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

Regular Joint Meetings
1st and 3rd Tuesday

Date: ***January 7, 2020***
REGULAR MEETING

Time: ***5:30 P.M.*** *(Closed Session)*
6:30 P.M. *(Regular Meeting)*

CITY COUNCIL MEMBERS

Larry Bird, Mayor

Cameron Gregg, Mayor Pro Tem

Brigit Bennington, Council Member

William J. Holland, Council Member

Rebekah Swanson, Council Member

❖ - ❖ - ❖ - ❖ - ❖ - ❖ - ❖ - ❖

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.

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

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 - 5:30 PM

Roll Call

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

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

1. Jeremiah Brosowske v City of Hesperia Case No. CIVDS1926015

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

Conference with Real Property Negotiators – Property Negotiations
Government Code Section – 54956.8

1. Negotiating Parties: City of Hesperia and Chi-Chu Chen Trust
Location: APN 3039-431-01 Lift Station
Under Negotiation: Price and Terms

2. Negotiating Parties: Guttman and City of Hesperia
Location: APN: 3057-061-01
Under Negotiation: Price and Terms

CALL TO ORDER - 6:30 PM

A. Invocation

B. Pledge of Allegiance to the Flag

C. Roll Call

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

D. Agenda Revisions and Announcements by City Clerk

E. Closed Session Reports by City Attorney

ANNOUNCEMENTS/PRESENTATIONS

1. Presentation by Robin Hawley, San Bernardino County Librarian to the City Council
2. Community Events Calendar

JOINT CONSENT CALENDAR

1. Page 7

Consideration of the Draft Minutes from the Regular Meeting held Tuesday, December 17, 2019

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Regular Meeting held Tuesday, December 17, 2019.

Staff Person: City Clerk Melinda Sayre

Attachments: Draft CC Min 2019-12-17

2. Page 15

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 Hesperia Water District.

Staff Person: Director of Finance Casey Brooksher

Attachments: SR Warrant Run 1-7-2020

Attachment 1 - Warrant Run

3. Page 17

Audited Hesperia Housing Authority Financial Statements for Fiscal Year Ended June 30, 2019 and Housing Successor SB 341 Report

Recommended Action:

It is recommended that the City Council and the Hesperia Housing Authority (HHA) Board receive and file the audited Hesperia Housing Authority - Component Unit Financial Statements for the Fiscal Year Ended June 30, 2019 and Housing Successor SB 341 Report.

Staff Person: Director of Finance Casey Brooksher

Attachments: SR HHA Audited Financial Statements 1-7-2020

Attachment 1 - Component Unit Financial Statements HHA

Attachment 2 - SB 341 Housing Successor Report

Attachment 3 - Memo to the Board of Directors

4. Page 55

Receive and File the Transient Occupancy Tax Audit Results

Recommended Action:

It is recommended that the City Council receive and file the attached Transient Occupancy Tax (TOT) Audit results for the Calendar Year (CY) 2016.

Staff Person: Director of Finance Casey Brooksher

Attachments: SR TOT Audit Results 1-7-2020

Attachment 1 - Audit Report-Springhill Suites

Attachment 2 - Motel 6

Attachment 3 - Holiday Inn Express

Attachment 4 - Courtyard by Marriott

Attachment 5 - La Quinta Inn

Attachment 6 - Hesperia Inn

Attachment 7 - Econolodge

Attachment 8 - Day and Night Inn

Attachment 9 - Maple Motel

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.

5. Page 97

Specific Plan Amendment SPLA19-00005; Applicant: City of Hesperia; APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01

Recommended Action:

Place on second reading and adopt by title waiving the text of Ordinance No. 2019-17 approving Specific Plan Amendment SPLA19-00005 to change approximately 105 gross acres within the Main Street and Freeway Corridor

Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) Zoning.

Staff Person: Senior Planner Ryan Leonard

Attachments: SR SPLA19-00005 12-17-2019

Ordinance 2019-17

Attachment 2 - Planning Commission Staff Report with Attachments

6. Page 109 Commercial Cannabis Program Stay

Recommended Action:

Place on second reading and adopt by title waiving the text of Ordinance No. 2019-18, continuing the stay on the Commercial Cannabis Program.

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

Attachments: SR Commerical Cannabis Stay 12-17-2019

Ordinance 2019-18

7. Page 115 Amendments to Title 5 of Hesperia Municipal Code - Cannabis Regulations

Recommended Action:

Place on second reading and adopt by title waiving the text of Ordinance No. 2019-19 amending Title 5 of the Hesperia Municipal Code.

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

Attachments: SR Title 5 Cannabis Regulations Amendment 12-17-2019

Ordinance 2019-19

Attachment 2 - Exhibit A Title 5 Cannabis Regulations

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.

8. Page 123 Amendments to Title 14 of Hesperia Municipal Code - Discontinuation of Residential Water Service

Recommended Action:

It is recommended: 1) the City Council introduce and place on first reading Ordinance No. 2020-02 amending Title 14 of the Hesperia Municipal Code to incorporate the provisions set forth in the Water Shutoff Protection Act - Senate Bill 998 and 2) the Council/Board adopt Joint Resolution No. 2020-02 and Hesperia Water District Resolution No. 2020 - 01, adopting a written policy on the

Discontinuation of Residential Water Service for Nonpayment in compliance with Senate Bill 998.

Staff Person: Director of Finance Casey Brooksher

Attachments: SR Senate Bill 998 1-7-2020

Attachment 1 - SB998 Full Text

Ordinance 2020-02

Attachment 3 - Amended Title 14 (clean version)

Attachment 4 - Amended Title 14 (track changes)

Joint Resolution 2020-02 and HWD 2020-01

Attachment 6 - Exhibit A - SB 998 Policy ORG-49

9. Page 159 Statewide Community Infrastructure Program (SCIP)

Recommended Action:

It is recommended that the City Council hold a public hearing to receive comments regarding the Statewide Community Infrastructure Program (SCIP); and adopt Resolution 2020-03, authorizing the City to join the SCIP; approving substantially to form, the Acquisition Agreement and other SCIP related documents, subject to modifications as approved by the City Attorney as needed; and authorizing the City Manager to execute completed Acquisition Agreements.

Staff Person: Assistant City Manager Michael Blay

Attachments: SR Statewide Community Infrastructure Program 1-7-2020

Resolution 2020-03

NEW BUSINESS

10. Page 183 Consideration of Ballot Measure- Land Use

Recommended Action:

It is recommended that the City Council provide direction to staff regarding placing a ballot measure on an upcoming election regarding land use requirements in the City including minimum parcel sizes and maximum building densities.

Staff Person: City Clerk Melinda Sayre

Attachments: SR Consideration of Land Use Measure 1-7-2020

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, January 2, 2020 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, December 17, 2019 **6:30 PM**

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 Gregg, Council Member Bennington, Council Member William J. Holland and Council Member Swanson

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

1. One (1) case

Conference with Real Property Negotiators – Property Negotiations
Government Code Section – 54956.8

1. Negotiating Parties: Lewis Management Corp. and City of Hesperia
Location: APN: 3039-441-20
Under Negotiation: Price and Terms

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 Pastor David Penn of Hesperia Church of the Nazarene

B. Pledge of Allegiance to the Flag

C. Roll Call

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

D. Agenda Revisions and Announcements by City Clerk - *None*

E. Closed Session Reports by City Attorney - *No reportable action taken.*

ANNOUNCEMENTS/PRESENTATIONS

1. Presentation to Employee of the Year Hugo Enriquez, Senior Maintenance Worker by Mark Faherty, Public Works Manager
2. Presentation by the City Council to the Fire Department and Sheriff's Department
3. Community Events Calendar - *Donate a toy to the Spark of Love donation box at the Hesperia Animal Shelter and adopt any pet for only $15; Social Media Users are encouraged to follow the City of Hesperia on Facebook and Twitter for updates on City programs and projects, information about road closures, and emergency alerts.*

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

Bob Nelson commented on surveys.
ET Snell commented on community activism.
Doug Malu commented on receiving an exception to a previously adopted ordinance.
Daniel Krist commented on community issues.

JOINT CONSENT CALENDAR

A motion was made by Holland, seconded by Gregg, that 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, December 3, 2019

Recommended Action:

It is recommended that the City Council approve the Draft Minutes from the Regular Meeting held Tuesday, December 3, 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. Treasurer's Cash Report for the unaudited period ended October 31, 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.

Sponsors: Director of Finance Casey Brooksher

4. Receive and File the SB 165 Local Agency Special Tax and Bond Accountability Act Report for CFD 2005-1

Recommended Action:

It is recommended that the City Council receive and file the Communities Facilities District (CFD) 2005-1

(Belgate Development Restructuring) Local Agency Special Tax and Bond Accountability Act Report (SB 165) for the Fiscal Year Ended June 30, 2019.

Sponsors: Director of Finance Casey Brooksher

5. Vehicle Procurement

Recommended Action:

It is recommended that the Board of Directors of the Hesperia Water District authorize the General Manager to approve the procurement of one (1) new Ford Super Duty F-450 with dump body for the Distribution Division and one (1) new Ford Super Duty F-450 with utility body for the Sewer Division; adopt Resolution HWD 2019-14 amending the Fiscal Year (FY) 2019-20 Budget by appropriating $10,427; and award the bid to Fairview Ford Sales, Inc. in the not-to-exceed amount of $156,788.

Sponsors: Public Works Manager Mark Faherty and Public Works Supervisor/Water Jeremy McDonald

6. Annual 2020-21 Recognized Obligation Payment Schedule

Recommended Action:

It is recommended that the Successor Agency adopt Resolution No. SA 2019-02 approving the Annual 2020-21 Recognized Obligation Payment Schedule (ROPS), including the Successor Agency's FY 2020-21 Administrative Budget and authorize staff to present the ROPS to the Oversight Board for its consideration and approval.

Sponsors: Director of Finance Casey Brooksher

PUBLIC HEARING

7. Adoption of 2019 California Building Codes

Recommended Action:

It is recommended that the City Council conduct a public hearing and upon accepting public testimony adopt Ordinance No. 2019-16, adopting changes to Hesperia Municipal Code Chapters 15.04 and 15.06; adopting and amending the following codes and their references: the 2019 California Building Code, the 2019 California Residential Code, the 2019 California Electrical Code, the 2019 California Mechanical Code, the 2019 California Plumbing Code, the 2019 California Fire Code, the 2019 California Green Building Standards Code, the 2019 California Referenced Standards Code, the 2019 California Energy Code, the 2019 California Historical Building Code, the 2019 California Administrative Code, and the 2019 California Existing Building Code (hereafter 2019 Building Codes).

Sponsors: Assistant City Manager Michael Blay and Building and Safety Manager Mike Hearn

The public hearing was opened. There being no public comments, the public hearing was closed.

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

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

Nay: 0

8. Specific Plan Amendment SPLA19-00005; Applicant: City of Hesperia; APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01

Recommended Action:

The Planning Commission recommends that the City Council introduce and place on first reading Ordinance No. 2019-17 approving Specific Plan Amendment SPLA19-00005 to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) Zoning.

Sponsors: Senior Planner Ryan Leonard

The public hearing was opened. Dino Defazzio was called to speak and did not appear when called. There being no further public comments, the public hearing was closed.

A motion was made by Swanson, 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

9. Commercial Cannabis Program Stay

Recommended Action:

It is recommended that the Council introduce and place on first reading Ordinance No. 2019-18, continuing the stay on the Commercial Cannabis Program.

Sponsors: Assistant City Manager Michael Blay and Administrative Analyst Tina Bulgarelli

The public hearing was opened. The following individuals commented on item 9:

James DeAguilera, ET Snell, Sam Humeid, Rick Casas, Dino Defazzio, Doug, Kelly Gregg, Anthony Rhoades, Frances Schallwecker, Mr. W.

There being no further public comments, the public hearing was closed.

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

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

Nay: 0

10. Amendments to Title 5 of Hesperia Municipal Code - Cannabis Regulations

Recommended Action:

It is recommended that the City Council introduce and place on first reading Ordinance No. 2019-19 amending Title 5 of the Hesperia Municipal Code.

Sponsors: Assistant City Manager Michael Blay and Administrative Analyst Tina Bulgarelli

The public hearing was opened. The following individuals commented on item 10:

Sam Humeid, James DeAguilera, Dino Defazzio, Rick Casas, Kelly Gregg, Daniel Krist.

There being no further public comments, the public hearing was closed.

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

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

Nay: 0

NEW BUSINESS

11. Commercial Cannabis Program

Recommended Action:

It is recommended that the Council review the information provided and provide direction to staff related to the future of the Commercial Cannabis Program.

Sponsors: Assistant City Manager Michael Blay and Administrative Analyst Tina Bulgarelli

The meeting went into recess at 9:24 p.m. and reconvened at 9:32 p.m.

The following individuals commented on item 11:

James DeAguilera, Sam Humeid, Rick Casas, Mr. W.

Direction given to staff that an item be brought back in three months detailing options for limiting the number of cannabis businesses at 10, 15, and 20.

12. City Council Appointments to Outside Agencies

Recommended Action:

It is recommended that the City Council follow past practice and appoint liaisons (both primary and alternate) to various outside agencies for a one-year period to commence in January 2020.

Sponsors: City Clerk Melinda Sayre

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

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

Nay: 0

(see table on next page)

Agency/Commission/Committee Name	Primary Rep.	Alternate Rep.
League of California Cities(LOCC)	Brigit Bennington	Cameron Gregg
LOCC Inland Empire & Desert Mountain Divisions	Brigit Bennington	Cameron Gregg
Mojave Desert Air Quality Management District (MDAQMD)	Bill Holland	Brigit Bennington
San Bernardino County Transportation Authority (SBCTA) Board of Commissioners & Subcommittee – Mountain/Desert Measure I	Rebekah Swanson	Cameron Gregg
San Bernardino County Solid Waste Task Force	Staff appointment	Rebekah Swanson
Victor Valley Economic Development Authority (VVEDA)	Brigit Bennington	Cameron Gregg
Victor Valley Transit Authority (VVTA)	Larry Bird	Cameron Gregg
Victor Valley Wastewater Reclamation Authority (VVWRA)	Larry Bird	Bill Holland
Hesperia Chamber of Commerce Liaison (no compensation, non-voting liaison)	Larry Bird	Cameron Gregg
Hesperia Chamber of Commerce 2034 Committee	Cameron Gregg	Rachel Molina (Staff appointment)
Tri Agency Committee (no compensation)	Cameron Gregg Brigit Bennington	Rebekah Swanson
City Council Advisory Committee - (no compensation)	Brigit Bennington	Cameron Gregg
Public Safety Advisory Committee (no compensation)	Brigit Bennington	None

13. 2020 City Council Meeting Schedule

Recommended Action:

It is recommended that the City Council review and discuss the attached 2020 City Council Meeting Schedule and take action to amend if desired.

Sponsors: City Clerk Melinda Sayre

A motion was made by Gregg, seconded by Holland, that the July 7, 2020 City Council Meeting be cancelled. The motion carried by the following vote:

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

Nay: 0

COUNCIL COMMITTEE REPORTS AND COMMENTS

Council Member Bennington thanked staff for their hard work and wished everyone happy holidays.

Council Member Swanson commented on attendance at SBCTA meeting, community relations visit at the local federal prison, attendance at the Christmas Tree Lighting Ceremony, Project Angel Tree, Knock Out Pizza ribbon cutting, Hesperia Chamber Luau, and attendance at upcoming Tri-Agency meeting.

Council Member Holland commented that there was no meeting for MDAQMD, election results for the Park District, attendance at the Knock Out Pizza ribbon cutting, and an accident involving a COP Officer.

Mayor Pro Tem Gregg commented on attendance at Christmas Tree Lighting Ceremony, attendance at the

Marcelo Mafra's Brazilian Jiu Jitsu ribbon cutting, and the Jolly Parade.

Mayor Bird commented that there was no meeting for VVTA, upcoming attendance at VVWRA, participation in the Chop Stop challenge, Knock Out Pizza ribbon cutting and grand opening, attendance at the Christmas Tree Lighting Ceremony, and the Jolly Parade.

CITY MANAGER/CITY ATTORNEY/STAFF REPORTS

None

ADJOURNMENT

10:34 p.m.

_____

Melinda Sayre,
City Clerk

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City of Hesperia
STAFF REPORT

DATE: January 7, 2020

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 November 23, 2019 through December 6, 2019.

Agency/District	Accounts Payable	Payroll	Wires	Totals
City of Hesperia	$1,751,788.29	$242,272.22	$0.00	$1,994,060.51
Successor Agency	0.00	0.00	0.00	0.00
Housing Authority	1,609.16	272.49	0.00	1,881.65
Community Development Commission	1,409.85	6,886.67	0.00	8,296.52
Water	529,321.80	109,019.81	35,090.43	673,432.04
Totals	$2,284,129.10	$358,451.19	$35,090.43	$2,677,670.72

The wire amounts are as follows:

- $25,220.78 to Bank of America, N.A. for Hesperia Water Swap Interest Payment.
- $9,869.65 to U.S. Bank Trust N.A. for Hesperia Water 1998A Interest Payment.

