>Amount</u>	<u>Percentage</u>
Planning	\$ 72,622	\$ 59,240	\$ (13,382)	-18%
Building & Safety	443,910	455,447	11,537	3%
Engineering	106,787	118,364	11,577	11%
Total	\$ 623,319	\$ 633,051	\$ 9,732	2%

All Other General Fund Revenue – The numerous other General Fund revenue accounts are \$415,788 or 25% collected through September 30, 2019.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
CDBG Administration Reimbursement	\$ 1,689,197	\$ 20,000	1%	\$ 1,689,197	\$ 0
CDBG Neighborhood Stabilization Prog.	53,400	1,331	2%	53,400	0
Sub-Total	1,742,597	21,331	1%	1,742,597	0
All Other CDBG Revenues	15,600	35,166	225%	15,600	0
Total CDBG Revenues	\$ 1,758,197	\$ 56,497	3%	\$ 1,758,197	\$ 0

Community Development Block Grant Revenue Comments:

These revenues are grant reimbursements for projects designed to benefit the City and must be spent prior to submitting for reimbursements. The FY 2019-20 Budget revenue estimates represent anticipated reimbursements to be claimed during the fiscal year and it is anticipated that the majority of the reimbursements will be received after December 2019.

CDBG Neighborhood Stabilization Program (NSP) – This primarily represents interest income and rents and leases, which are typically received after the first quarter.

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 revenues are one-time in nature and are not received on a time schedule as other revenue. First Quarter revenue of \$35,166 has been received, of which \$30,150 is for the repayment of two homes for the downpayment assistance and the housing rehabilitation programs.

COMMUNITY DEVELOPMENT COMMISSION (CDC) REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Reimbursement from Other Agencies	\$ 20,000	\$ 0	0%	\$ 20,000	\$ 0
Interest Income	14,863	0	0%	14,863	0
Sub-Total	34,863	0	0%	34,863	0
All Other CDC Revenues	0	15,000	n/a	0	0
Total CDC Revenues	\$ 34,863	\$ 15,000	43%	\$ 34,863	\$ 0

Community Development Commission Revenue Comments:

Reimbursements from Other Agencies and Interest Income are generally received later in the fiscal year. All Other CDC Revenues YTD received of \$15,000 is due to the deposit refund on escrow being canceled on the Mauna Loa property.

HESPERIA HOUSING AUTHORITY (HHA) REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Interest Income	\$ 91,475	\$ 15,887	17%	\$ 91,475	\$ 0
Rental Income and Loan Repayments	88,246	0	0%	88,246	0
Miscellaneous Income	1,000	225	23%	1,000	0
Sub-Total HHA Revenue	180,721	16,112	9%	180,721	0
WEDA Housing Authority Revenue	38,000	1,065	3%	38,000	0
Total HHA Revenue	\$ 218,721	\$ 17,177	8%	\$ 218,721	\$ 0

Hesperia Housing Authority (HHA) Revenue Comments:

Interest and rental income/loan repayments are 99% of the budget and 9% has been collected through September 2019. This is on pace with budget expectations, as loan repayments typically occur later in the year.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

STREET RELATED FUNDS REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
204 Measure I - Renewal	\$ 2,731,880	\$ 2,888	0%	\$ 2,731,880	\$ 0
205 Gas Tax Fund	1,553,281	95,025	6%	1,553,281	0
206 Gas Tax Swap Fund	925,584	83,343	9%	925,584	0
207 Local Transportation Fund	834,165	808,642	97%	834,165	0
209 Gas Tax - RMRA	1,569,303	151,763	10%	1,569,303	0
254 AQMD Fund	485,182	14	0%	485,182	0
263 Public Works Street Maintenance Fund	17,000	603	4%	17,000	0
300 Development Impact Fee-Streets	3,075,223	51,712	2%	3,075,223	0
301 Development Impact Fee-Storm Drain	452,849	8,289	2%	452,849	0
306 Development Impact Fee 2018 - Streets	1,494,562	788,458	53%	1,494,562	0
307 Development Impact Fee 2018 - Drainage	121,999	60,861	50%	121,999	0
Sub-Total DIF Streets & Storm Drain	5,144,633	909,320	18%	5,144,633	0
504 City Streets CIP	5,933,327	0	0%	5,933,327	0
Total Street Related Funds	\$ 19,194,355	\$ 2,051,598	11%	\$ 19,194,355	\$ 0

Streets 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. Due to a lag in receiving the revenue, the September 2019 year-to-date total is zero. However, during October 2019, the City received its first installment of \$263,763, which is a 14% increase over September 2018 YTD of \$232,132.

Gas Tax – To date, Gas Tax revenue consists of one installment totaling \$95,025, which is \$3,492 more than the first installment in September 2018 of \$91,533.

Gas Tax Swap – Gas Tax Swap revenue consists of one installment totaling \$83,343, which is \$29,330 more than the first installment of FY 2018-19.