ATTACHMENT(S)

1. Warrant Runs

City of Hesperia
WARRANT RUNS
11/23/2019 - 12/06/2019

FUND #	FUND NAME	W/E 11/29/2019	W/E 12/6/2019	W/E 12/13/2019	WARRANT TOTALS	Wires	YEAR-TO DATE TOTALS *	PRIOR FY YTD DATE TOTALS
Accounts Payable								
100	GENERAL	$ 1,446,664.09	$ 60,635.40		$ 1,507,299.49	$ -	$ 11,159,629.77	$ 9,402,903.01
200	HESPERIA FIRE DISTRICT	$ -	$ -	$ -	$ -	$ -	$ 700.00	$ 348,199.74
204	MEASURE I - RENEWAL	$ 2,354.75	$ 30.00	$ -	$ 2,384.75	$ -	$ 13,334.46	$ 259,972.40
205	GAS TAX	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,795.00
207	LOCAL TRANSPORT-SB 325	$ -	$ -	$ -	$ -	$ -	$ 142,052.11	$ 146,921.11
209	GAS TAX-RMRA	$ -	$ -	$ -	$ -	$ -	$ 1,495,086.16	$ 24,895.99
210	HFPD (PERS)	$ -	$ -	$ -	$ -	$ -	$ 874,510.00	$ -
251	CDBG	$ -	$ 3,954.49	$ -	$ 3,954.49	$ -	$ 682,991.12	$ 138,868.57
254	AB2766 - TRANSIT	$ -	$ -	$ -	$ -	$ -	$ 103,315.07	$ 27,600.00
256	ENVIRONMENTAL PROGRAMS GRANT	$ -	$ 44.01	$ -	$ 44.01	$ -	$ 6,821.54	$ 16,595.73
257	NEIGHBORHOOD STABILIZATION PROG	$ -	$ 277.21	$ -	$ 277.21	$ -	$ 48,112.36	$ 14,363.37
260	DISASTER PREPARED GRANT	$ -	$ -	$ -	$ -	$ -	$ 1,318.08	$ 4,719.95
263	STREETS MAINTENANCE	$ 17,756.14	$ 16,508.19	$ -	$ 34,264.33	$ -	$ 978,272.38	$ 1,107,553.28
300	DEV. IMPACT FEES - STREET	$ -	$ -	$ -	$ -	$ -	$ 35,887.34	$ 138,699.70
301	DEV. IMPACT FEES - STORM DRAIN	$ -	$ 46.83	$ -	$ 46.83	$ -	$ 217,074.69	$ 20,827.50
402	WATER RIGHTS ACQUISITION	$ -	$ -	$ -	$ -	$ -	$ 1,018,915.04	$ 1,028,329.10
403	2013 REFUNDING LEASE REV BONDS	$ -	$ -	$ -	$ -	$ -	$ 561,569.37	$ 557,602.92
501	CFD 91-3 BELGATE	$ -	$ -	$ -	$ -	$ -	$ 837,793.25	$ -
502	FIRE STATION BUILDING	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,790,888.41
504	CITY WIDE STREETS - CIP	$ -		$ -	$ -	$ -	$ 120,406.96	$ 22,567.23
509	CITY FACILITIES CIP	$ -	$ -	$ -	$ -	$ -	$ 39,189.17	$ 88,748.63
800	EMPLOYEE BENEFITS	$ 110,007.23	$ 87,572.87	$ -	$ 197,580.10	$ -	$ 3,319,727.83	$ 3,074,521.46
801	TRUST/AGENCY	$ 5,273.64	$ 663.44	$ -	$ 5,937.08	$ -	$ 315,515.24	$ 832,265.69
802	AD 91-1 AGENCY	$ -	$ -	$ -	$ -	$ -	$ -	$ 367.50
804	TRUST-INTEREST BEARING	$ -	$ -	$ -	$ -	$ -	$ -	$ 67.50
807	CFD 2005-1		$ -	$ -	$ -	$ -	$ 17,741.33	$ 808,940.54
808	HFPD (TRANSITION)	$ -	$ -	$ -	$ -	$ -	$ 1,668,935.57	$ -
	CITY	$ 1,582,055.85	$ 169,732.44	$ -	$ 1,751,788.29	$ -	$ 23,658,898.84	$ 24,861,214.33
160	REDEVELOP OBLIG RETIREMENT - PA1	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,306,154.96
161	REDEVELOP OBLIG RETIREMENT - PA2	$ -	$ -	$ -	$ -	$ -	$ -	$ 426,569.15
162	REDEVELOP OBLIG RETIREMENT-HOUSING	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,476,736.59
163	REDEVELOP OBLIG RETIREMENT-2018	$ -	$ -	$ -	$ -	$ -	$ 7,752,150.38	$ -
173	SUCCESSOR AGENCY ADMINISTRATION	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,005.00
	SUCCESSOR AGENCY	$ -	$ -	$ -	$ -	$ -	$ 7,752,150.38	$ 8,213,465.70
370	HOUSING AUTHORITY	$ -	$ 1,609.16	$ -	$ 1,609.16	$ -	$ 40,458.14	$ 86,078.56
	HOUSING AUTHORITY	$ -	$ 1,609.16	$ -	$ 1,609.16	$ -	$ 40,458.14	$ 86,078.56
170	COMMUNITY DEVELOPMENT COMMISSION	$ 46.86	$ 1,362.99	$ -	$ 1,409.85	$ -	$ 143,340.01	$ 141,394.87
	COMMUNITY DEVELOPMENT COMMISSION	$ 46.86	$ 1,362.99	$ -	$ 1,409.85	$ -	$ 143,340.01	$ 141,394.87
700	WATER OPERATING	$ 33,481.29	$ 194,249.00	$ -	$ 227,730.29	$ 35,090.43	$ 3,204,824.54	$ 4,322,572.97
701	WATER CAPITAL	$ 52,473.58	$ -	$ -	$ 52,473.58	$ -	$ 1,562,588.25	$ 3,111,745.09
710	SEWER OPERATING	$ 231,788.14	$ 9,053.54	$ -	$ 240,841.68	$ -	$ 1,474,551.91	$ 1,602,436.43
711	SEWER CAPITAL	$ -	$ 8,276.25	$ -	$ 8,276.25	$ -	$ 29,554.05	$ 64,510.70
	WATER	$ 317,743.01	$ 211,578.79	$ -	$ 529,321.80	$ 35,090.43	$ 6,271,518.75	$ 9,101,265.19
	ACCOUNTS PAYABLE TOTAL	$ 1,899,845.72	$ 384,283.38	$ -	$ 2,284,129.10	$ 35,090.43	$ 37,866,366.12	$ 42,403,418.65
REG. PAYROLL								
	City	$ 242,272.22	$ -	$ -	$ 242,272.22	$ -	$ 2,636,848.46	$ 2,615,581.03
	Housing Authority	$ 272.49	$ -	$ -	$ 272.49	$ -	$ 3,145.23	$ 24,638.66
	Community Development Commission	$ 6,886.67	$ -	$ -	$ 6,886.67	$ -	$ 78,208.57	$ 46,413.68
	Water	$ 109,019.81	$ -	$ -	$ 109,019.81	$ -	$ 1,136,983.53	$ 1,083,618.26
	PAYROLL TOTAL	$ 358,451.19	$ -	$ -	$ 358,451.19	$ -	$ 3,855,185.79	$ 3,770,251.63

* 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: January 7, 2020

TO: Mayor and Council Members
Chair and Board Members, Hesperia Housing Authority

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Anne M. Duke, Deputy Finance Director
George Pirsko, Senior Financial Analyst

SUBJECT: Audited Hesperia Housing Authority Financial Statements for Fiscal Year Ended June 30, 2019 and Housing Successor SB 341 Report

RECOMMENDED ACTION

It is recommended that the City Council and the Hesperia Housing Authority (HHA) Board receive and file the audited Hesperia Housing Authority - Component Unit Financial Statements for the Fiscal Year Ended June 30, 2019 and Housing Successor SB 341 Report.

BACKGROUND

State law requires city governments to be audited each fiscal year by an independent auditor. City governments that receive Federal funding in excess of $300,000 in a fiscal year are also required by Federal law to be audited.

The State of California Health and Safety Code §34176.1(f) requires that the housing successor (HHA) shall conduct, and provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset fund within six months after the end of each fiscal year. In addition, the housing successor shall provide to its governing body the SB 341 report, as a component of the HHA audit.

ISSUES/ANALYSIS

The Agency's independent auditor, White Nelson Diehl Evans LLP (WNDE) performed audit of the HHA for Fiscal Year 2018-19. The document that comprises the Financial Statements, commonly referred to as the Audit for the Authority, is the Hesperia Housing Authority – Component Unit Financial Statements – June 30, 2019.

Additional, on December 17, 2019, the HHA provided the Board with the audited financial statements and SB 341 Report, which satisfies the legal requirement set forth by the State, refer to attachment 3.

As in previous years, the Comprehensive Annual Financial Report (CAFR), which reflects the Citywide Financial Statements, Component Unit Financial Statements for the Fire Protection District, Community Development Commission, HHA, and Water District, as well as the Single Audit, will be formally presented to the City Council in March or early April of 2020.

FISCAL IMPACT

None.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. June 30, 2019 Component Unit Financial Statements for the Hesperia Housing Authority
2. SB 341 Housing Successor Report
3. December 17, 2019 memo to the Board of Directors

HESPERIA HOUSING AUTHORITY

COMPONENT UNIT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

WITH REPORT ON AUDIT BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

June 30, 2019

	Page Number
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 7
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statements of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statements of Activities	13
Notes to Financial Statements	14 - 23
Required Supplementary Information:	24
Budgetary Comparison Schedules:	
Hesperia Housing Authority Special Revenue Fund	25
VVEDA Housing Authority Special Revenue Fund	26
Note to Required Supplementary Information	27

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hesperia Housing Authority
Hesperia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hesperia Housing Authority (a component unit of the City of Hesperia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hesperia Housing Authority as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2965 Roosevelt Street, Carlsbad, CA 92008-2389 • Tel: 760.729.2343 • Fax: 760.729.2234

Offices located in Orange and San Diego Counties

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules identified as Required Supplementary Information (RSI) in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

White Nelson Diehl Evans LLP

Carlsbad, California
December 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Hesperia Housing Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ending June 30, 2019. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The Authority restated the July 1, 2018 net position by a negative $0.3 million to record the devaluation of property, as a result of demolishing building structures during FY 2015-16. Based on the activity of the year, which are further discussed below, and the restatement, the Authority's net position at June 30, 2019 decreased by $40,853.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most significant funds.

REPORTING THE AUTHORITY AS A WHOLE

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better off or worse off as a result of this year's activities?" The Government-Wide Statements – The Statement of Net Position and the Statement of Activities – report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting method, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 8-9 of this report.

REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority uses a governmental fund to account for its operations.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the Financial Statements - The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-23 of this report.

THE HESPERIA HOUSING AUTHORITY AS A WHOLE

Our analysis focuses on the Condensed Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the Authority. As noted earlier, net position over time, may serve as a useful indicator of a government's financial position.

Table 1
Condensed Statement of Net Position

	2018	2019	Changes from 2018 to 2019 Amount	Percentage
Current and other assets	$ 13,900,665	$ 13,838,108	$ (62,557)	0%
Capital assets	3,101	1,782	(1,319)	-43%
Total assets	13,903,766	13,839,890	(63,876)	0%
Total deferred outflow of resources	-	-	-	0%
Current liabilities	44,491	21,468	(23,023)	-52%
Total liabilities	44,491	21,468	(23,023)	-52%
Total deferred inflow of resources	-	-	-	0%
Net Position:				
Investment in capital assets	3,101	1,782	(1,319)	-43%
Restricted	13,856,174	13,816,640	(39,534)	0%
Total Net Position	$ 13,859,275	$ 13,818,422	$ (40,853)	0%

The following is a brief explanation for the changes in Table 1 above for the fiscal year ending June 30, 2019:

- Current and other assets in the amount of $13.8 million decreased by $62,557 from the year ending June 30, 2018. This is a net result of the prior period adjustment and selling property at a gain.
- Due to depreciation, capital assets decreased during the year by $1,319.
- Current liabilities totaled $21,468 at June 30, 2019, which is a decrease of $23,023 and is primarily attributed to the timing of the payment of invoices.
- Total Net Position is shown to decrease by $40,853, this is the result of the restatement, which reduced the holding value of one parcel of land held for resale by $0.3 million, which was nearly offset by a gain during the year of $0.2 million from the sale of property.

AUTHORITY ACTIVITIES

As shown in Table 2, the Authority's expenses at June 30, 2019 total $0.2 million, which includes normal operational costs, such as wages, benefits, and office expenses. The Fiscal Year (FY) 2018-19 expenditures of $0.2 million are $2.0 million less than the FY 2017-18 expenditures of $2.2 million. This year to year decrease primarily due to recording $1.9 million loss resulting from selling two parcels of land held for resale in FY 2017-18. The Authority's revenue shows an increase of $0.3 million as compared to last fiscal year. This is due to realizing a gain of $0.2 million from selling one parcel of land held for resale. As explained, with this positive gain, overall net position decreased due to the restatement at July 1, 2018.

Table 2
Changes in Net Position

	2018	2019	Changes from 2018 to 2019 Amount	Percentage
Revenues				
General revenues:				
Income from money and property	117,874	369,113	251,239	213%
Other	88,430	90,827	2,397	3%
Total revenues	206,304	459,940	253,636	123%
Expenses				
Development Services	2,219,114	206,190	(2,012,924)	-91%
Total expenses	2,219,114	206,190	(2,012,924)	-91%
Change in net position	(2,012,810)	253,750	2,266,560	-113%
Net position at July 1	15,872,085	13,859,275	(2,012,810)	-13%
Restatement	-	(294,602)	(294,602)	0%
Net position at July 1, as restated	15,872,085	13,564,673	(2,307,412)	-15%
Net position at June 30	$ 13,859,275	$ 13,818,423	$ (40,852)	0%

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

At year-end, the Authority's governmental funds reported combined restated fund balances of $13.8 million.

- The fund balance of the Hesperia Housing Authority Fund is $12.0 million, which is restricted for low and moderate income housing functions. The Fund balance has increased by $0.2 million from the June 30, 2018 restated fund balance of $11.8 million. The increase is primarily due to selling one parcel of land held for resale at a gain of $0.2 million.
- The Victor Valley Economic Development Agency (VVEDA) Housing Authority Fund balance of nearly $1.8 million, which is a modest increase from June 30, 2018. The primary reason is that VVEDA funds must be utilized for low and moderate income housing functions in the VVEDA target area.

CAPITAL ASSETS

The capital assets of the Authority, as shown in Table 3, are those assets that are used in the performance of the Authority's functions. At June 30, 2019, capital assets, net of depreciation, of the governmental activities totaled $1,782.

Table 3
Capital Assets at Year-end

	Balance at July 1, 2018 Net of Accumulated Depreciation	Increases	Decreases	Current Year Depreciation	Balance at June 30, 2019 Net of Accumulated Depreciation
Governmental Activities:					
Equipment and vehicles	$ 3,101	$ -	$ -	$ (1,319)	$ 1,782
	$ 3,101	$ -	$ -	$ (1,319)	$ 1,782

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In Fiscal Year 2018-19, the Authority's budget anticipates expenditures of approximately $0.1 million to maintain current operations. The expenditures are offset by anticipated revenue of $0.2 million and use of reserves totaling $0.2 million.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Finance Department, at the City of Hesperia, 9700 Seventh Avenue, Hesperia, California 92345.

STATEMENT OF NET POSITION
June 30, 2019

ASSETS	Governmental Activities
Current Assets:	
Cash and cash equivalents	$ 5,226,481
Receivables:	
Accrued interest	25,447
Land held for resale	8,576,981
Total Current Assets	13,828,909
Noncurrent Assets:	
Other Noncurrent Assets:	
Deposits	9,199
Notes receivable	22,148,908
Allowance for notes receivable	(22,148,908)
Total Other Noncurrent Assets	9,199
Capital assets:	
Equipment and vehicles	6,596
Less: Accumulated depreciation	(4,814)
Total Capital Assets	1,782
Total Noncurrent Assets	10,981
Total Assets	13,839,890
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	21,468
Total Current Liabilities	21,468
Total Liabilities	21,468
NET POSITION	
Investment in capital assets	1,782
Restricted for low income housing	13,816,640
Total Net Position	$ 13,818,422

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental Activities:					
Development Services	$ 206,190	$ -	$ -	$ -	(206,190)
Total Governmental Activities	$ 206,190	$ -	$ -	$ -	(206,190)

General Revenues:	
Income from money and property	369,113
Other	90,827
Total general revenues	459,940
Change In Net Position	253,750
Net position at the beginning of the year, as previously stated	13,859,275
Prior period adjustment	(294,603)
Net position at the beginning of the year, restated	13,564,672
Net position at the end of the year	$ 13,818,422

See accompanying notes to financial statements.

BALANCE SHEET
June 30, 2019

	Hesperia Housing Authority	VVEDA Housing Authority	Total Housing Authority Funds
Assets			
Assets:			
Cash and cash equivalents	$ 3,457,216	$ 1,769,265	$ 5,226,481
Accrued interest	16,832	8,615	25,447
Notes receivable	22,148,908	-	22,148,908
Allowance for notes receivable	(22,148,908)	-	(22,148,908)
Land held for resale	8,576,981	-	8,576,981
Total Assets	$ 12,051,029	$ 1,777,880	$ 13,828,909
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and other current liabilities	$ 21,468	$ -	$ 21,468
Total Liabilities	21,468	-	21,468
Fund Balances:			
Restricted:			
Low income housing	12,029,561	1,777,880	13,807,441
Total Fund Balances	12,029,561	1,777,880	13,807,441
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 12,051,029	$ 1,777,880	$ 13,828,909

See accompanying notes to financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		$ 13,807,441
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.		
Cost	$ 6,596	
Less: Accumulated depreciation	(4,814)	1,782
Deposits with insurance providers to pay for long-term liabilities are not current financial resources to the governmental funds. These amounts are deferred and amortized in the Statement of Net Position.		9,199
Total Net Position		$ 13,818,422

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	Hesperia Housing Authority	VVEDA Housing Authority	Total Housing Authority Funds
Revenues:			
Use of money and property	$ 331,094	$ 38,019	$ 369,113
Other revenues	90,827	-	90,827
Total Revenues	421,921	38,019	459,940
Expenditures:			
Current:			
Development services	205,855	-	205,855
Total Expenditures	205,855	-	205,855
Excess (Deficiency) of Revenues Over (Under) Expenditures	216,066	38,019	254,085
Fund balances at beginning of period	12,108,098	1,739,861	13,847,959
Prior period adjustment	(294,603)	-	(294,603)
Fund balances at beginning of period, as retated	11,813,495	1,739,861	13,553,356
Fund balances at end of year	$ 12,029,561	$ 1,777,880	$ 14,102,044

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	$	254,085
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal exceeded capital outlays in the current period.		
Depreciation expense		(1,319)
Recording of long-term deposits are included in governmental activities in the government-wide statement of activities.		984
Change in net position of governmental activities	$	253,750

See accompanying notes to financial statements.

June 30, 2019

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The Hesperia Housing Authority (Authority), which is a subsidiary component unit of the City of Hesperia (City), was established on April 5, 2011 by Resolution No. 2011-022 of the City Council. The Hesperia Housing Authority was activated when the dissolution of the former Hesperia Community Redevelopment Agency occurred on February 1, 2012. The Authority develops, manages, and promotes programs and projects that preserve and improve the supply of affordable housing in the City for low and moderate income persons.

The Authority is an integral part of the reporting entity of the City. The accounts of the Authority have been included within the scope of the basic financial statements of the City because the City Council has financial accountability over the operations of the Authority. Only the accounts of the Authority are included herein, therefore, these financial statements do not purport to represent the financial position or results of operations of the City. Upon completion, the financial statements of the City can be obtained at City Hall.

b. Basis of Presentation:

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as they are applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies reflected in the financial statements are summarized as follows:

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Hesperia Housing Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b. Basis of Presentation (Continued):

Governmental Fund Financial Statements:

The accounting system of the Authority is organized and operated on the basis of two funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Authority's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually.

The Authority's Governmental Fund Balances are comprised of the following component:

- The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

In the governmental fund statements, when expenditures are incurred, the Authority uses the most restrictive funds first. The Authority would use the appropriate funds in the following order: committed, assigned, and lastly unassigned amounts.

The Authority has two major funds described below:

Hesperia Housing Authority Fund is used to account for Low and Moderate Housing activity. The fund balance is set aside to provide for future low and moderate income housing.

Victor Valley Economic Development Authority (VVEDA) Housing Authority Fund is used to account for Low and Moderate Housing activity within the VVEDA project area that is located within the boundaries of the City.

c. Measurement Focus:

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

In the government-wide Statement of Net Position and the Statement of Activities, activities are presented using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

In the fund financial statements, all governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Measurement Focus (continued):

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as a fund asset. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

In the Statement of Net Position, the net position is classified in the following categories:

- Investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.
- Restricted net position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted net position – This amount is the net position that does not meet the definition of “investment in capital assets, net of related debt” or “restricted net position”.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

d. Basis of Accounting:

Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Basis of Accounting (continued):

Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transactions are recognized as revenues when all applicable eligibility requirements have been met.

e. New Accounting Pronouncements:

Current Year Standards:

- GASB Statement No. 83 – "Certain Asset Retirement Obligations", effective for periods beginning after June 15, 2018, and did not impact the Authority.
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, effective for periods beginning after June 15, 2018, and did not impact the Authority.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019 was early implemented by the City in fiscal year 2018-19, and did not impact the Authority.

Pending Accounting Standards:

GASB has issued the following statements which may impact the Authority's financial reporting requirements in the future:

- GASB Statement No. 84 – "Fiduciary Activities", effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 – "Leases", effective for periods beginning after December 15, 2019.
- GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61, effective for periods beginning after December 15, 2018.
- GASB Statement No. 91 – Conduit Debt Obligations, effective for periods beginning after December 15, 2020.

f. Cash and Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof, see Note 2).

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

g. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the Authority records the estimated loss, net of any insurance coverage under its self-insurance program. At June 30, 2019, in the opinion of the Authority's Attorney, the Authority had no material unrecorded claims that would require loss provision in the financial statements, including losses for claims that are Incurred But Not Reported (IBNR). Small dollar claims and judgments are recorded as expenditures when paid.

The Authority participates in the self-insurance program of the City of Hesperia. Information relating to the self-insurance program can be found in the notes to the basic financial statements of the City of Hesperia.

h. Land Held for Resale:

Land held for resale is carried at the lower of cost or estimated realizable value.

i. Capital Assets:

Capital assets, which include land, buildings, building improvements, and equipment, are depreciated (with the exception of land) and are reported in the government-wide financial statements. Authority policy has set the capitalization threshold for reporting capital assets at $5,000.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. Land is not depreciated.

Buildings	30-50 Years
Improvements	20 Years
Machinery and Equipment	5-30 Years
Vehicles	8-20 Years

j. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any type of these items at June 30, 2019.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any type of these items at June 30, 2019.

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

   k. Receivables:

   All accounts, taxes, and service receivables are shown net of an allowance for uncollectibles.

   l. Use of Estimates:
   The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS:

   Equity in Cash and Investment Pool of the City of Hesperia:

   The Authority does not have a separate bank account; however, the Authority's cash and investments are maintained in an investment pool managed by the City. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City. The Authority has not adopted an investment policy separate from that of the City. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

   Cash and Investments

   Cash and cash equivalents at June 30, 2019 are classified in the financial statements as follows:

STATEMENT OF NET POSITION:	
Current Assets:	June 30, 2019
Cash and cash equivalents	$ 5,226,481
Total cash and investments	$ 5,226,481

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued):

Investments Authorized by the California Government Code and the Authority's Investment Policy:

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
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%	None
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	90 days	20%	None
Collateralized Bank Deposits	5 years	10%	None
Investment Pools	N/A	30%	None
Municipal Bonds	5 years	10%	None

Disclosures Related to Interest Rate Risk, Credit Risk and Custodial Credit Risk and Fair Value Measurements:

The Authority's cash and cash equivalents are pooled with the City of Hesperia's cash and investments. Additional disclosures regarding the pooled investments related to interest rate risk, credit risk, custodial credit risk and fair value measurements are available in the City of Hesperia's Comprehensive Annual Financial Report.

3. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets at June 30, 2019 is as follows:

	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
Capital Assets being depreciated:				
Equipment and vehicles	$ 6,596	$ -	$ -	$ 6,596
Less accumulated depreciation for:				
Machinery and equipment	(3,495)	(1,319)		(4,814)
Total accumulated depreciation	(2,176)	(1,319)	-	(4,814)
Total capital assets being depreciated, net	4,420	(1,319)	-	1,782
Net capital assets	$ 4,420	$ (1,319)	$ -	$ 1,782

4. NOTES RECEIVABLE:

Notes receivable, totaling $22.1 million at June 30, 2019 consists of loans provided for low and moderate income housing, with interest between one percent (1%) and three percent (3%) and maturity of fifty-five (55) years. Due to the terms of the notes, offsetting allowance for notes receivable of $22.1 million has been established.

Notes receivable at June 30, 2019 include the following:

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019
KDF VAH I, L.P.	$ 3,113,062	$ 29,000	$ (2,043)	$ 3,140,019
KDF Hesperia, L.P.	1,839,766	24,457	-	1,864,223
KDF Hesperia II, L.P.	2,514,418	28,102	-	2,542,520
PDDC San Remo Hesperia, L.P.	4,287,801	39,557	(1,898)	4,325,460
PDDC San Remo Hesperia II, L.P	6,265,683	59,321	(108,722)	6,216,282
Eagle Hesperia 55, L.P.	3,983,764	76,640	-	4,060,404
Totals	$ 22,004,494	$ 257,077	$(112,663)	$ 22,148,908

A. KDF VAH I, L.P.:

In July 2006, the former Hesperia Community Redevelopment Agency (HCRA) entered into an Owner Participation Agreement (OPA) with KDF VAH I, L.P. (a California limited partnership) for the development, construction and operation of a 68-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the HCRA loaned $2,900,000 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2019 is $240,019. The balance of the loan outstanding at June 30, 2019 was $3,140,019. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

B. KDF Hesperia, L.P.:

In December 2005, the former HCRA entered into an OPA with KDF Hesperia, L.P. (a California limited partnership) for the development, construction and operation of a 110-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the HCRA loaned $1,250,000 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear simple interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Housing Authority issued a loan of $398,589, with an interest rate of three percent (3%), to assist with converting the construction loan to a permanent loan. Accrued interest on the combined notes through June 30, 2019 is $215,634. The balance of the loan outstanding at June 30, 2019 was $1,864,223. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

4. NOTES RECEIVABLE (Continued):

C. KDF Hesperia II, L.P.:

In March, 2006, the former HCRA entered into an OPA with KDF Hesperia II, L.P. (a California limited partnership) for the development, construction and operation of a 72-unit apartment complex of which certain units shall be available to very low income tenants, low income tenants, and moderate income tenants. Under the terms of the OPA, the HCRA loaned $2,000,000 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Authority assumed responsibility of the HCRA notes receivable. On February 1, 2012, the Authority issued a loan of $270,070, with an interest rate of three percent (3%), to assist with converting the construction loan to a permanent loan. Accrued interest on the combined notes through June 30, 2019 is $272,450. The balance of the loan outstanding at June 30, 2019 was $2,542,520. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

D. PDDC San Remo Hesperia, L.P.:

On November 2007, the former HCRA entered into an OPA with PDDC San Remo Hesperia, L.P. (Palm Desert Development Company, a California limited partnership) for the development, construction, and operation of a 65-unit apartment complex of which certain units shall be available to very low-income tenants and low-income tenants. Under the terms of the OPA, the HCRA loaned $3,955,711 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2019 is $369,749. The balance of the loan outstanding at June 30, 2019 was $4,325,460. Payments on the loan are based on a percentage of the Partnership's positive cash flow. Any unpaid balance is due and payable at the maturity date.

E. PDDC San Remo Hesperia II, L.P.:

On October 5, 2010, the former HCRA entered into an OPA with PDDC San Remo Hesperia II, L.P. (Palm Desert Development Company, a California limited partnership) for the development, construction, and operation of a 58-unit apartment complex of which certain units shall be available to very low-income tenants and low-income tenants. Under the terms of the OPA, the HCRA loaned $6,613,620 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of not more than fifty-five years and shall bear interest at a rate of one percent (1%). The agreement is secured by a deed of trust on the property. Due to the dissolution of redevelopment agencies by AB 26x1, the Authority assumed responsibility of the HCRA notes receivable. Accrued interest on the note through June 30, 2019 is $544,918 and principal payments received are $942,256. The balance of the loan outstanding at June 30, 2019 was $6,216,282.

4. NOTES RECEIVABLE (Continued):

   F. Eagle Hesperia 55, L.P.:

   On February 16, 2016, the former HCRA entered into an OPA with Eagle Hesperia 55 L.P. (a California limited partnership) for the development, construction, and operation of a 96-unit apartment complex of which certain units shall be available to low income senior citizens. Under the terms of the OPA, the Authority loaned $3,831,975 of its low and moderate income housing funds toward the actual cost for the development, construction, and operation of the project. The loan is for a term of fifty-five years, with the option of extending the term up to twenty-five years; the option must be exercised between the fifty-third year and fifty-fourth year. The loan shall bear interest at a rate of two percent (2%). The agreement is secured by a deed of trust on the property. Accrued interest on the note through June 30, 2019 is $228,428. The balance of the loan outstanding at June 30, 2019 was $4,060,404. Any unpaid balance is due and payable at the maturity date.

5. SELF-INSURANCE RISK POOL:

   The Authority, through the City of Hesperia, is a member of the Public Entity Risk Management Authority (PERMA), a joint powers authority for the purpose of achieving savings on insurance premiums. Disclosures regarding these policies are available in the City of Hesperia's Comprehensive Annual Financial Report.

6. PENSION PLAN AND OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS:

   The employees of the Authority participate in the defined benefit pension plan and the other post employment benefit plan of the City of Hesperia. Disclosures regarding these plans are available in the City of Hesperia's Comprehensive Annual Financial Report.

7. PRIOR PERIOD ADJUSTMENT:

   During FY 2015-16, the Authority demolished a building, which caused a reduction to the net positon of $294,603. The original book value of land and building totaled $520,803. Upon completion of the demolition, the land had a value of $226,200. This adjustment of $294,603 is reflected in the financial statements.

8. SUBSEQUENT EVENTS:

   Events occurring after June 30, 2019 have been evaluated for possible adjustments to the financial statements or disclosure as of December 17, 2019, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HESPERIA HOUSING AUTHORITY SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Fund Balance, July 1, as retated	$ 11,813,495	$ 11,813,495	$ 11,813,495	$ -
Resources (Inflows):				
Use of money and property	85,096	85,096	331,094	245,998
Other Revenues	103,469	103,469	90,827	(12,642)
Amount Available for Appropriations	188,565	188,565	421,921	233,356
Charges to Appropriations (Outflows):				
Current:				
Development Services	279,113	279,113	205,855	73,258
Total Charges to Appropriations	279,113	279,113	205,855	73,258
Excess of Resources Over/(Under) Charges to Appropriations	(90,548)	(90,548)	216,066	306,614
Fund Balance, June 30	$ 11,722,947	$ 11,722,947	$ 12,029,561	$ 306,614

See accompanying note to required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
VVEDA HOUSING AUTHORITY SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Fund Balance, July 1	$ 1,739,861	$ 1,739,861	$ 1,739,861	$ -
Resources (Inflows):				
Use of money and property	17,578	17,578	38,019	20,441
Amount Available For Appropriations	17,578	17,578	38,019	20,441
Charges to Appropriations (Outflows):				
Current:				
Development Services	-	-	-	-
Total Charges to Appropriations	-	-	-	-
Excess of Resources Over (Under) Charges to Appropriations	17,578	17,578	38,019	20,441
Fund Balance, June 30	$ 1,757,439	$ 1,757,439	$ 1,777,880	$ 20,441

See accompanying note to required supplementary information.

June 30, 2019

1. BUDGETARY DATA:

In conjunction with the City of Hesperia's budgeting process, the Authority adopts annual operating budgets for the governmental funds each year. The Authority's Board approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Board conducts public hearings prior to its adoption. Supplemental appropriations, when required during the period, are also approved by the Board. Increases in annual expenditures require approval by the Board. Interdepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the fund level for each fund. At fiscal year end, all operating budget appropriations lapse. However, encumbrances at year end are reported as reservations of fund balance. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles.

HOUSING SUCCESSOR ANNUAL REPORT
REGARDING THE
LOW AND MODERATE INCOME HOUSING ASSET FUND
FOR FISCAL YEAR 2018-19
PURSUANT TO
CALIFORNIA HEALTH AND SAFETY CODE SECTION 34176.1(f)
FOR THE
HESPERIA HOUSING AUTHORITY

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated as of November 25, 2019. This Report sets forth certain details of the Hesperia Housing Authority (Housing Successor) activities during Fiscal Year 2018-19 (Fiscal Year). The purpose of this Report is to provide the governing body of the Housing Successor an annual report on the housing assets and activities of the Housing Successor under Part 1.85, Division 24 of the California Health and Safety Code, in particular sections 34176 and 34176.1 (Dissolution Law).

The following Report is based upon information prepared by Housing Successor staff and information contained within the independent financial audit of the Low and Moderate Income Housing Asset Fund for Fiscal Year 2018-19 (Fiscal Year), as a part of the 2019 Comprehensive Annual Financial Report, as prepared by White Nelson Diehl Evans, LLP (Audit), which Audit is separate from this annual summary Report; further, this Report conforms with and is organized into sections I. through XI., inclusive, pursuant to Section 34176.1(f) of the Dissolution Law.