Local Transportation – Prior to FY 2018-19, Article 8 funds were received after the end of the fiscal year. During FY 2018-19 SBCTA directed the City to skip recording revenue for a fiscal year in order to get into sync with an SBCTA change from FY 2015-16. The YTD allocation received of \$808,642 is the apportionment revenue that was shown in the FY 2018-19 Budget.

Gas Tax RMRA – This source of revenue is State-funded and took effect November 2017 during FY 2017-18. This revenue is used to repair and maintain roads, freeways, and bridges. SB 1, the Road Repair and Accountability Act of 2017, increased the gas tax by 12 cents and 20 cents for diesel. The vehicle registration fee also increased depending on the value of the vehicle. Revenue is received in monthly installments and YTD revenue received through September 2019 is \$151,763, which is for one month.

AQMD (AB2766 Transit) – Revenue is related to a grant reimbursement which is anticipated to be received later in the fiscal year as expenses are incurred and submitted for reimbursement.

Public Works-Street Maintenance – The estimated revenues are primarily interest earnings. Also, this fund will occasionally receive miscellaneous reimbursements on an inconsistent basis, making comparisons to prior years meaningless.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

Streets Related Funds Revenue Comments (Continued):

Development Impact Fees for Streets and Storm Drain – Through September 2019 YTD, the combined revenue received is \$909,320, which is \$12,620 or 1%, less than September 2018 YTD revenue of \$921,940. The primary reason for the decrease between the two periods is due to the anticipated decrease in residential permitting and commercial square footage.

City Streets CIP – This fund tracks grant funded projects such as the E Avenue Street Improvements, the Traffic Signal at Main Street and Sultana Street/Timberlane Avenue, Ranchero Aqueduct crossing, and the Park and Ride facility. Reimbursement revenue will be received after project construction.

OTHER CITY FUNDS REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
255 AB3229 Supplemental Law Fund	\$ 141,700	\$ 64	0%	\$ 141,700	\$ 0
256 Environmental Programs Grant	2,600	4,589	176%	2,600	0
260 Disaster Preparedness Grant	500	25	5%	500	0
302 Development Impact Fee-Fire	365,246	1,439	0%	365,246	0
303 Development Impact Fee-Police	108,656	161	0%	108,656	0
304 Development Impact Fee-Public Services	263,597	13	0%	263,597	0
308 Development Impact Fee 2018 - Fire	80,875	40,136	50%	80,875	0
309 Development Impact Fee 2018 - City Hall	69,472	35,085	51%	69,472	0
310 Development Impact Fee 2018 - Animal Control	22,633	10,049	44%	22,633	0
311 Development Impact Fee 2018 - Records Storage	3,368	1,693	50%	3,368	0
312 Development Impact Fee 2018 - Police Facilities	1,018	681	67%	1,018	0
<i>Sub-Total 302, 303, 304, 308, 309, 310, 311, and 312</i>	<i>914,865</i>	<i>89,257</i>	<i>10%</i>	<i>914,865</i>	<i>0</i>
402 2012 Water Rights Acquisition	26,000	5,353	21%	26,000	0
403 2013 Refunding Lease Revenue Bonds	21,000	4,239	20%	21,000	0
509 City Facilities CIP	0	23	n/a	0	0
Total Other City Funds	\$ 1,106,665	\$ 103,550	9%	\$ 1,106,665	\$ 0

Other City Funds Revenue Comments: Many of these funds only receive interest income during the fiscal 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 \$141,700 of SLESF funding, which is typically received later in the fiscal year.

Environmental Programs Grant – This fund tracks various grants for reimbursements for various environmental events. The September 2019 YTD of \$4,589 is primarily comprised of unanticipated reimbursements for electronic waste recycling. Staff will monitor this revenue and if needed will increase the revised during the Mid-Year Budget Review.

Disaster Preparedness Grant – This account tracks interest income and will be received later in the fiscal year.

Development Impact Fees-Fire, Police, Public Services, City Hall, Animal Control, and Records Storage – The combined total of \$89,257 for September 2019 YTD is 22% less than September 2018 YTD of \$113,728. The primary reason for the difference between the two periods is that the September 2018 YTD was from Development Impact Fees for Fire, Police, and Public Services activity, while the September 2019 YTD reflects the revenue received from the new DIF 2018 fees, which took effect in July 2018 as well as the anticipated decrease in development activity. Staff will continue to monitor these revenue sources throughout the fiscal year.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