I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited into the LMIHAF during the Fiscal Year. Any amounts deposits for items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.

II. **Ending Balance of LMIHAF:** This section provides a statement of the balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for items listed on the ROPS must be distinguished from the other amounts deposited.

III. **Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. The expenditures are to be categorized.

IV. **Statutory Value of Assets Owned by Housing Successor:** This section provides the stator value of real property owned by the Housing Successor, the value of loans and grants receivables, and the sum of these two amounts.

V. **Description of Transfers:** This section describes transfers, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of projects, if any, for which the transferred LMIHAF will be used. The sole purpose of the transfers must be for the development of transit priority projects, permanent supportive housing, housing for agricultural employees or special needs housing.

VI. **Project Descriptions:** This section describes any project for which the Housing Successor receives or holds property tax revenue pursuant to the ROPS and the status of that project.

VII. **Status of Compliance with Section 33334.16:** This section provides a status update on compliance with Section 33334.16 for interests in real property acquired by the former redevelopment agency prior to February 1, 2012. For interests in real property acquired on or after February 1, 2012, provide a status update on the project.

VIII. **Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012 along with the Housing Successor's progress in meeting those prior obligations, if any, of the former redevelopment agency and how the housing Successor's plans to meet unmet obligations, if any.

IX. **Income Test:** This section provides the information required by Section 34176.1(a)(3)(B), or a description of expenditures by income restriction for five year period, with the time period beginning January 1, 2015 and whether the statutory thresholds have been met. However, reporting of the Income Test is not required until 2019.

X. **Senior Housing Test:** This section provides the percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the Housing Successor, its former redevelopment Agency, and its host jurisdiction within the previous 10 years in relation to the aggregate number of units of deeds-restricted rental housing assisted individually or jointly by the housing successor, its former Redevelopment Agency and its host jurisdiction within the same time period. For this Report the ten-year period reviewed is July 1, 2009 to June 30, 2019.

XI. **Excess Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Housing Successor has had excess surplus, and the Housing Successor's plan for eliminating the excess surplus.

This Report and the former redevelopment agency's pre-dissolution Implementation Plans are to be made available to the public on the City's website www.cityofhesperia.us

I. AMOUNT DEPOSITED INTO LMIHAF

A total of $421,921 was deposited into the LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, a total of $0 was held for items listed on the ROPS.

II. ENDING BALANCE OF LMIHAF

At the close of the Fiscal Year, the ending balance in the LMIHAF was $12,029,562 of which $0 is held for items listed on the ROPS.

III. DESCRIPTION OF EXPENDITURES FROM LMIHAF

The following is a description of expenditures from the LMIHAF by category:

	Fiscal Year
Monitoring & Administration Expenditures	$ 205,855
Homeless Prevention and Rapid Rehousing Services Expenditures	0
Housing Development Expenditures	
Expenditures on Low Income Units	0
Expenditures on Very-Low Income Units	0
Expenditures on Extremely-Low Income Units	0
Total Housing Development Expenditures	0
ADDITIONAL EXPENSE:	
Loss on land held for resale	0
Total LMIHAF Expenditures in Fiscal Year	$ 205,855

IV. STATUTORY VALUE OF ASSETS OWNED BY HOUSING SUCCESSOR IN LMIHAF

Under the Dissolution Law and for purposes of this Report, the "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer schedule approved by the Department of Finance as listed in such schedule under Section 34176(a)(2), the value of the properties transferred to the Housing Successor pursuant to Section 34181(f), and the purchase price of property(ies) purchased by the Housing Successor. Further, the value of loans and grants receivable is included in these reported assets held in the LMIHAF.

The following provides the statutory value of assets owned by the housing Successor.

	As of End of Fiscal Year
Statutory Value of Real Property Owned by Housing Authority	$ -
Value of Loans and Grants Receivable	22,148,908
Total Value of Housing Successor Assets	$ 22,148,908

V. DESCRIPTION OF TRANSFERS

The Housing Successor did not make any LMIHAF transfers to other Housing Successor(s) under Section 34176.1(c)(2) during the Fiscal Year.

VI. PROJECT DESCRIPTIONS

The Housing Successor does not receive or hold property tax revenue pursuant to the ROPS.

VII. STATUS OF COMPLIANCE WITH SECTION 33334.16

Section 34176.1 provides that Section 33334.16 does not apply to interests in real property acquired by the Housing Successor on or after February 1, 2012; however, this Report presents a status update on the project related to such real property.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance approved the property as a housing asset in the LMIHAF; thus, as to real property acquired by the former redevelopment agency now held by the Housing Successor in the LMIHAF, the Housing Successor must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date the DOF approved such property as a housing asset. In furtherance thereof, the Housing Successor does not have any real property.

VIII. DESCRIPTION OF OUTSTANDING OBLIGATIONS PURSUANT TO SECTION 33413

Replacement Housing: According to the 2010-2014 Implementation Plan for the former redevelopment agency, no Section 33413(a) replacement housing obligations were transferred to the Housing Successor. The former redevelopment agency's implementation Plans are posted on the City's website at www.cityofhesperia.us .

Inclusionary/Production Housing: According to the 2010-2014 Implementation Plan for the former redevelopment agency, no Section 33413(b) inclusionary/production housing obligations were transferred to the Housing Successor. The former redevelopment agency's Implementation Plans are posted on the City's website at www.cityofhesperia.us .

IX. EXTREMELY-LOW INCOME TEST

Section 34176.1(a)(3)(B) requires that the Housing Successor must require at least 30% of the LMIHAF to be expended for development of rental housing affordable to and occupied by household earning 30% or less of the AMI. If the housing Successor fails to comply with the Extremely-Low Income requirement in any five-year report, then the Housing Successor must ensure that at least 50% of the funds remaining in the LMIHAF be expended in each fiscal year following the latest year following the report on households earning 30% or less of the AMI until the Housing Successor demonstrates compliance with the Extremely-Low Income requirement. This information is not required until 2019 for the 2014-2019 period.

It should be noted that the City is currently working with a non-profit organization to explore new affordable rental housing development with emphasis on veteran housing.

For informational purposes, the following provides the Housing Successor's Extremely-Low Income Housing Test as of FY 2014-15.

Extremely-Low Income Test	FY 2018-19
LMIHAF Spent on Extremely-Low Income Households	$0
Total LMIHAF (Five Year Total)	0
Extremely-Low Income Test	0%

X. SENIOR HOUSING TEST

The Housing Successor is to calculate the percentage of units of deed restricted rental housing restricted to seniors and assisted by the Housing Successor, the former redevelopment agency and/or the City within the previous 10 years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Housing Successor, the former redevelopment agency and/or City within the same time period. If this percentage exceeds 50%, then the Housing Successor cannot expend future funds in the LMIHAF to assist additional senior housing units until the Housing Successor or City assists and construction has commenced on a number of restricted rental units that is equal to 50% of the total amount of deed-restricted rental units.

The following provides the Housing Successor's Senior Housing Test for the 10 year period of July 1, 2008 and June 30, 2018.

Senior Housing Test	July 1, 2009 and June 30, 2019
# of Assisted Senior Rental Units	164
# of Total Assisted Rental Units	469
Senior Housing Percentage	35.0%

XI. EXCESS SURPLUS TEST

The LMIHAF has a $0 Excess Surplus. The Housing Successor has three fiscal years to encumber, or transfer, the excess surplus, if any. The Housing Successor has not had an Excess Surplus since February 1, 2012.

City of Hesperia Attachment 3

MEMORANDUM

DATE: December 17, 2019

TO: Chair and Board Members, Hesperia Housing Authority

FROM: Casey Brooksher, Director of Finance

CC: Nils Bentsen, City Manager

SUBJECT: June 30, 2019 Financial Statements – Hesperia Housing Authority

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Attached to this memo is the audited Hesperia Housing Authority (HHA) financial report for June 30, 2019 and the Housing Successor SB 341 report. Both of these items are required by California Health and Safety Code §34176.1 to be provided to the Board of Directors no later than December 31, 2019. While the HHA financial report details the financial health of the HHA, the purpose of the Housing Successor SB 341 report is to provide the governing body of the HHA an annual report on the housing assets and activities.

Should you have any questions or require any additional information, please feel welcome to contact me.

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City of Hesperia
STAFF REPORT

DATE: January 07, 2020

TO: Mayor and City Council Members

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance

SUBJECT: Receive and File the Transient Occupancy Tax Audit Results

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RECOMMENDED ACTION

It is recommended that the City Council receive and file the attached Transient Occupancy Tax (TOT) Audit results for the Calendar Year (CY) 2016.

BACKGROUND

The City collects a TOT tax, commonly referred to as a "bed tax" of 10% on occupants staying in rooms of a hotel, motel, inn, and other lodging facility. The City currently has ten (10) lodging operators. It is a good practice to periodically conduct an independent "audit" of the records and reporting of the lodging operators to determine if they are in compliance, as well as to ensure that the City is receiving all TOT related revenue to which it is entitled under the City Ordinance.

During the June 13, 2017 Council Meeting, Council requested that staff bring forward an item for an independent audit of TOT lodging operators, as the most recent TOT audit was performed in FY 2007-08. On August 15, 2017, the City approved an amendment to the agreement with White Nelson Diehl Evans (WNDE) LLP to perform the audit.

ISSUES/ANALYSIS

WNDE conducted a field audit on nine (9) of the ten (10) hotel/motel establishments. The tenth establishment, formally America's Best Value Inn, which is located at 12033 Oakwood Avenue was in the process of being sold during the time of the field audit. WNDE reviewed calendar year 2016 TOT tax returns (TOT revenue) to ensure that the hotel/motel remitted the correct amount to the City and was able to determine the following:

- How "gross rents" and "uncollected rents" were accounted for and reported to the City?
- What procedures were in place to identify transient and non-transient guests?
- How exemptions, including complimentary rooms, were documented and reported to the City?
- How the lodging operators handled reservations and payments done online through a third party, such as Expedia.com, and how the transient occupancy tax was collected and reported to the City for these transactions?

Based on the CY 2016 sampling, the auditors determined that the combined underpayment of TOT was $22,934. Compared to the FY 2015-16 TOT revenue of $1.1 million, the underpayment represented 2% of the taxes received by the City. Further, Motel 6, Springhill

Suites, and Holiday Inn Express remitted payments for the shortages totaling $3,303. The following table notates the auditor's findings for each establishment.

Hotel/Motel	Late Reporting (Lost Penalties & Interest)	Payment Errors	Undocumented Exemptions	Total Errors Of Payment
Econolodge	$ (5,964)	$ (225)	$ (241)	$ (6,430)
Motel 6	(87)	(816)	N/A	(903)
La Quinta	(5,793)	410	N/A	(5,383)
Courtyard By Marriot	N/A	(872)	N/A	(872)
Springhill Suites	N/A	(184)	N/A	(184)
Holiday Inn Express	N/A	(1,580)	(636)	(2,216)
Hesperia Inn	(722)	(3,558)	N/A	(4,280)
Day & Night Inn	(2,561)	None	(270)	(2,831)
Maple Motel	N/A	1,082	(917)	165
Totals	**$ (15,127)**	**$ (5,743)**	**$ (2,064)**	**$ (22,934)**

Based on the auditor's findings and that underpayment is approximately 2% or $22,934 of the total FY 2015-16 TOT revenue of $1.1 million, staff is recommending that the City Council receive and file the report.

FISCAL IMPACT

There is no fiscal impact associated with receiving and filing of the TOT Audit Report. It should be noted that three establishments, Motel 6, Springhill Suites, and Holiday Inn Express all remitted payments to the City for deficiencies identified in the CY 2016 audit. The total revenue from the three establishments was $3,303.

ALTERNATIVE(S)

1. Receive and file TOT audit report.
2. Provide alternative direction.

ATTACHMENT(S)

1. Audit Report – Spring Hill Suites
2. Motel 6 (Currently called Motel 6 West Main St/I-15)
3. Holiday Inn Express
4. Courtyard by Marriot
5. La Quinta Inn & Suites
6. Hesperia Inn
7. Econolodge
8. Day & Nite Inn
9. Maple Motel (Currently called Motel 6 East)

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Springhill Suites by Marriott Hesperia, 9625 Mariposa Road, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   No exceptions were noted as a result of this testing.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted total taxable revenue reported by the Hotel did not include pet charges and cancellation fees. Total pet charges and cancellation fees for the period under review was $309 resulting to underpayment of transient occupancy tax of $31. It was also noted the total claimed exemptions did not reconcile to the reported transient occupancy tax returns resulting to under reported taxable revenues of $1,530 and underpayment of transient occupancy tax of $153.

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Offices located in Orange and San Diego Counties

4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   During our review, we noted that the Hotel does not include pet charges and cancellation fees in revenues subject to transient occupancy tax. These charges are part of consideration received from guest for occupancy of space and therefore should be considered rent that is subject to transient occupancy tax. See procedure no. 3 for total pet charges and cancellation fees for the year.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review. The selected reporting periods were April, August and October 2016.

   For the three tax returns selected, there were a total of 21 exemptions claimed totaling $11,217. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	21	$ 11,217	$ -
Exemption claims with improper, incomplete or not supported by documentation	-	-	-
	21	$ 11,217	$ -

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.

- Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
- Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
- Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
- Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
July 10, 2019

SPRINGHILL SUITES
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number	Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
3	$ (309)	$ (31)
3	(1,530)	(153)
Net Total	$ (1,839)	$ (184)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Motel 6 Hesperia, 9757 Cataba Road, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   As a result of this testing, a calculation error was noted resulting in an underpayment in occupancy taxes by $87.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   As a result of this testing, it was noted gross taxable revenues were under reported by $8,157 resulting in an underpayment in occupancy taxes by $816.

4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   No exceptions were noted as a result of this testing.

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Offices located in Orange and San Diego Counties

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review.

   No exemptions were claimed during the period under review.

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
   - Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
   - Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
   - Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
July 10, 2019

MOTEL 6
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number	Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
2	$ -	$ (87)
3	(8,157)	(816)
Net Total	$ (8,157)	$ (903)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Holiday Inn Express Hesperia, 9750 Key Pointe Avenue, Hesperia, CA 92345 (the Hotel), for the period from January 1, 2016 to December 15, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   No exceptions were noted as a result of this testing.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted that total taxable revenue reported by the Hotel did not include pet charges. Total pet charges for the period under review were $15,797 resulting in underpayment of transient occupancy tax of $1,580.

4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

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Offices located in Orange and San Diego Counties

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   Upon review of the transient occupancy tax questionnaire, it was noted that pet charges were applicable to the hotel, however, were not properly included in total gross rents when reporting the monthly transient occupancy tax returns to the City. See procedure 3 for total pet charges for the year.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review. The selected reporting periods were April, August and October 2016.

   For the three tax returns selected, there were a total of 17 exemptions claimed totaling $16,969. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	11	$ 10,613	$ -
Exemption claims with improper, incomplete or not supported by documentation	5	6,356	636
	17	$ 16,969	$ 636

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
   - Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
   - Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.

- Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
July 10, 2019

HOLIDAY INN EXPRESS
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 15, 2016

Procedure Number	Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
3	$ (15,797)	$ (1,580)
6	(6,356)	(636)
Net Total	$ (22,153)	$ (2,216)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Courtyard by Marriott, 9619 Mariposa Road, Hesperia, California, 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   No exceptions were noted as a result of this testing.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted total taxable revenue reported by the Hotel did not include pet charges. Total pet charges for the period under review was $8,716 resulting to underpayment of transient occupancy tax of $872.

4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

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Offices located in Orange and San Diego Counties

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   During our review, we noted that the Hotel does not include pet charges and telephone, modem and fax services in revenues subject to transient occupancy tax. These charges are part of consideration received from guest for occupancy of space and therefore should be considered rent that is subject to transient occupancy tax. See procedure no. 3 for total pet charges for the year.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review.

   No exemptions were claimed during the period under review.

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
   - Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
   - Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
   - Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
July 15, 2019

COURTYARD BY MARRIOTT
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number	Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
3	$ (8,716)	$ (872)
Net Total	$ (8,716)	$ (872)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the La Quinta Inn & Suites Hesperia, 12000 Mariposa Road, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   During testing over mathematical accuracy and timeliness of transient occupancy reports filed it was noted 4 out of the 12 months of transient occupancy reports were not filed timely during the calendar year 2016. Per section 3.10.060 of the City's Code of Ordinances, any operator who fails to remit taxes within the time required should pay a penalty of ten percent of the amount of the tax. In addition to the penalties, the operator shall pay interest at the rate of one-half of one percent per month or fraction thereof on the amount of tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid. See Schedule A for a list of delinquent months and calculated penalties and interest.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted revenue per the transient occupancy tax returns was over reported by $4,551.

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4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   No exceptions were noted as a result of this testing.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review. The selected reporting periods were March, August and October 2016.