WATER DISTRICT REVENUE

	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Water Operating Revenue					
Water Sales	\$ 19,643,000	\$ 5,784,453	29%	\$ 19,643,000	\$ 0
Interest Income	100,180	8,073	8%	100,180	0
Property Taxes	442,765	0	0%	442,765	0
Sub-Total	20,185,945	5,792,526	29%	20,185,945	0
All Other Water Operating Revenues	887,207	241,929	27%	887,207	0
Total Water Operating Revenues	21,073,152	6,034,455	29%	21,073,152	0
Capital Facilities Charges	800,000	564,033	71%	800,000	0
Prop 84/Prop 1 Grants	2,300,000	0	0%	2,300,000	0
Total Water Capital Revenue	3,100,000	564,033	18%	3,100,000	0
All Other Water Reserves Revenues	0	553	n/a	0	0
Total Water Operating, Capital, & Reserves Revenues	\$ 24,173,152	\$ 6,599,041	27%	\$ 24,173,152	\$ 0
Sewer Operating Revenue					
Sewer Billing	\$ 4,339,054	\$ 1,233,861	28%	\$ 4,339,054	\$ 0
All Other Sewer Operating Revenues	221,270	25,456	12%	221,270	0
Total Sewer Operating Revenue	4,560,324	1,259,317	28%	4,560,324	0
Sewer Connections	400,000	22,192	6%	400,000	0
All Other Sewer Capital Revenues	38,000	965	3%	38,000	0
Total Sewer Capital Revenue	438,000	23,157	5%	438,000	0
All Other Sewer Reserves Revenues	0	59	n/a	0	0
Total Sewer Operating, Capital, & Reserves Revenues	\$ 4,998,324	\$ 1,282,533	26%	\$ 4,998,324	\$ 0
Total Hesperia Water District Revenue	\$ 29,171,476	\$ 7,881,574	27%	\$ 29,171,476	\$ 0

Water District Revenue Comments:

Water Sales – Through September 2019, \$5,784,453 has been received which is \$296,798 or 5% more than the amount collected through September 2018. With Water Sales at 29% collected, this reflects the seasonality of this revenue source, where consumption is typically higher during summer months.

Property Taxes – Property tax revenue is normally received from November 2019 through July 2020.

Other Water Operating Revenue – Through September 2019 \$241,929 has been received, which is 4% less than September 2018 YTD of \$253,370.

Capital Facilities Surcharge – Revenue through September 2019 YTD is \$564,033, which is \$341,834 or 154% more than September 2018 YTD of \$222,199. The increase can be attributed to the revenue received during the first quarter of 2019 for large commercial projects such as the Frontier and Muscatel Apartments compared to revenue generated during the same time period in 2018.

Prop. 84/Prop. 1 Grants – These revenues will reimburse expenses of the Recycled Water project and will be drawn upon after expenses have been paid.

FISCAL YEAR 2019-20 SEPTEMBER 30, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

Water District Revenue Comments (Continued):

Sewer Billing revenue through September 2019 is \$1,233,861, which is \$85,344 or 7% more than the revenue received in the First Quarter of 2018-19. This increase is attributed to the 6% sewer rate increase, which took effect in December 2018, along with the addition of new sewer residential and commercial customers over the past year.

Sewer Connections revenue through September 2019 YTD is \$22,192, which is 78% less than the \$102,241 received through September 2018 YTD. The decrease between the two periods is due to the decreased development activity in areas served by Sewer.

FIRE DISTRICT REVENUE					
	2019-20 Budget	September 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
210 HFPD (PERS) Interest Income	\$ 33,400	\$ 489	1%	\$ 33,400	\$ 0
Total Fire District Revenue	\$ 33,400	\$ 489	1%	\$ 33,400	\$ 0

Fire District Revenue Comments:

Hesperia Fire Protection District (Public Employees' Retirement System - PERS) Interest Income is received later in the fiscal year.

2019-20 FIRST QUARTER BUDGET REVIEW REPORT

DEPARTMENT FY 2019-20 BUDGET EXPENDITURE STATUS SUMMARY

Total City Expenditures – With the exception of the four (4) first quarter budget amendments totaling \$560,981, 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 2019-20 Amended Budget.

Department Expenditure Summary	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
City Council	\$ 902,533	\$ 902,533	\$ 91,891	10%
City Manager	2,901,500	2,901,500	769,043	27%
Management Services	4,238,398	4,238,398	1,699,359	40%
Economic Development	2,418,069	2,418,069	643,187	27%
Development Services - Community Development	2,131,385	2,131,385	599,870	28%
Development Services - Code Compliance	2,934,291	2,934,291	734,321	25%
Development Services - Public Works	6,332,683	6,332,683	1,260,242	20%
Streets Capital Improvement Project (CIP) Funds	17,493,097	18,521,765	699,338	4%
Other Transportation Related Funds	484,482	484,482	0	0%
Other City Related Funds	2,429,953	2,429,953	244	0%
Development Services - Water	29,744,668	29,744,668	3,603,434	12%
Development Services - Sewer	8,493,682	8,493,682	576,641	7%
Police	17,086,541	17,086,541	4,248,854	25%
Fire District	905,656	905,656	874,510	97%
TOTAL CITY EXPENDITURES	\$ 98,496,938	\$ 99,525,606	\$ 15,800,934	16%

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
City Council				
100 100 City Council	\$ 602,533	\$ 602,533	\$ 79,132	13%
100 102 City Attorney	300,000	300,000	12,759	4%
Total City Council	\$ 902,533	\$ 902,533	\$ 91,891	10%

The City Council Department budget is 10% expended through September 2019. Contributing to the lower than anticipated City Council Division's expended percentage are budgeted items that are typically expended later during the fiscal year, such as \$150,000 for the Community Assistance Program, and \$50,000 for the Hesperia Unified School District Crossing Guard Program. The City Attorney Division is 4% expended due to the timing of invoices, as only one bill was received and paid through the end of the first quarter.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
City Manager				
100 200 City Manager	\$ 1,472,767	\$ 1,472,767	\$ 395,493	27%
100 215 Information Technology	1,428,733	1,428,733	373,550	26%
Total City Manager	\$ 2,901,500	\$ 2,901,500	\$ 769,043	27%

The City Manager Department, which consists of the City Manager Division and the Information Technology Division is 27% expended, which with a quarter of the year completed, is proceeding as expected.

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Management Services				
100 220 Finance	\$ 1,837,411	\$ 1,837,411	\$ 583,338	32%
100 225 Human Resources/ Risk Mgmt.	1,650,276	1,650,276	866,829	53%
100 229 Non-Departmental	750,711	750,711	249,192	33%
Total Management Services	\$ 4,238,398	\$ 4,238,398	\$ 1,699,359	40%

The Management Services Department is currently at 40% expended. Similar to years past, the increased expenditures for Finance and Human Resources, at 32% and 53% respectively, are due to the lump sum payment to CalPERS for the unfunded accrued liability and annual insurance premiums that are due at the beginning of the fiscal year. Start-up expenditures for the Golf Course contract is the primary reason that Non-Departmental, at 33% expended, is higher than expected at the end of the first quarter.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Economic Development				
<u>CDBG</u>				
251 CDBG Administration	\$ 1,689,197	\$ 1,689,197	\$ 434,818	26%
257 Neighborhood Stabilization	115,722	115,722	11,982	10%
Sub-total CDBG	1,804,919	1,804,919	446,800	25%
<u>Community Development Commission</u>				
170 Community Development Commission	529,790	529,790	183,066	35%
<u>Hesperia Housing Authority Funds</u>				
370 Hesperia Housing Authority	83,360	83,360	13,321	16%
Total Economic Development	\$ 2,418,069	\$ 2,418,069	\$ 643,187	27%

The Economic Development Department consists of the Community Development Block Grant (CDBG), Community Development Commission, and Hesperia Housing Authority funds. As a whole, the Economic Development Department is 27% expended through the First Quarter.

In total, the CDBG funds are 25% expended.

- Fund 251 Community Development Block Grant has expended 26% of the adopted budget. This fund administers the City's CDBG program and related activities. FY 2019-20 includes \$1,307,503 in budgeted funds for two street improvement projects. Through the First Quarter, \$428,620 has been expended on these Capital Improvement Projects (CIP). This is typical with CIP projects, as expenditures tend to occur during the third and fourth quarters. Administration for the CDBG Programs, which is 3% expended at the end of September, will increase as progress is made on the public projects. There is one budget amendment request in the amount of \$139,648 for the reprogramming of unspent funds for use in the 2018-19 CDBG Street Improvements Project which, if approved, will bring the total budget to \$1,156,000 for the project.
- There has been little expenditure activity that has occurred in the Neighborhood Stabilization Program during the First Quarter; however as the demolition of a home is completed, expenditures will increase. There is one budget amendment for the replacement of a septic tank at a City-owned home on Live Oak Street for \$11,433. Additional information can be found on page 26 of this report.

The Community Development Commission (CDC), which performs the economic development functions for the City, is proceeding as expected with 35% of the budget expended. This is due to contract work for an analysis on retail recruitment that occurred early during the fiscal year.

The Hesperia Housing Authority (HHA) funds oversee the affordable housing within the City. Through the end of September, the HHA funds are 16% expended, which is expected for normal housing activities.

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
D. S. - Community Development				
100 3000 Planning	\$ 990,359	\$ 990,359	\$ 283,237	29%
100 3020 Building & Safety	1,141,026	1,141,026	316,633	28%
Total D. S. - Community Development	\$ 2,131,385	\$ 2,131,385	\$ 599,870	28%

The Community Development Division is currently at 28% expended through the First Quarter, with Planning at 29% expended and Building & Safety at 28% expended. Similar to years past, the increased expenditures are due to Community Development's portion of the lump sum payment to CalPERS for the Annual Unfunded Accrued Liability.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
D. S. - Code Compliance				
100 3010 Code Enforcement	\$ 1,199,796	\$ 1,199,796	\$ 327,951	27%
100 5000 Animal Control	1,734,495	1,734,495	406,370	23%
Total D. S. - Code Compliance	\$ 2,934,291	\$ 2,934,291	\$ 734,321	25%