   For the three tax returns selected, there were a total of 19 exemptions claimed totaling $20,463. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	19	$ 20,463	$ -
Exemption claims with improper, incomplete or not supported by documentation	-	-	-
	19	$ 20,463	$ -

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.

- Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
- Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
- Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
July 15, 2019

LA QUINTA INN & SUITES
SCHEDULE A
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Reporting Period	Due Date	Date Paid	Tax Due	Penalty	Interest	Continued Delinquency Penalty	Continued Delinquency Interest	Total Penalties Owed
January	02/29/16	03/15/16	10,975	$ 1,097	$ 28	$ -	$ -	$ 1,125
March	04/30/16	05/23/16	12,215	1,221	47	-	-	1,268
August	09/30/16	11/10/16	11,472	1,147	57	1,147	19	2,370
September	10/31/16	11/22/16	9,944	994	37	-	-	1,031
				$ 4,459	$ 168	$ 1,147	$ 19	$ 5,793

LA QUINTA INN & SUITES
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number	Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment
2	$ -	$ (5,793)
3	4,551	410
Net Total	$ 4,551	$ (5,383)

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Hesperia Inn Hesperia, 14320 Main Street, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   During testing over mathematical accuracy and timeliness of transient occupancy reports filed it was noted 6 out of the 12 months of transient occupancy reports were not filed timely during the calendar year 2016. Per section 3.10.060 of the City's Code of Ordinances, any operator who fails to remit taxes within the time required should pay a penalty of ten percent of the amount of the tax. In addition to the penalties, the operator shall pay interest at the rate of one-half of one percent per month or fraction thereof on the amount of tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid. See Schedule A for a list of delinquent months and calculated penalties and interest.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted that revenue per the transient occupancy tax returns was under reported by $35,568. See Schedule B for total revenues reported per month.

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4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   We were not able to perform this procedure due to the Hotel's limited accounting system.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   No exceptions were noted as a result of this testing.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review.

   No exemptions were claimed during the period under review.

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
   - Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
   - Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
   - Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
August 26, 2019

HESPERIA INN
SCHEDULE A
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Reporting Period	Due Date	Date Paid	Tax Due	Penalty	Interest	Continued Delinquency Penalty	Continued Delinquency Interest	Total Penalties Owed
January	02/28/16	03/06/16	755	$ 76	$ 1	$ -	$ -	$ 77
February	03/31/16	04/12/16	896	90	1	-	-	91
May	06/30/16	08/16/16	1,314	131	7	131	4	273
June	07/31/16	08/16/16	1,257	126	6	-	-	132
August	09/30/16	10/11/16	857	86	1	-	-	87
December	01/31/17	02/13/17	608	61	1	-	-	62
				$ 570	$ 17	$ 131	$ 4	$ 722

HESPERIA INN
SCHEDULE B
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

	Per TOT return			Per Hotel Records			
Reporting Period	Total Gross Rents Reported	Total Taxable Rents Reported	TOT Paid	Total Gross Rents	Total Taxable Rents	TOT Owed	TOT Underreported
January	$ 7,550	$ 7,550	$ 755	$ 7,550	$ 7,550	$ 755	$ -
February	8,960	8,960	896	8,960	8,960	896	-
March	7,880	7,880	788	14,237	14,237	1,424	(636)
April	7,320	7,320	732	7,320	7,320	732	-
May	7,180	7,180	718	13,140	13,140	1,314	(596)
June	6,650	6,650	665	12,571	12,571	1,258	(593)
July	7,790	7,790	779	17,540	17,540	1,754	(975)
August	8,570	8,570	857	8,570	8,570	857	-
September	7,455	7,455	746	7,455	7,455	746	-
October	7,210	7,210	721	7,210	7,210	721	-
November	6,135	6,135	614	13,715	13,715	1,372	(758)
December	6,080	6,080	608	6,080	6,080	608	-
	$ 88,780	$ 88,780	$ 8,879	$ 124,348	$ 124,348	$ 12,437	$ (3,558)

HESPERIA INN
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number		Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
2		$ -	$ (722)
3	*	(35,568)	(3,558)
Net Total		$ (35,568)	$ (4,280)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Econolodge, 11976 Mariposa Road, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   During testing over mathematical accuracy and timeliness of transient occupancy reports filed it was noted 7 out of the 12 months of transient occupancy reports were not filed timely during the calendar year 2016. Per section 3.10.060 of the City's Code of Ordinances; any operator who fails to remit taxes within the time required should pay a penalty of ten percent of the amount of the tax. In addition to the penalties, the operator shall pay interest at the rate of one-half of one percent per month or fraction thereof on the amount of tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid. See Schedule A for a list of delinquent months and calculated penalties and interest.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   Per review of transient occupancy tax returns, it was noted that several exemptions for over 30 day occupancy exemptions were not properly supported, resulting in under reported gross taxable revenues of $2,248 and underpayment of transient occupancy tax of $225.

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4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   During our review, we noted that the Hotel does not include charges for roll-away beds, pet charges, late check out fees and telephone, modem and fax services in revenues subject to transient occupancy tax. These charges are part of the consideration received from the guest for occupancy of space and therefore should be considered rent that is subject to transient occupancy tax. Total pet fee and roll away bed charges for the year were $60, resulting in an underpayment of transient occupancy tax of $6.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review. The selected reporting periods were April, August and October 2016.

   For the three tax returns selected, there were a total of 11 exemptions claimed totaling $11,487. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	7	$ 9,137	$ -
Exemption claims with improper, incomplete or not supported by documentation *	4	2,350	235
	11	$ 11,487	$ 235

   * These are in addition to the findings noted at procedure 3.

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

- Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
- Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
- Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
- Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
- Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
- Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
- Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
August 26, 2019

ECONOLODGE
SCHEDULE A
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Reporting Period	Due Date	Date Paid	Tax Due	Penalty	Interest	Total Penalties Owed
January	2/28/2016	3/10/2016	7,983.24	$ 798	$ 13	$ 811
February	3/31/2016	4/8/2016	7,462.67	746	10	756
March	4/30/2016	5/10/2016	8,097.67	810	13	823
April	5/31/2016	6/8/2016	8,442.93	844	11	855
May	6/30/2016	7/3/2016	8,870.40	887	4	891
July	8/31/2016	9/10/2016	9,395.54	940	16	956
October	11/30/2016	12/5/2016	8,649.27	865	7	872
				$ 5,890	$ 74	$ 5,964

ECONOLODGE
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number		Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment *
2		$ -	$ (5,964)
3	*	(2,248)	(225)
5	*	(60)	(6)
6	*	(2,350)	(235)
Net Total		$ (4,658)	$ (6,430)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Day & Night Inn Hesperia, 14865 Bear Valley Road, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   During testing over mathematical accuracy and timeliness of transient occupancy reports filed it was noted 12 out of the 12 months of transient occupancy reports were not filed timely during the calendar year 2016. Per section 3.10.060 of the City's Code of Ordinances; any operator who fails to remit taxes within the time required should pay a penalty of ten percent of the amount of the tax. In addition to the penalties, the operator shall pay interest at the rate of one-half of one percent per month or fraction thereof on the amount of tax, exclusive of penalties, from the date on which the remittance first became delinquent until paid. See Schedule A for a list of delinquent months and calculated penalties and interest.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   No exceptions were noted as a result of this testing.

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4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   No exceptions were noted as a result of this testing.

6. We reviewed the supporting documentation for exemptions claimed on three of the transient occupancy tax returns in the period under review. The selected reporting periods were April, August and October 2016.

   For the three tax returns selected, there were a total of 13 exemptions claimed totaling $19,143. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	11	$ 16,144	$ -
Exemption claims with improper, incomplete or not supported by documentation	2	2,699	270
	13	$ 19,143	$ 270

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management there are no reservations made online through a third party.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
August 26, 2019

DAY & NIGHT INN
SCHEDULE A
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Reporting Period	Due Date	Date Paid	Tax Due	Penalty	2nd Penalty	Interest	Total Penalties Owed
January	2/29/2016	10/7/2016	895.14	$ 90	$ 90	$ 29	$ 209
February	3/31/2016	10/7/2016	861.05	86	86	25	197
March	4/30/2016	10/7/2016	1,068.15	107	107	26	240
April	5/31/2016	10/7/2016	953.87	95	95	21	211
May	6/30/2016	10/7/2016	713.44	71	71	13	155
June	7/31/2016	10/7/2016	914.09	91	91	11	193
July	8/31/2016	1/17/2017	1,422.00	142	142	32	316
August	9/30/2016	1/17/2017	1,083.95	108	108	18	234
September	10/31/2016	1/17/2017	996.43	100	100	13	213
October	11/30/2016	5/2/2017	872.11	87	87	20	194
November	12/31/2016	5/2/2017	839.14	84	84	16	184
December	1/31/2017	5/2/2017	996.57	100	100	15	215
				$ 1,161	$ 1,161	$ 239	$ 2,561

DAY & NIGHT INN
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number		Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment
2		$ -	$ (2,561)
6	*	$ (2,699)	$ (270)
Net Total		$ (2,699)	$ (2,831)

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

City Council
City of Hesperia
Hesperia, California

We have performed the procedures enumerated below, which were agreed to by the management of the City of Hesperia (the City), solely to assist the City in verifying the accuracy of the transient occupancy tax returns submitted by the Maple Motel Hesperia, 9630 Maple Ave, Hesperia, California 92345 (the Hotel), for the period from January 1, 2016 to December 31, 2016. The Hotel's management is responsible for the preparation and filing of the transient occupancy returns. The sufficiency of these procedures is solely the responsibility of the management of the City of Hesperia. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

1. We reviewed the City Municipal Code and related ordinances and resolutions related to transient occupancy tax.

   No exceptions were noted as a result of this testing.

2. We verified the mathematical accuracy and the timeliness of the transient occupancy reports filed with the City for the calendar year 2016.

   No exceptions were noted as a result of this testing.

3. We traced the gross revenues reported on the transient occupancy tax returns prepared by the Hotel to gross revenues recorded in the Hotel's accounting records and verified that these were in accordance with the City's ordinance.

   During testing over gross revenues reported on the transient occupancy tax returns it was noted revenue per the transient occupancy tax returns was over reported by $10,824.

4. We selected a sample of twenty-five individual rental transactions during the review period and for each transaction selected, we verified the tax computations and traced the amounts of rental revenues and transient occupancy taxes collected to the books and records of the Hotel.

   No exceptions were noted as a result of this testing.

5. We reviewed the internal control procedures of the Hotel and determined: (a) how "gross rents" and "uncollected rents" were accounted for and reported to the City, (b) what procedures were in place to identify transient and non-transient guests, and (c) how exemptions, including complimentary rooms, were documented and reported to the City.

   No exceptions were noted as a result of this testing.

6. We reviewed the supporting documentation for exemptions claimed on all the transient occupancy tax returns in the period under review.

   Total of 10 exemptions claimed totaling $31,042. The results of our testing are as follows:

	Number of Exemption Claims	Amount of Exemptions	Under (Over) Payment of Occupancy Taxes
Exemption claims supported by proper forms and documentation	4	$ 21,869	$ -
Exemption claims with improper, incomplete or not supported by documentation	6	9,173	917
	10	$ 31,042	$ 917

7. We performed additional procedures that we considered necessary to verify the reasonableness of reported revenues of the Hotel operator.

   There were no additional procedures considered necessary.

8. We inquired how the Hotel handles reservations and payments made online through a third party such as Expedia.com and how the transient occupancy taxes were collected and reported to the City on these transactions.

   Per our discussion with Hotel management reservations made online through a third party such as Expedia.com are handled as follows:

   - Guests will book the hotel room through the intermediary e-channels (Expedia, etc.).
   - Intermediary charges the guest's credit card for the entire stay at the time of purchase. The Hotel has no knowledge of the rate the guest is charged, or whether the Intermediary is charging or disclosing a tax amount to the guest.
   - Intermediary sends the reservation to the Hotel through the Hotel's reservation system.
   - Upon the guest's arrival, the Hotel sets up an incidental folio for the guest.
   - Upon check out, the guest is billed for the total in the folio for incidentals. Folio does not indicate rate guest paid to Intermediary.
   - Hotel invoices the Intermediary for room and tax based on agreed upon rates between the Hotel and the Intermediary.
   - Hotel records revenue billed to Intermediary as room revenue, and tax collected to appropriate tax accrual account.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the transient occupancy tax returns. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City Council, management, and others within the City and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
September 9, 2019

MAPLE MOTEL
SUMMARY OF FINDINGS
FOR PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2016

Procedure Number		Gross Rent (Understatement) Overstatement	Occupancy Taxes (Underpayment) Overpayment
3	*	$ 10,824	$ 1,082
6	*	(9,173)	(917)
Net Total		$ 1,651	$ 165

* - Amounts do not include penalties of up to ten percent and interest up to one-half of one percent per month of tax due per City Ordinance 3.10.060.

City of Hesperia
STAFF REPORT

DATE: December 17, 2019

TO: Mayor and Council Members

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

BY: Chris Borchert, Principal Planner
Ryan Leonard, Senior Planner

SUBJECT: Specific Plan Amendment SPLA19-00005; Applicant: City of Hesperia; APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01

RECOMMENDED ACTION

The Planning Commission recommends that the City Council introduce and place on first reading Ordinance No. 2019-17 approving Specific Plan Amendment SPLA19-00005 to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) Zoning.

PROJECT SUMMARY

Proposal: Staff has initiated a Specific Plan Amendment to change approximately 105 gross acres from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP). Over the past few years the retail industry has undergone a major shift as traditional brick and mortar retail uses face stiffening competition from online-only stores. The changing retail-commercial landscape has resulted in an increased demand for e-commerce locations that have easy access to Interstate 15.

Location: Generally located north of Poplar Street, south of Sultana Street, between Highway 395 and Interstate 15; and at the southeast corner of Poplar Street and Mesa Linda Street (APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01)

Planning Commission Review: On November 14, 2019 the Planning Commission voted 4-0 (Commissioner Caldwell was absent) to forward this item to the City Council with a recommendation for approval.

Conclusion: The change from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) is appropriate as retail trends are shrinking the amount of needed square footage and close proximity to a freeway interchange is critical. Furthermore, changing the zoning of the area to Commercial Industrial Business Park (CIBP) will further the City's goal to attract investment and jobs to the City.

ATTACHMENT(S)

1. Ordinance No. 2019-17, with Exhibit "A"
2. Planning Commission Staff Report with attachments

ORDINANCE NO. 2019-17

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, ADOPTING A SPECIFIC PLAN AMENDMENT TO CHANGE APPROXIMATELY 105 GROSS ACRES WITHIN THE MAIN STREET AND FREEWAY CORRIDOR SPECIFIC PLAN FROM REGIONAL COMMERCIAL (RC) TO COMMERCIAL INDUSTRIAL BUSINESS PARK (CIBP) (SPLA19-00005)

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, the City of Hesperia has initiated an application for SPLA19-00005 described herein (hereinafter referred to as the "Application") for assessor's parcels 3064-581-01 thru 05, 3064-621-01 & 3064-631-01; and

WHEREAS, the application proposes to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP); and

WHEREAS, there has been very little interest from developers to develop the property with commercial uses due to: 1) a shift in the retail industry as traditional brick and morter retail uses face stiffening competition from online-only stores, and 2) the subject parcels are not lcoated in close proximity to a freeway interchange; and

WHEREAS, it is unlikely the subject parcels would ever be developed with regional-serving commercial uses and are more likely to be developed with a mix of manufacturing, warehousing and light industrial uses that would otherwise be allowed in the Commercial Industrial Business Park (CIBP) zone; and

WHEREAS, the Regional Commercial zoning designation is typically seen as creating greater traffic impacts than Commercial Industrial Business Park due to having a higher trip generation factor and creating more traffic demand during peak hours of operation; and

WHEREAS, the project is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Specific Plan Amendment is exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as Specific Plan Amendments are exempt if they do not propose to increase the density or intensity allowed by the General Plan; and

WHEREAS, on November 14, 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; and

WHEREAS, on December 17, 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 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. The subject parcels of the proposed Amendment are suitable for the land uses allowed in the Commercial Industrial Business Park zoning classification, and adequate space exists which can meet the standards for setbacks, height, lot coverage, parking and circulation within the proposed Specific Plan designation.

Section 3. The proposed change in zone will not have a significant adverse impact on surrounding properties or the community in general, because the property is north of and adjacent to Commercial Industrial Business Park zoning to the south, has Highway 395 as a western border and Interstate 15 as an eastern border.

Section 4. Based upon substantial evidence presented to the Council, including written and oral staff reports, the Council specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan. The subject parcels are capable of utilizing existing supporting infrastructure and municipal services, as directed by the City's adopted General Plan.

Section 5. Based on the findings and conclusions set forth in this Ordinance, this Council hereby adopts Specific Plan Amendment SPLA19-00005, to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) as shown on Exhibit "A."

Section 6. This Ordinance shall take effect thirty (30) days from the date of adoption.

Section 7. 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.