The Code Compliance Division is trending as expected during First Quarter. As shown by the table, Code Enforcement is 27% expended, while Animal Control is 23% expended.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
D. S. - Public Works				
100 3100 Engineering	\$ 785,506	\$ 785,506	\$ 172,102	22%
100 3110 Building Maintenance	1,178,183	1,178,183	265,327	23%
263 3150 Street Maintenance	2,668,501	2,668,501	503,098	19%
263 3170 Traffic	1,700,493	1,700,493	319,715	19%
Total D. S. - Public Works	\$ 6,332,683	\$ 6,332,683	\$ 1,260,242	20%

Through the end of September, the Public Works Division is 20% expended. While Engineering and Building Maintenance are trending as expected, Street Maintenance and Traffic are contributing factors for the Public Works Division's lower than expected expenditures, with both at 19%. The purchase of a 10-12 yard dump truck, traffic signal cabinet and large projects such as restriping the parking lots at City Hall and the County Library, and the street assessment for the Pavement Management Program will take place after First Quarter, with expenditures occurring as progress is made. One budget amendment request is included to Re-Paint the Decorative Tube Steel at City Hall in the amount of \$11,500.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Streets Capital Improvement Project (CIP) Funds	\$ 17,493,097	\$ 18,521,765	\$ 699,338	4%

Streets Capital Improvement related expenditures will increase as progress continues on projects, such as the FY 2019-20 Street Improvement Projects, A-04 Drainage Program, "E" Avenue Street Improvements, and other streets related projects. As these projects move forward, the percentage of actual expenses to budget will increase.

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Other Transportation Related Funds	\$ 484,482	\$ 484,482	\$ 0	0%

The Other Transportation Related Funds category consists of approximately \$0.4 million for the Main Street Traffic Synchronization project. As this project moves forward, the percentage of actual expenses to budget will increase.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Other City Related Funds	\$ 2,429,953	\$ 2,429,953	\$ 244	0%

A large portion of this classification is the budgeting of the principal and interest payments for the 2012 Water Rights Acquisition and 2013 Refunding Lease Revenue Bonds which will be paid during the second quarter of the fiscal year.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
D.S. Water Operating & Capital				
4010 Source of Supply	\$ 3,838,428	\$ 3,836,605	\$ 17,759	0%
4020 Production	3,297,777	3,299,600	641,612	19%
4030 Distribution	1,475,117	1,565,117	342,517	22%
4035 Pipeline Maintenance	1,437,009	1,340,159	254,709	19%
4040 Engineering	985,325	985,325	183,947	19%
4050 Customer Service	1,869,967	1,869,967	484,743	26%
4060 Utility Billing	940,985	940,985	259,415	28%
4070 Administration	4,930,233	4,937,083	953,523	19%
4080 Property Management	464,827	464,827	82,488	18%
Total Water Operations	19,239,668	19,239,668	3,220,713	17%
701 Water Capital	10,505,000	10,505,000	382,721	4%
Total D.S. Water Operating & Capital	\$ 29,744,668	\$ 29,744,668	\$ 3,603,434	12%

Overall, the Water Operating and Capital funds are 12% expended through September 30, 2019. The following narrative details the progression of each program.

- The primary responsibility of Source of Supply is to secure make-up water lease rights to remedy overproduction. During First Quarter, the District has not purchased permanent water rights.
- At the end of the First Quarter, Production has expended 19% of the budget. The primary reason expenditures are lower than expected is the timing of receiving electricity invoices. During First Quarter, only two months of summertime activity has been expended. It should be noted that the average summer bill is approximately \$0.2 million.
- Distribution has utilized 22% of its allocated budget. This is primarily due to the pending purchases for a replacement dump truck and trailer, and a valve turning machine.
- Pipeline Maintenance is 19% expended and will increase as material (pipe) is purchased for the pipeline replacement program, as identified in the FY 2019-20 Budget.
- Engineering is currently 19% expended and proceeding as expected.

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

D.S. Water Operating & Capital (Continued)

- Customer Service is 26% expended and, as progress is made with Advanced Metering Infrastructure (AMI) program, the expenditures will increase.
- Utility Billing is 28% expended, which is expected for the first three months of the fiscal year, as the financial system software maintenance contract is paid at the beginning of the fiscal year.
- Administration is at 19% of the budget, which is primarily due to the Water District's debt service payments that are due during the fourth quarter of the fiscal year.
- Property Management is at 18% expended for the First Quarter. Facility maintenance costs are expected to increase as maintenance projects are completed throughout the fiscal year.
- Expenditures for the Water Capital fund are 4% expended and will increase as projects such as the Reclaimed Water Distribution System and I-15 Corridor progress.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
D. S. - Sewer Operating & Capital				
4200 Operations	\$ 3,906,429	\$ 3,906,429	\$ 463,769	12%
4240 Engineering	181,145	181,145	39,643	22%
4260 Utility Billing	176,899	176,899	44,532	25%
4270 Administration	119,209	119,209	28,697	24%
Total Sewer Operating	4,383,682	4,383,682	576,641	13%
711 Sewer Capital	4,110,000	4,110,000	0	0%
Total D. S. - Sewer	\$ 8,493,682	\$ 8,493,682	\$ 576,641	7%

The Sewer Funds overall are 7% expended.

Sewer Operating expenditures are 13% expended, which is primarily due to only receiving one month of invoices for Victor Valley Wastewater Reclamation Authority (VWRA) sewer treatment fees. It should be noted that the VWRA connection fees are being recorded as an expense, but held in a liability account until payments are released to VWRA.

Sewer Capital has \$4.1 million allocated to several projects, such as Maple Avenue sewer line replacement and I-15 Corridor sewer. Capital expenditures will start to occur during the latter half of the fiscal year.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Police	\$ 17,086,541	\$ 17,086,541	\$ 4,248,854	25%

The Police Department budget is 25% expended, which is expected for the first three months of the fiscal year.

	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Amended Percent Expended
Fire District	\$ 905,656	\$ 905,656	\$ 874,510	97%

During FY 2018-19, the City transferred all Hesperia Fire Protection District (Fire District) assets and liabilities to San Bernardino County Fire, with the exception of the former personnel obligations, for which the Fire District will continue to function with dedicated funding. The Fire District is 97% expended, which is due to paying the annual contractual retirement obligations related to the former Fire District employees at the beginning of the fiscal year.

2019-20 FIRST QUARTER BUDGET REVIEW REPORT

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2019-20 Budget	2019-20 Amended	2019 YTD Expenditures	Percent Expended
<u>City Council</u>				
100 100 City Council	\$ 602,533	\$ 602,533	\$ 79,132	13%
100 102 City Attorney	300,000	300,000	12,759	4%
Total City Council	\$ 902,533	\$ 902,533	\$ 91,891	10%
<u>City Manager</u>				
100 200 City Manager	\$ 1,472,767	\$ 1,472,767	\$ 395,493	27%
100 215 Information Technology	1,428,733	1,428,733	373,550	26%
Total City Manager	\$ 2,901,500	\$ 2,901,500	\$ 769,043	27%
<u>Management Services</u>				
100 220 Finance	\$ 1,837,411	\$ 1,837,411	\$ 583,338	32%
100 225 Human Resources/Risk Mgmt.	1,650,276	1,650,276	866,829	53%
100 229 Non-Departmental	750,711	750,711	249,192	33%
Total Management Services	\$ 4,238,398	\$ 4,238,398	\$ 1,699,359	40%
<u>Economic Development</u>				
<u>CDBG</u>				
251 CDBG Administration	\$ 1,689,197	\$ 1,689,197	\$ 434,818	26%
257 Neighborhood Stabilization	115,722	115,722	11,982	10%
Sub-total CDBG	\$ 1,804,919	\$ 1,804,919	\$ 446,800	25%
<u>Community Development Commission</u>				
170 Community Development Commission	529,790	529,790	183,066	35%
<u>Hesperia Housing Authority Funds</u>				
370 Hesperia Housing Authority	83,360	83,360	13,321	16%
Total Economic Development	\$ 2,418,069	\$ 2,418,069	\$ 643,187	27%
<u>Development Services - Community Development</u>				
100 3000 Planning	\$ 990,359	\$ 990,359	\$ 283,237	29%
100 3020 Building & Safety	1,141,026	1,141,026	316,633	28%
Total D. S. Community Development	\$ 2,131,385	\$ 2,131,385	\$ 599,870	28%
<u>Development Services - Code Compliance</u>				
100 3010 Code Enforcement	\$ 1,199,796	\$ 1,199,796	\$ 327,951	27%
100 5000 Animal Control	1,734,495	1,734,495	406,370	23%
Total D. S. Code Compliance	\$ 2,934,291	\$ 2,934,291	\$ 734,321	25%
<u>Development Services - Public Works</u>				
100 3100 Engineering	\$ 785,506	\$ 785,506	\$ 172,102	22%
100 3110 Building Maintenance	1,178,183	1,178,183	265,327	23%
263 3150 Street Maintenance	2,668,501	2,668,501	503,098	19%
263 3170 Traffic	1,700,493	1,700,493	319,715	19%
Sub-total D.S. - Public Works	\$ 6,332,683	\$ 6,332,683	\$ 1,260,242	20%