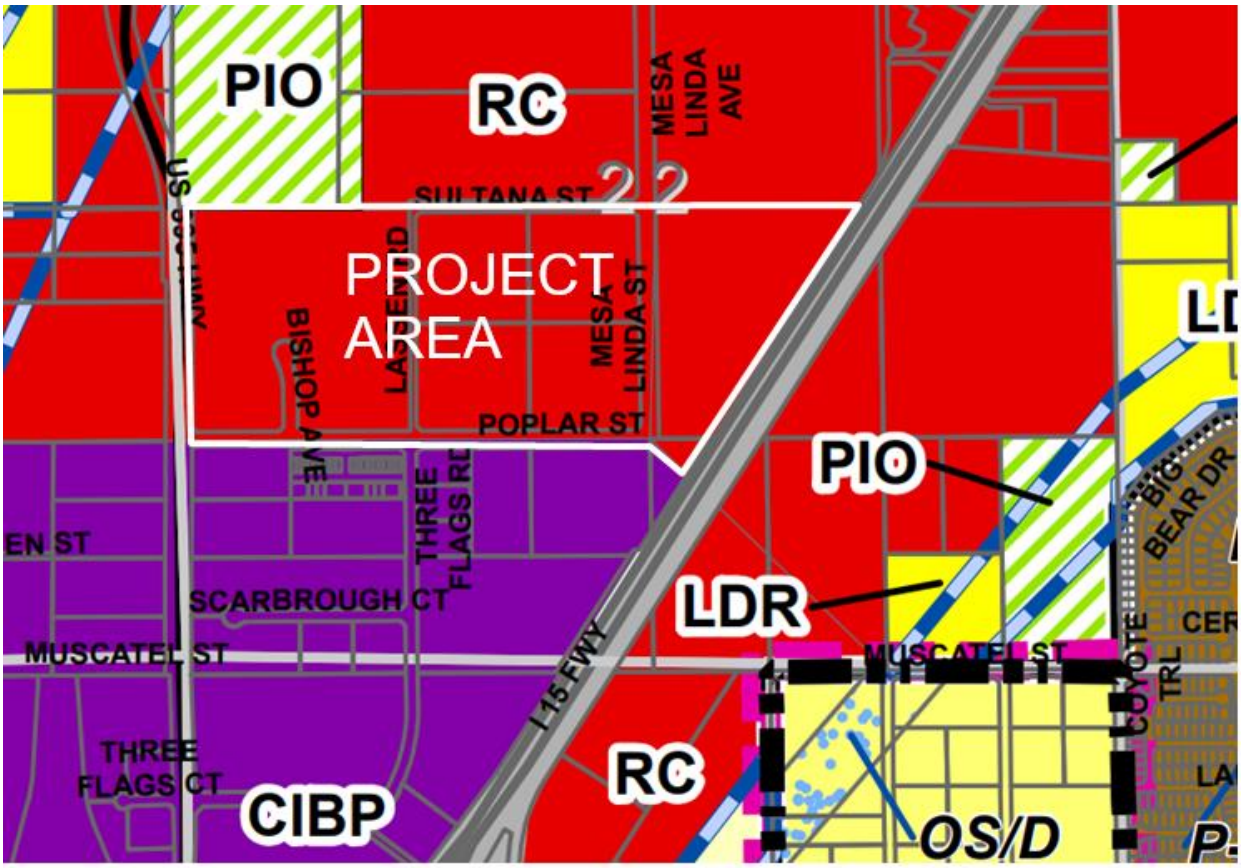
ADOPTED AND APPROVED on this 17th day of December 2019.

_____
Larry Bird, Mayor

ATTEST:

_____
Melinda Sayre, City Clerk

Exhibit "A"



SPLA19-00005

A SPECIFIC PLAN AMENDMENT to CHANGE APPROXIMATELY 105 GROSS ACRES FROM REGIONAL COMMERCIAL (RC) TO COMMERCIAL INDUSTRIAL BUSINESS PARK (CIBP)

ATTACHMENT 2

DATE: November 14, 2019

TO: Planning Commission

FROM: Chris Borchert, Principal Planner

BY: Ryan Leonard, Senior Planner

SUBJECT: Specific Plan Amendment SPLA19-00005; Applicant: City of Hesperia; APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01

RECOMMENDED ACTION

It is recommended that the Planning Commission adopt Resolution No. PC-2019-25 recommending that the City Council introduce and place on first reading an ordinance approving SPLA19-00005.

BACKGROUND

Proposal: Staff has initiated a Specific Plan Amendment to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) (Attachment 1). The CIBP zone would permit service commercial, manufacturing, warehousing, and light industrial uses, mainly conducted in enclosed buildings.

Location: Generally located north of Poplar Street, south of Sultana Street, between Highway 395 and Interstate 15; and at the southeast corner of Poplar Street and Mesa Linda Street (APNs: 3064-581-01 thru 05, 3064-621-01 & 3064-631-01)

General Plan and Land Uses: The project consists of seven (7) vacant parcels that total approximately 105 gross acres. The subject parcels are currently zoned Regional Commercial (RC) within the Main Street and Freeway Corridor Specific Plan (Specific Plan). The surrounding land is designated as noted on Attachment 1. The Stepping Stone Industrial Park is located to the south on the opposite side of Poplar Street. The properties to the north are vacant. Highway 395 is to the west and Interstate 15 is to the east.

ISSUES/ANALYSIS

Land Use: Over the past few months several developers have approached the City and expressed interest in developing the subject parcels. The development proposals range from light industrial uses, manufacturing uses and warehouse distribution centers. Because these types of uses are restricted in the Regional Commercial (RC) zone, staff has informed the prospective developers that a change of zone would be required for a development application to proceed.

Although the City originally planned for the subject parcels to be developed with commercial uses, very little interest has ever been expressed from commercial developers. Furthermore, within the past few years the retail industry has undergone a major shift as traditional brick and mortar retail

uses face stiffening competition from online-only stores. Given that the subject parcels are not located in close proximity to a freeway interchange, and retailers are not building as many “brick and mortar” locations as previously, it is unlikely that the subject parcels would ever be developed with regional-serving commercial uses. For these reasons staff supports the proposed Specific Plan Amendment.

Drainage: Any future development will be required to handle the increase in storm water runoff as a result of construction of a project. Future applicants will be required to submit a drainage study when they apply for a site plan review.

Water and Sewer: The subject parcels have the ability to connect to existing water and sewer lines.

Environmental: The project is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Specific Plan Amendment is also exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City’s CEQA Guidelines, as Specific Plan Amendments are exempt if they do not propose to increase the density or intensity allowed in the General Plan. Regional Commercial has a higher impact to services than Commercial Industrial Business Park.

Conclusion: The proposed Specific Plan Amendment will allow future applications to move forward with building and site design for this location. The change from Regional Commercial to Commercial Industrial Business Park is appropriate as retail trends are shrinking the amount of needed square footage and close proximity to freeway interchanges is critical. Furthermore, changing the zoning of the area to Commercial Industrial Business Park (CIBP) will further the City’s goal to attract investment and jobs to the City.

FISCAL IMPACT

None.

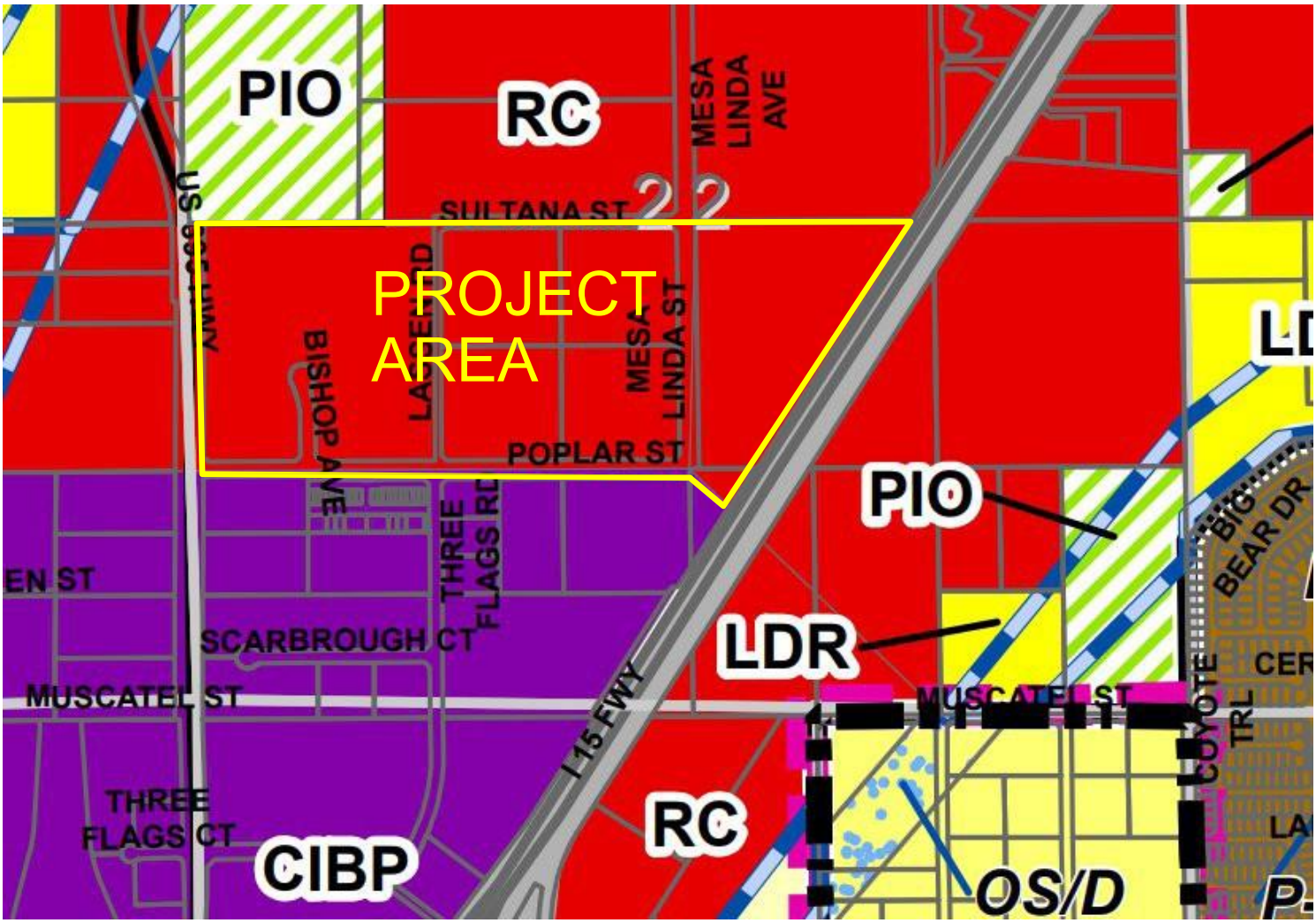
ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. General Plan Map
2. Aerial Photo
3. Exhibit "A"
4. Resolution No. PC-2019-25

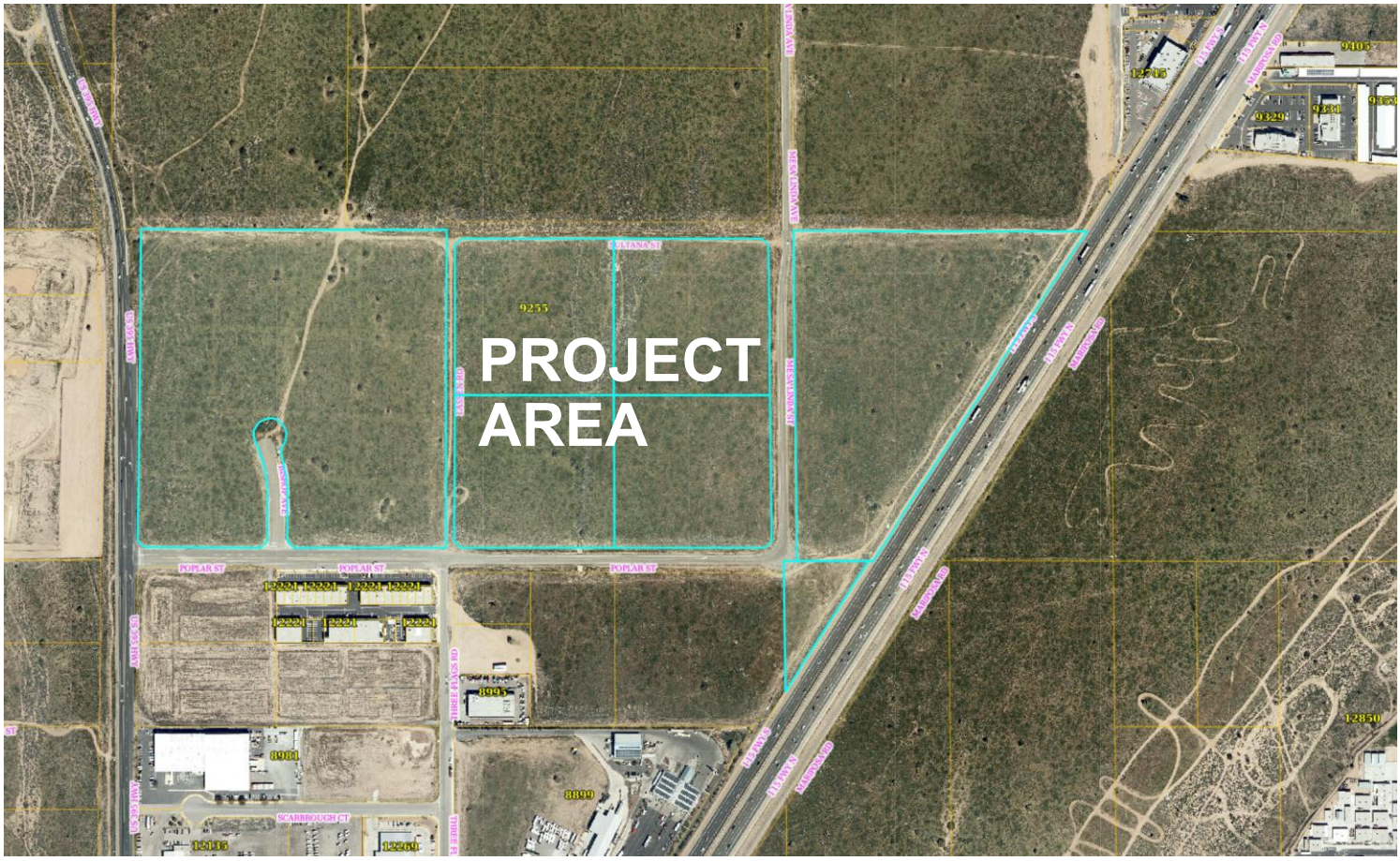
ATTACHMENT 1- General Plan Map



APPLICANT: CITY OF HESPERIA	**FILE NO:** SPLA19-00005
LOCATION: NORTH OF POPLAR STREET, SOUTH OF SULTANA STREET, BETWEEN HIGHWAY 395 AND INTERSTATE 15; AND AT THE SOUTHEAST CORNER OF POPLAR STREET AND MESA LINDA STREET	**APNs :** 3064-581-01 thru 05, 3064-621-01 & 3064-631-01
PROPOSAL: CHANGE APPROXIMATELY 105 GROSS ACRES FROM REGIONAL COMMERCIAL TO COMMERCIAL INDUSTRIAL BUSINESS PARK	**N** ↑