2019-20 FIRST QUARTER BUDGET REVIEW REPORT

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Percent Expended
<u>Streets Capital Improvement Project (CIP) Funds</u>				
204 Measure I -2010 Renewal	\$ 3,078,373	\$ 3,358,700	\$ 0	0%
207 - Local Transport-SB 325	841,854	841,854	0	0%
209 - Gas Tax - RMRA	1,665,000	2,255,341	689,592	31%
300 Streets Development Impact Fee	4,045,243	4,045,243	5,815	0%
301 Storm Drain Development Impact Fee	1,930,000	1,930,000	3,600	0%
504 City Streets CIP	5,932,627	6,090,627	331	0%
Total Streets CIP Funds	\$ 17,493,097	\$ 18,521,765	\$ 699,338	4%
<u>Other Transportation Related Funds</u>				
254 AB 2766 AQMD	\$ 484,482	\$ 484,482	\$ 0	0%
Total Other Transportation Funds	\$ 484,482	\$ 484,482	\$ 0	0%
<u>Other City Related Funds</u>				
256 Beverage Recycling Grant	\$ 57,028	\$ 57,028	\$ 244	0%
304 Public Services Development Impact Fee	93,000	93,000	0	0%
402 Water Rights Acquisition	1,443,175	1,443,175	0	0%
403 2013 Refunding Lease Rev Bonds	836,750	836,750	0	0%
Total Other City Related Funds	\$ 2,429,953	\$ 2,429,953	\$ 244	0%
Total Other Transportation & Other City Related Funds	\$ 2,914,435	\$ 2,914,435	\$ 244	0%
<u>Development Services - Water</u>				
<u>Water Operating Fund 700</u>				
4010 Source of Supply	\$ 3,838,428	\$ 3,836,605	\$ 17,759	0%
4020 Production	3,297,777	3,299,600	641,612	19%
4030 Distribution	1,475,117	1,565,117	342,517	22%
4035 Pipeline Maintenance	1,437,009	1,340,159	254,709	19%
4040 Engineering	985,325	985,325	183,947	19%
4050 Customer Service	1,869,967	1,869,967	484,743	26%
4060 Utility Billing	940,985	940,985	259,415	28%
4070 Administration	4,930,233	4,937,083	953,523	19%
4080 Property Management	464,827	464,827	82,488	18%
Total Water Operating	19,239,668	19,239,668	3,220,713	17%
701 Water Capital Project	10,505,000	10,505,000	382,721	4%
Total D.S. Water Operating & Capital	\$ 29,744,668	\$ 29,744,668	\$ 3,603,434	12%
<u>Development Services - Sewer</u>				
4200 Operations	\$ 3,906,429	\$ 3,906,429	\$ 463,769	12%
4240 Engineering	181,145	181,145	39,643	22%
4260 Utility Billing	176,899	176,899	44,532	25%
4270 Administration	119,209	119,209	28,697	24%
Total Sewer Operating	4,383,682	4,383,682	576,641	13%
Sewer Capital 711	4,110,000	4,110,000	0	0%
Total D.S. Sewer Operating & Capital	\$ 8,493,682	\$ 8,493,682	\$ 576,641	7%

FY 2019-20 TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS (Continued)

DEPARTMENT AND PROGRAM EXPENDITURES SUMMARY	2019-20 Budget	2019-20 Amended	September 2019 YTD Expenditures	Percent Expended
<u>Police 100 510</u>	\$ 17,086,541	\$ 17,086,541	\$ 4,248,854	25%
<u>Fire District</u>				
200 210 HFPD (PERS)	\$ 905,656	\$ 905,656	\$ 874,510	97%
Total Fire District	\$ 905,656	\$ 905,656	\$ 874,510	97%
 Total City Expenditures	 \$ 98,496,938	 \$ 99,525,606	 \$ 15,800,934	 16%

PROPOSED BUDGET AMENDMENTS – SUMMARY

The FY 2019-20 First Quarter Budget Review includes four (4) budget amendments totaling \$560,981. The following listing categorizes the proposed budget amendments, with the following pages providing detail on each request:

FY 2019-20 1st Quarter Budget Requests	General Fund	Other Funds	Totals
Re-Paint Decorative Tube Steel at City Hall	\$ 11,500	\$ 0	\$ 11,500
2018-19 CDBG Street Improvements	0	139,648	139,648
Live Oak Street - Septic	0	11,433	11,433
Funding source correction - FY 16-17 & 17-18 ALPR cameras and equipment purchase (DIF - Police)	0	398,400	398,400
Total 1st Quarter Budget Amendments Requests	\$ 11,500	\$ 549,481	\$ 560,981

PROPOSED BUDGET AMENDMENTS – NARRATIVE

Development Services

- **Building Maintenance – Re-Paint Decorative Tube Steel at City Hall \$11,500 (100-29-310-3110-8070) – Previous Staff Report**

On August 6, 2019, the City Council authorized the City Manager to execute a contract with Harbor Coating and Restoration to paint the decorative steel tubing at City Hall. As highlighted in the staff report, the approved FY 2019-20 Budget of \$75,000 was insufficient due to the bid award amount and a budget amendment would be requested at first quarter for the total project cost. The acceptance of this project was approved at the November 5, 2019 Council meeting. Therefore, staff is requesting an amendment in the amount of \$11,500.