GENERAL PLAN MAP

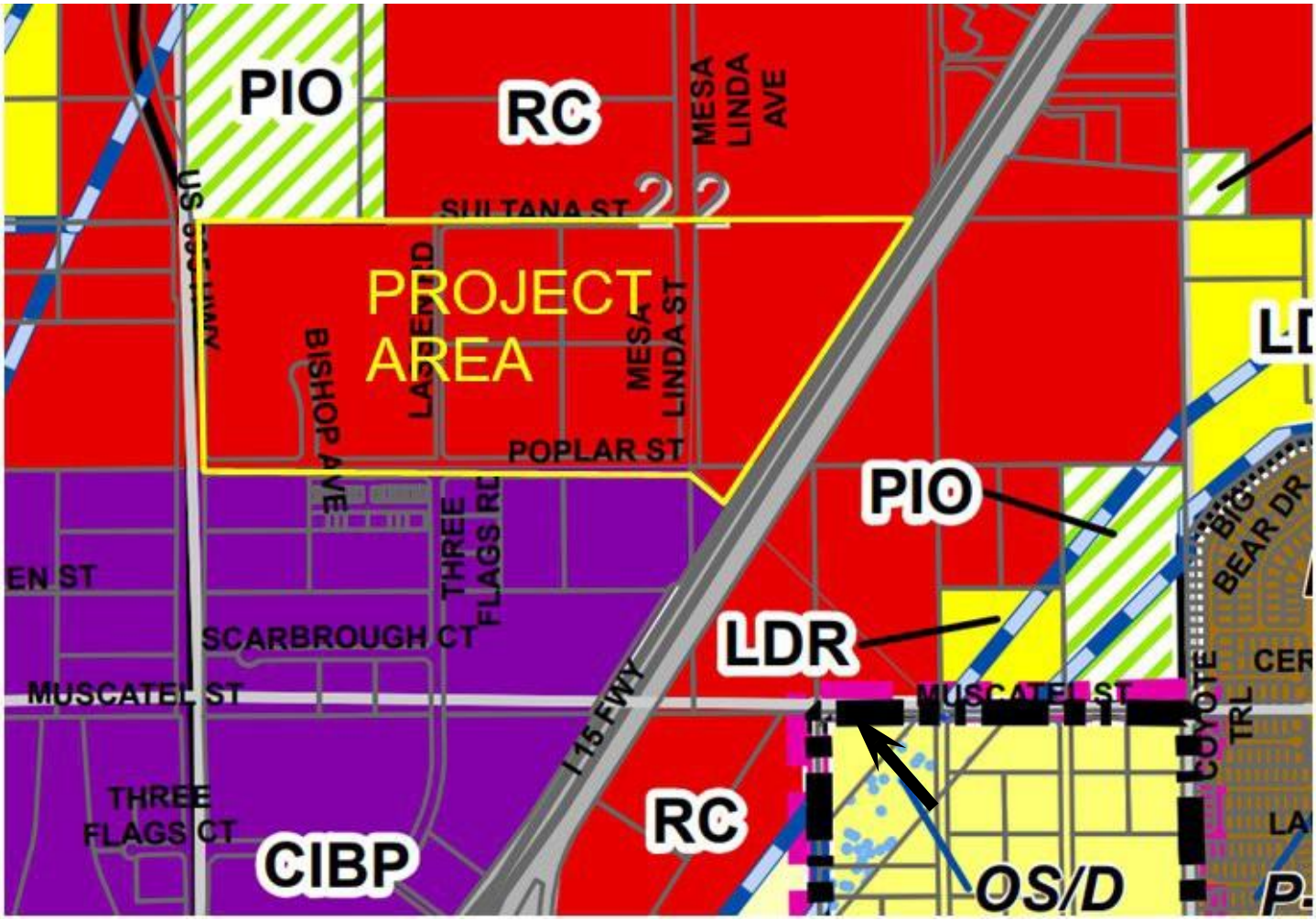
ATTACHMENT 2- Aerial Photo



APPLICANT: CITY OF HESPERIA	**FILE NO:** SPLA19-00005
LOCATION: NORTH OF POPLAR STREET, SOUTH OF SULTANA STREET, BETWEEN HIGHWAY 395 AND INTERSTATE 15; AND AT THE SOUTHEAST CORNER OF POPLAR STREET AND MESA LINDA STREET	**APNs :** 3064-581-01 thru 05, 3064-621-01 & 3064-631-01
PROPOSAL: CHANGE APPROXIMATELY 105 GROSS ACRES FROM REGIONAL COMMERCIAL TO COMMERCIAL INDUSTRIAL BUSINESS PARK	**N** ↑

AERIAL PHOTO

Attachment 3-Exhibit "A"



SPLA19-00005

A SPECIFIC PLAN AMENDMENT to CHANGE APPROXIMATELY 105 GROSS ACRES FROM REGIONAL COMMERCIAL (RC) TO COMMERCIAL INDUSTRIAL BUSINESS PARK (CIBP)

RESOLUTION NO. PC-2019-25

A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF HESPERIA, CALIFORNIA, RECOMMENDING THAT THE CITY COUNCIL ADOPT A SPECIFIC PLAN AMENDMENT TO CHANGE APPROXIMATELY 105 GROSS ACRES WITHIN THE MAIN STREET AND FREEWAY CORRIDOR SPECIFIC PLAN FROM REGIONAL COMMERCIAL (RC) TO COMMERCIAL INDUSTRIAL BUSINESS PARK (CIBP) (SPLA19-00005)

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, the City of Hesperia has initiated an application for SPLA19-00005 described herein (hereinafter referred to as the "Application") for assessor's parcels 3064-581-01 thru 05, 3064-621-01 & 3064-631-01; and

WHEREAS, the application proposes to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP); and

WHEREAS, there has been very little interest from developers to develop the property with commercial uses due to: 1) a shift in the retail industry as traditional brick and morter retail uses face stiffening competition from online-only stores, and 2) the subject parcels are not lcoated in close proximity to a freeway interchange; and

WHEREAS, it is unlikely the subject parcels would ever be developed with regional-serving commercial uses and are more likely to be developed with a mix of manufacturing, warehousing and light industrial uses that would otherwise be allowed in the Commercial Industrial Business Park (CIBP) zone; and

WHEREAS, the project is exempt from the California Environmental Quality Act (CEQA) per Section 15061(b)(3), where it can be seen with certainty that there is no significant effect on the environment. The proposed Specific Plan Amendment is exempt from the requirements of the California Environmental Quality Act by Section 16.12.415(B)(10) of the City's CEQA Guidelines, as Specific Plan Amendments are exempt if they do not propose to increase the density or intensity allowed by the General Plan, Regional Commercial uses are more intensive than Commercial Industrial type uses; and

WHEREAS, on November 14, 2019, the Planning Commission of the City of Hesperia conducted a duly noticed public hearing pertaining to the proposed amendment 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 PLANNING COMMISSION AS FOLLOWS:

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

Section 2. The subject parcels of the proposed Amendment are suitable for the land uses allowed in the Commercial Industrial Business Park zoning classification, and adequate space exists which can meet the standards for setbacks, height, lot coverage, parking and circulation within the proposed Specific Plan designation.

Section 3. The proposed change in zone will not have a significant adverse impact on surrounding properties or the community in general, because the property is north of and adjacent to CIBP to the south, has Highway 395 as a western border and Interstate 15 as an eastern border.

Section 4. Based upon substantial evidence presented to the Commission, including written and oral staff reports, the Commission specifically finds that the proposed Ordinance is consistent with the goals and objectives of the adopted General Plan. The subject parcels are capable of utilizing existing supporting infrastructure and municipal services, as directed by the City's adopted General Plan.

Section 5. Based on the findings and conclusions set forth in this Resolution, this Commission hereby recommends adoption of Specific Plan Amendment SPLA19-00005, to change approximately 105 gross acres within the Main Street and Freeway Corridor Specific Plan from Regional Commercial (RC) to Commercial Industrial Business Park (CIBP) as shown on Exhibit "A."

Section 6. That the Secretary shall certify to the adoption of this Resolution.

ADOPTED AND APPROVED on this 14th day of November 2019.

_____
Cody Leis, Chair, Planning Commission

ATTEST:

_____
Amanda Malone, Secretary, Planning Commission

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City of Hesperia
STAFF REPORT

DATE: December 17, 2019

TO: Mayor and Council Members

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

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

SUBJECT: Commercial Cannabis Program Stay

RECOMMENDED ACTION

It is recommended that the Council introduce and place on first reading Ordinance No. 2019-18, continuing the 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.

On November 19, 2019, the City Council adopted Urgency Ordinance No. 2019-14, placing a stay on the Commercial Cannabis Program.

ISSUES/ANALYSIS

Fifty-five applications were accepted by the City prior to the stay. There are currently 32 active applications for Commercial Cannabis businesses and 12 open cannabis businesses totaling 44 cannabis businesses/applications. Below is a summary of cannabis activity including applications that are no longer going through the process due to denial, revocation or application that were withdrawn.

Part I Application being reviewed	Approved Part I-Pending Part II Submittal	Part II Application being reviewed	Withdrawn	Denied (due to stay) or Revoked for cause	Operating
16	6	10	3	7	12

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

While there are now 32 applications going through the process, there continues to be 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. Additionally, should all 44 businesses open and operate that would be one cannabis business per approximately 2,222 residents.

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.

Continuing the stay on the program will allow any applicants who continue through the process to begin operating while seeing if Hesperia can support up to forty-four 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, this Ordinance would not allow any new applications to be accepted as of the Effective Date of the Urgency Ordinance – November 19, 2019. 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 which do not complete Part I and Part II of the approval process within specified time frames.

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. 2019-18

ORDINANCE NO. 2019-18

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, CONTINUTING THE 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, on November 19, 2019 the City Council adopted Urgency Ordinance No. 2019-14 placing a stay on the Commercial Cannabis program; and

WHEREAS, the City has accepted fifty-five applications for commercial cannabis delivery dispensaries prior to the stay becoming effective; and

WHEREAS, where are currently 12 operating businesses, and 32 active applications with the remainder being withdrawn, denied, or revoked; and

WHEREAS, there is still 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 and without a limit on the number of 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 continue the stay on the Commercial Cannabis program, 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 stay includes milestones which will motive applicants to complete the process or allow the City to deny the application due to lack of progress which will reduce the total number of businesses; and

WHEREAS, the City Council, now desires to adopt this Ordinance in the interest of preserving the intent of the original ordinance, continuing the stay on the program, 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. The City anticipates that without a stay on the program 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 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.

Section 3. A stay shall continue on the Commercial Cannabis program and no new applications shall be accepted as of November 19, 2019. 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 which does not successfully complete Part I of the application process within six months of the initial application date; or
c. any application which does not commence with Part II within 90 days of the approval of Part I.

Section 4. Any application denied or terminated pursuant to Section 3 shall not be considered or accepted for a re-application or new application.

Section 5. 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 6. 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.

APPROVED AND ADOPTED by the City Council of the City of Hesperia, California, at a regular meeting held on this 17th day of December, 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: December 17, 2019

TO: Mayor and City Council members

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

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

SUBJECT: Amendments to Title 5 of Hesperia Municipal Code – Cannabis Regulations

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RECOMMENDED ACTION

It is recommended that the City Council introduce and place on first reading Ordinance No. 2019-19 amending Title 5 of the Hesperia Municipal Code.

BACKGROUND

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

In February 2019, the City Council ratified a tax on Commercial Cannabis businesses and set the rate at 4%.

On October 1, 2019 the City Council considered changes to the cannabis regulations, including an audit for businesses.

ISSUES/ANALYSIS

The City's cannabis program has been in place for two years. During that time 12 cannabis businesses opened and are operating. Staff continues to fine-tune the cannabis regulations to ensure that not only are the operators complying with City and State law but the regulations reflect the best practices for the administration of the program. Staff has several recommendations for updates to the regulations to ensure that the program continues to run efficiently and effectively. The individual recommendations are discussed below:

5.50.020 – Definitiions

Staff is recommending a modification to the definition of Location within Title 5 which will clarify that dispensary permits may only be applied for when there is a physical location i.e. a building or suite of buildings which could be occupied by the applicant. While this change may not affect the program immediately as currently no new applications are allowed, it may become a concern again in the future and the update to the code will ensure that applicants understand that they may not apply for a delivery dispensary permit when there is no building built for them to occupy.

5.50.050 – Application for Delivery Dispensary Permit

Currently the code requires a ventilation plan to be submitted during the application process to ensure that all cannabis odors are kept within the suite or unit where the business resides. Staff has

met with the business owners, and been inside several of the open businesses and the odor is negligible outside the locked cannabis room, and not extremely odorous within the cannabis room. This is due to the fact that all cannabis product is packaged and sealed in containers. Staff is recommending that this language be removed. There is another section of the code that requires odor control and can be implemented if there is a concern or complaint. Additionally, most of the applicants provide room ionizers to mitigate any odor.

5.50.060 – Review of Delivery Dispensary Application

Staff is proposing codifying the milestone timeframes included in the current stay as part of the Cannabis Program. The reason for this recommendation is to keep the application process moving and to eliminate any potential for an applicant to create a "place holder" in the program with no real intentions of opening and operating a business in Hesperia.

5.50.070 - Denial or Revocation of Delivery Dispensary Permit

Staff is proposing adding language that specifically allows for the denial or revocation of a license if the applicant does not completely cease unlicensed activity during their application process. The reason for this change is that 90% of the cannabis applicants are operating without a license under Proposition 215 which is not recognized by the State since the adoption of the permanent cannabis regulations and Senate Bill 94. When an application is submitted the applicant is advised to completely cease operations until they are properly licensed by the City and the State. Most cease operations, however, there have been occasions where the applicant has not ceased operations and enforcement is required.

5.50.075 - Appeals

Staff is recommending adding the term "or designee" to this section so that the City Manager may delegate a person to hear any appeal from a revoked licensee.

5.50.100 - General Operating Standards and Restrictions

Staff is recommending that the City hours of operation mirror the State. The State limits cannabis businesses to 7 am to 10 pm. Current City regulations require operators to stop taking orders at 7 pm. Staff is recommending extending this to 10 pm to mirror the State. Allowing additional operating hours will continue to allow the cannabis operators to remain competitive in their market which still includes a rather aggressive black market.

5.50.130 - Suspension or Revocation

Staff is recommending adding language to clarify that if a state license is suspended, revoked or denied, then the City license shall also become revoked. The exception to this is recommended to be if a lciense is suspended by the state for cause but the applicant is providing a remedy to the state and the license is then reinstated. Staff is recommending allowing for a ninety-day period for a suspended state license to be remedied before considering revocation.

There is a condition in the code that states that the City may suspend or revoke a license if operations cease for more than 180 days including during change of ownership. Staff is recommending two changes to this language. The first to remove the language related to ownership change as this conflicts with the requirement that operations cease during ownership change while the new applicant is vetted by the State and City for eligibility to participate in the Cannabis program. Second, staff is recommending that 180 days be reduced to 90 days. The reason for this recommended change is that if a cannabis business is supposedly operating and paying their taxes but there is no apparent activity at their place of business it calls into question where the applicant may be operating. There is reason to believe it could be enticing to a cannabis operator to move their operations to a more populous area where deliveries are more frequent instead of keeping operations in Hesperia.

This fact checking will occur at business license renewal or if there is cause to believe the business may not be operating any longer or operating at an unapproved location. Additionally, having a business cease operations while holding a valid business license could be used to “hold a spot” that could otherwise be occupied by another cannabis business if the City were to limit the number of allowed licenses.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Ordinance No. 2019-19
2. Exhibit “A” (Title 5, Chapter 5.50-Cannabis Regulations)

ORDINANCE NO. 2019-19

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, AMENDING TITLE 5, CHAPTER 5.50 OF THE HESPERIA MUNICIPAL CODE, RELATED TO COMMERCIAL CANNABIS REGULATIONS

WHEREAS, the City of Hesperia has the authority and responsibility to regulate businesses to protect the public health, safety, and welfare; and

WHEREAS, Title 5 of the Hesperia Municipal Code contains regulations related to commercial cannabis operations; and

WHEREAS, the City cannabis program has been in place for two years; and

WHEREAS, staff continues to review the program to ensure that the program is the most effective and efficient it can be and complies fully with any state regulations; and

WHEREAS, several updates to the current regulations are required to continue to administer the program, including increasing the hours of operations, clarifying what constitutes a location, clarifying the requirement for a ventilation system, updating the requirement for record keeping related to audits, and modifying the language concerning cease of operations, denial and revocations; and

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

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

Section 1. All of the facts set forth in the forgoing recitals are true, correct and are adopted as findings.

Section 3. Title 5, Chapter 5.50 of the Hesperia Municipal Code is hereby amended as set forth in Exhibit “A”, attached hereto.

Section 6. This Ordinance shall take effect on January 17, 2020.

Section 7. The City Council of the City of Hesperia hereby declares that should any provision, section, paragraph, sentence, or word of this Ordinance hereby adopted be rendered or declared invalid by any final court action in a court of competent jurisdiction, or by any reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences, and words shall remain in full force and effect.

Section 8. The City Clerk shall certify to the adoption of the 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 93-78.

ADOPTED AND APPROVED this 17th Day of December, 2019

_____
Larry Bird, Mayor

ATTEST_____
Melinda Sayre, City Clerk

ATTACHMENT 2
EXHIBIT A

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Chapter 5.50 - DISPENSING AND DELIVERY OF MEDICAL CANNABIS

5.50.020 - Definitions.

"Location" means a single building with an assigned address ~~address~~ within the city, controlled, leased, or owned by the applicant, or a single suite controlled, leased or owned by the applicant at a single address within the city, or a combination of suites, at a single building with an assigned address within the city, adjacent to one another, controlled, leased or owned by the applicant, from which access is provided between the suites, without the need to exit the building.

(Ord. No. 2017-16 , § 3(Exh. C), 9-19-17; Ord. of 2018-01 , § 3(Exh. A), 3-20-18)

5.50.050 - Application for delivery dispensary permit.

J. ~~A Ventilation Plan, in accordance with Section 5.50.100 (D), in the form prescribed by the city, detailing the proposed ventilation system designed to mitigate the odor from the facility to the outdoors, and to any tenants within the same building; and~~

5.50.060 - Review of delivery dispensary permit applications.

B. If the director determines that the applicant has completed the application improperly, the director shall notify the applicant of such fact within sixty (60) days of receipt of the application. The applicant shall make all corrections required and resubmit the application and any other information required to satisfy the corrections. Applicants must successfully complete Part I of the application process within six months of the initial application date. Applicants must commence with Part II of the application process within ninety days of the approval of Part I. Applications that do not meet these deadlines shall be considered denied. ~~incomplete application upon return as incomplete shall be deemed abandoned. The applicant may then resubmit a new application for a new review pursuant to the requirements of this section.~~

5.50.070 - Denial or revocation of delivery dispensary permit.