Economic Development

- **Community Development Block Grant – 2018-19 CDBG Street Improvements \$139,648 (251-29-700-7150-8000) – Previous Staff Report**

During the August 20, 2019 City Council meeting, authorization was given to reprogram previously unspent CDBG funds for use in the 2018-19 CDBG Street Improvements Program. An amendment of \$139,648 is needed in order for the City's Budget to match the reprogrammed funds as stated per the Department of Housing and Urban Development (HUD) grant system. This budget amendment will increase the overall 2018-19 CDBG Street Improvements Program from \$1,016,352 to \$1,156,000.

- **Neighborhood Stabilization Program – Live Oak Street Septic \$11,433 (257-25-270-2700-8401) – Unanticipated**

The NSP program was established in 2008 in an attempt to mitigate the large number of foreclosed and blighted houses during the last economic downturn. The program was designed to purchase vacated houses, and renovate the properties to sell to low-and-moderate income families. Once completed, the program can be closed out and all remaining NSP funds can be rolled over to CDBG. After the funds are rolled over to CDBG, they can be applied to other projects that the City Council determines to be appropriate. During inspection at a City-owned home on Live Oak Street, the septic tank was inspected and failed, thus needing to be replaced. This \$11,433 request is for the septic tank to be replaced in order to sell the home to meet NSP goals.

Development Impact Fees (DIF) – Police

- **DIF – Police Funding source correction for previous ALPR cameras & equipment purchase \$398,400 Transfer Out from the Development Impact Fees – Police (DIF 303-19-220-0000-9000) – New**

During Fiscal Years (FY) 2016-17 and 2017-18 the purchase of Automated License Plate Reader (ALPR) camera and equipment was approved and completed. The equipment was paid from the General Fund and should have been paid from the Development Impact Fees (DIF) Police fund. This amendment requests the approval to reimburse the General Fund.

PROPOSED BUDGET AMENDMENTS – NARRATIVE (Continued)

REQUESTED:	General Fund	Other Funds	Totals
Development Services			
Re-Paint Decorative Tube Steel at City Hall	\$ 11,500	\$ 0	\$ 11,500
Total Development Services	\$ 11,500	\$ 0	\$ 11,500
Economic Development			
2018-19 CDBG Street Improvements (CDBG)	\$ 0	\$ 139,648	\$ 139,648
Live Oak Street - Septic (NSP)	0	11,433	11,433
Total Economic Development	\$ 0	\$ 151,081	\$ 151,081
Development Impact Fees - Police			
Funding source correction - FY 16-17 & 17-18 ALPR cameras and equipment purchase (DIF - Police)	\$ 0	\$ 398,400	\$ 398,400
Total Development Impact Fees - Police	\$ 0	\$ 398,400	\$ 398,400
Total City Expenditures	\$ 11,500	\$ 549,481	\$ 560,981
Source of Funds:			
General Fund - 100			\$ 11,500
Community Development Block Grant - 251			139,648
Neighborhood Stabilization Program - 257			11,433
Development Impact Fees - 303			398,400
Total Source of Funds			\$ 560,981

RESOLUTION NO. 2019-064

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA,
CALIFORNIA, APPROVING THE 2019-20 FIRST QUARTER BUDGET REVIEW
AND AMENDING THE 2019-20 CITY OF HESPERIA BUDGET TO FUND
CERTAIN RELATED EXPENDITURES**

WHEREAS, the City Council of the City of Hesperia was presented the 2019-20 First Quarter Budget Review report by staff; and

WHEREAS, the City Council of the City of Hesperia has reviewed the 2019-20 First Quarter Budget Review report information and analysis and has found it acceptable; and

WHEREAS, the City Council of the City of Hesperia has reviewed and approves the budget amendments included in the 2019-20 First Quarter Budget Review report.

NOW THEREFORE, BE IT RESOLVED BY THE CITY OF HESPERIA CITY COUNCIL AS FOLLOWS:

Section 1. That the recitals above are true and correct and adopted as findings.

Section 2. That the City Council of the City of Hesperia approves the 2019-20 First Quarter Budget Review report and budget amendments.

Section 3. That the City Council also approves the 2019-20 First Quarter Budget Review expenditure amendments by making appropriations for:

▪ Re-Paint Decorative Tube Steel at City Hall (100)	\$ 11,500
▪ 2018-19 CDBG Street Improvements (251)	139,648
▪ Live Oak Street – Septic (257)	11,433
▪ Funding source correction - FY 16-17 & 17-18 ALPR cameras and equipment purchase (303)	<u>398,400</u>
Total	\$560,981

Section 4. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

ADOPTED AND APPROVED this 19th day of November 2019.

Larry Bird, Mayor

ATTEST:

Melinda Sayre, City Clerk