A. Denial or revocation. The director may deny or revoke a delivery dispensary permit if any of the following is found:

7. If it is found that the applicant is operating an unlicensed cannabis business and does not completely cease operations during the application process until such time that they are licensed by the City and State.

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5.50.075 - Appeals.

Appeals. Any decision regarding an application for, a renewal of, or the revocation of, a delivery dispensary permit may be appealed to the city manager by an applicant or (former) permit holder as follows:

3. The appeal hearing shall be held within sixty (60) days of the filing of the written appeal with the Hesperia City Clerk, unless the 60-day time limit is waived by the appellant, or unless the city manager or designee continues the appeal hearing date for good cause and upon written notification to the appellant.

4. The city manager or designee shall review the facts of the matter, written documents submitted for review, the basis for making the decision which is under appeal, and then determine whether

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the director's decision should be reversed or affirmed. The determination made shall be in writing, shall set forth the reasons for the determination, and shall be final.

(Ord. No. 2017-16 , § 3(Exh. C), 9-19-17; Ord. of 2018-01 , § 3(Exh. A), 3-20-18)

5.50.100 - General operating standards and restrictions.

A. Hours of operation shall be limited to 7:00 a.m. to 10~~7~~:00 p.m.

5.50.130 - Suspension and revocation.

B. The director may suspend or revoke a delivery dispensary permit if any of the following occur:

1. The director determines that the delivery dispensary has failed to comply with any aspect of this chapter, any condition or approval, or any agreement or covenant as required pursuant to this chapter; or
2. Operations cease for more than ninety ~~one hundred eighty~~ calendar days ~~(including during any change of ownership, if applicable)~~; or
3. Ownership is changed without securing a new delivery dispensary permit; or
4. The delivery dispensary fails to maintain required security camera recordings; or
5. The delivery dispensary fails to allow inspection of the security recordings, the activity logs, the records, or of the premise by authorized city officials.
6. The delivery dispensary's state license is suspended, revoked or denied. Should the license be suspended the delivery dispensary owner shall provide up to date information to the City regarding the reinstatement of the license. Should the license remain suspended for more than ninety days, the City may revoke the City license.

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City of Hesperia
STAFF REPORT

DATE: January 7, 2020

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

FROM: Nils Bentsen, City Manager

BY: Casey Brooksher, Director of Finance
Anne Duke, Deputy Finance Director
Marc Morales, Customer Service Supervisor

SUBJECT: Amendments to Title 14 of Hesperia Municipal Code – Discontinuation of Residential Water Service

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RECOMMENDED ACTION

It is recommended: 1) the City Council introduce and place on first reading Ordinance No. 2020-02 amending Title 14 of the Hesperia Municipal Code to incorporate the provisions set forth in the Water Shutoff Protection Act - Senate Bill 998 and 2) the Council/Board adopt Joint Resolution No. 2020-02 and Hesperia Water District Resolution No. 2020-01, adopting a written policy on the Discontinuation of Residential Water Service for Nonpayment in compliance with Senate Bill 998.

BACKGROUND

Senate Bill 998 (SB 998), known as the Water Shutoff Protection Act (Attachment 1) was approved by Governor Jerry Brown on September 28, 2018 and requires every urban and community water system with more than 200 water service connections to have a written policy on the discontinuation of residential water services in place by February 1, 2020. The written policy on discontinuation of water service shall comply with the following mandates:

- Residential water service shall not be discontinued for nonpayment until the account has been delinquent for at least sixty (60) days.
- No less than seven (7) business days before discontinuation of residential service for nonpayment, the consumer named on the account shall be contacted by telephone or written notice.
- If unable to make contact with the consumer named on the account, a good faith effort is to be made to visit the residence and place a notice of imminent discontinuation of residential service for nonpayment, as well as a written copy of the District's Policy for the Discontinuation of Residential Service for Nonpayment (Policy).
- The written Policy shall be made available in English, Spanish, Chinese, Tagalog, Vietnamese, Korean and any other language spoken by 10% of the service area and shall also be made available on the District's website.
- The Policy shall contain:
    - A plan for deferred or reduced payments for those who qualify.
    - Alternative payment schedules for those who qualify.
    - A formal mechanism for a consumer to contest or appeal a bill.

    - A telephone number for a consumer to contact and discuss options for averting discontinuation of water service for nonpayment.

- For the consumer to avoid discontinuation of residential water service, all the following conditions must be met:
    - The consumer shall submit a certification from a primary care provider that discontinuation of water service will be life threatening to, or pose a serious threat to the health and safety of a resident at the premises.
    - The consumer shall demonstrate a financial inability to pay based upon the receipt of public assistance by a member of the consumer's household or provide a declaration that the household's annual income is less than 200 percent of the federal poverty level.
    - The consumer is willing to enter into an alternative payment schedule, consistent with the Policy.
- If a consumer fails to comply with an alternative payment schedule for sixty (60) days or more, or does not pay his or her current bill for 60 days or more, service can be discontinued five (5) days after posting a notice of intent to discontinue service at property.
- A limitation on reconnection fees for low income consumers whose household is less than 200 percent of the federal poverty level to no more than $50 during regular business hours and $150 for after business hours and the waiver of interest charges on delinquent bills once every twelve months.
- A good faith effort at least ten (10) days prior to disconnection (or seven (7) days prior to disconnection if it is a detached single-family dwelling) to inform residential tenants, including mobile home parks and multi-family residents, that their water service is subject to disconnection for nonpayment by their landlord, and that the tenants have the ability to become consumers of the District should the customer meet the District's requirements.
- The requirement to post on the District's website, on an annual basis, the number of residential water service accounts that were disconnected for nonpayment.

ISSUES/ANALYSIS

The provisions outlined in SB 998 require changes to the District's current practices, as well as an amendment to Title 14 of the Hesperia Municipal Code.

Overview of the District's Current Practice for the Discontinuation of Water Service

The District's current billing process is on a bi-monthly basis where water bills are due and payable upon presentation and are considered past due twenty (20) days after the billing date. A past due notice is mailed to the consumer named on the account a minimum of ten days (10) prior to potential disconnection, noting a final due date in order to avoid disconnection of water service and the account is assessed a 1% late fee on the balance due. Within the 10 day period, an additional attempt is made to contact the customer named on the account by automated phone call and email two business days prior to disconnection, indicating the date payment must be received in order to avoid discontinuation of water service.

If the District is unable to contact the consumer by the automated phone call or email, the District will place a door hanger in a conspicuous place at the residence indicating the date to avoid discontinuation of water service. If payment has not been received by the District by the disconnection date, the water service account is considered delinquent and will be discontinued.

In all, the District's current process is to attempt contact multiple times over a minimum of thirty (30) days in order to avoid the disconnection of water service. On the day of disconnection, a delinquent/reconnect fee of $36 is assessed for regular operating hours of the District's Field Staff

hours (Monday-Thursday 7:30 am to 4:00 pm, Friday 7:30 am to 3:00 pm) and $109 for after business hours (Monday-Thursday after 4:00 pm, Friday after 3:00 pm). While these hours are different from City Hall hours (Monday-Thursday 7:30 am to 5:30 pm, Friday 7:30 am to 4:30 pm), the field staff are responsible for reconnecting service to the customers.

Currently, the consumer can make arrangements with the District, in the form of a payment extension, which must be made prior to the disconnection date. The due dates for the payment extensions range from fifty two (52) to fifty nine (59) days from the original bill date. Once a payment extension has been made, the District does not attempt any additional contact regarding the payment extension due date and leaves the responsibility with the consumer to meet the agreed-upon payment extension date. If the payment extension has not been paid by the date indicated, the water service account is considered delinquent and will be disconnected the following business day. The same delinquent/reconnect fees for regular and after business hours apply for payment extensions.

Overview of Changes Based Upon SB 998 Compliant Procedure

Under the SB 998 requirements, the water bills will continue to be due and payable upon presentation and will be past due 20 days after the billing date. As defined in the City-wide Fee Schedule, the 1% late fee will continue to be assessed on the balance due when the past due notice is issued and the delinquent/reconnection fee for regular business hours and after business hours will remain at $36 and $109. The changes in the billing process to comply with the SB 998 requirements will be:

- District will refrain from discontinuing residential water service for nonpayment until accounts are at least sixty (60) days delinquent from the bill date. For example, the bill date is considered Day 1. Since bills are due and payable upon presentment, disconnection will not occur until at least Day 61.
- District will contact the consumer named on the account no less than seven (7) business days prior to disconnection via automated phone call with a message that offers to provide the consumer with a copy of the written Policy containing information on discontinuation of residential water service, options for alternative payment arrangements, and procedures to contest or appeal the consumer's bill. If the phone message is undeliverable, District will visit the service address and place the written Policy in a conspicuous place no less than seven (7) days prior to disconnection.
- Because SB 998 prohibits the disconnection of residential water service for a minimum of sixty (60) days, there is an automatic built-in payment extension. Therefore, there will no longer be a need for the District to offer payment extensions.
- In compliance with SB 998, District will not discontinue residential water service if all of the following three conditions are met:
    - The consumer submits a certification from a primary care provider that discontinuation of water service will pose a threat to the health and safety of a resident at the premises.
    - The consumer demonstrates a financial inability to pay based on receipt of public assistance or a signed declaration that the household's annual income is less than 200 percent of the federal poverty level.
    - The consumer is willing to enter into an alternative payment schedule consistent with the Policy, which allows the District to work with the consumer to develop a payment plan for up to a twelve (12) month period. If default occurs on the payment arrangement or if the consumer does not pay their current residential services charges for sixty (60) days or more, water service is subject to

disconnection upon posting a notice of intent to disconnect in a prominent and conspicuous location at the service address, no sooner than five (5) business days prior to disconnection..

- An annual report must be submitted to the State Water Resource Control Board indicating the number of discontinuations of residential service for inability to pay. This report shall also be posted on the City/District's website.

In order to implement the provisions of SB 998, an amendment is needed to Title 14 of the Hesperia Municipal Code via Ordinance No. 2020-02 (Attachments 2, 3, and 4). Joint Resolution No. 2020-02/HWD 2020-01 has been included for the adoption of the draft policy, as required by SB 998 (Attachments 5 and 6). These documents have been reviewed by the City Attorney's Office to ensure compliance with the provisions of SB 998.

Non-residential and Sewer Accounts

Although SB 998 references only residential water service accounts, for efficiency in District operations and in order to minimize the potential for error, it is recommended that the District also refrain from discontinuing water service to non-residential accounts (including business, public buildings, industrial, and irrigation) and sewer accounts for nonpayment until accounts are at least sixty (60) days delinquent from the bill date. However, the medical/financial/payment arrangement provisions shall not apply to non-residential accounts.

FISCAL IMPACT

Though there are projected impacts to the District related to the administration of SB 998, the associated costs cannot be estimated at this time. While District cash flow will be delayed temporarily, due to extending the water service discontinuation date from 30 to a minimum of 60 days, staff does not anticipate a reduction in overall revenue. However, additional expenses will be incurred relating to the one-time cost to translate the written Policy and door hanger notifications, as well as the increased cost for printing the this information, which will be supplied upon request and will accompany door hanger notifications in circumstances when the telephone notification is not successful. Also, there will be increased field staff time to provide the required notification to the service address and an increase in administrative costs for staff to administer the alternative payment arrangement plans for those accounts that qualify. It is unknown at this time how many accounts will qualify and will proceed with alternative payment arrangements.

The District's existing fees to reconnect water service are in compliance with the SB 998 allowed parameters for low income consumers. Therefore, fee changes are not required at this time.

ALTERNATIVES

Provide alternative direction to staff.

ATTACHMENTS

1. SB 998 Full Text
2. Ordinance 2020-02
3. Amended Title 14 of the Hesperia Municipal Code – Clean Version
4. Amended Title 14 of the Hesperia Municipal Code – Track Changes Version
5. Joint Resolution No. 2020-02/HWD 2020-01
6. Exhibit A - Written Policy ORG 49 for Discontinuation of Residential Water Service for Non-Payment Pursuant to SB 998

STATE OF CALIFORNIA
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL
LEGISLATIVE COUNSEL BUREAU

Senate Bill No. 998

CHAPTER 891

An act to add Chapter 6 (commencing with Section 116900) to Part 12 of Division 104 of the Health and Safety Code, relating to water.

[Approved by Governor September 28, 2018. Filed with Secretary of State September 28, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

SB 998, Dodd. Discontinuation of residential water service: urban and community water systems.

Existing law, the California Safe Drinking Water Act, requires the State Water Resources Control Board to administer provisions relating to the regulation of drinking water to protect public health. Existing law declares it to be the established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including water corporations. Existing law requires certain notice to be given before a water corporation, public utility district, municipal utility district, or a municipally owned or operated public utility furnishing water may terminate residential service for nonpayment of a delinquent account, as prescribed.

This bill would require an urban and community water system, defined as a public water system that supplies water to more than 200 service connections, to have a written policy on discontinuation of water service to certain types of residences for nonpayment available in prescribed languages. The bill would require the policy to include certain components, be available on the system's Internet Web site, and be provided to customers in writing, upon request. The bill would provide for enforcement of these provisions, including making a violation of these provisions punishable by a civil penalty issued by the board in an amount not to exceed $1,000 for each day in which the violation occurs, and would require the enforcement moneys collected by the board to be deposited in the Safe Drinking Water Account. The bill would prohibit an urban and community water system from discontinuing residential service for nonpayment until a payment by a customer has been delinquent for at least 60 days. The bill would require an urban and community water system to contact the customer named on the account and provide the customer with the urban and community water system's policy on discontinuation of residential service for nonpayment no less than 7 business days before discontinuation of residential service, as prescribed.

This bill would prohibit residential service from being discontinued under specified circumstances. The bill would require an urban and community

water system that discontinues residential service to provide the customer with information on how to restore service. The bill would require an urban and community water system to waive interest charges on delinquent bills for, and would limit the amount of a reconnection of service fee imposed on, a residential customer who demonstrates, as prescribed, to the urban and community water system household income below 200% of the federal poverty line. The bill would require an urban and community water system that furnishes individually metered residential service to residential occupants of a detached single-family dwelling, a multiunit structure, mobilehome park, or permanent residential structure in a labor camp, and that the owner, manager, or operator of the dwelling, structure, or park is the customer of record, to make every good faith effort to inform the residential occupants by written notice that service will be terminated and that the residential occupants have the right to become customers, as specified. The bill would require an urban and community water system to report the number of annual discontinuations of residential service for inability to pay on its Internet Web site and to the board, and the bill would require the board to post on its Internet Web site the information reported. The bill would require an urban water supplier, as defined, or an urban and community water system regulated by the commission, to comply with the bill's provisions on and after February 1, 2020, and any other urban and community water system to comply with the bill's provisions on and after April 1, 2020. The bill would provide that the provisions of the bill are in addition to the provisions in existing law duplicative of the bill and that where the provisions are inconsistent, the provisions described in the bill apply.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares as follows:

(a) All Californians have the right to safe, accessible, and affordable water as declared by Section 106.3 of the Water Code.

(b) It is the intent of the Legislature to minimize the number of Californians who lose access to water service due to inability to pay.

(c) Water service discontinuations threaten human health and well-being, and have disproportionate impact on infants, children, the elderly, low-income families, communities of color, people for whom English is a second language, physically disabled persons, and persons with life-threatening medical conditions.

(d) When there is a delinquent bill, all Californians, regardless of whether they pay a water bill directly, should be treated fairly, and fair treatment includes the ability to contest a bill, seek alternative payment schedules, and demonstrate medical need and severe economic hardship.

(e) The loss of water service causes tremendous hardship and undue stress, including increased health risks to vulnerable populations.

(f) It is the intent of the Legislature that this act provide additional procedural protections and expand upon the procedural safeguards contained

in the Public Utilities Code and Government Code as of January 1, 2018, relating to utility service disconnections.

SEC. 2. Chapter 6 (commencing with Section 116900) is added to Part 12 of Division 104 of the Health and Safety Code, to read:

Chapter 6. Discontinuation of Residential Water Service

116900. This chapter shall be known, and may be cited, as the Water Shutoff Protection Act.

116902. For the purposes of this chapter, the following definitions apply:

(a) "Board" means the State Water Resources Control Board.

(b) "Public water system" has the same meaning as defined in Section 116275.

(c) "Residential service" means water service to a residential connection that includes single-family residences, multifamily residences, mobilehomes, including, but not limited to, mobilehomes in mobilehome parks, or farmworker housing.

(d) "Urban and community water system" means a public water system that supplies water to more than 200 service connections.

(e) "Urban water supplier" has the same meaning as defined in Section 10617 of the Water Code.

116904. (a) An urban water supplier not regulated by the Public Utilities Commission shall comply with this chapter on and after February 1, 2020.

(b) An urban and community water system regulated by the Public Utilities Commission shall comply with this chapter on and after February 1, 2020. The urban and community water system regulated by the Public Utilities Commission shall file advice letters with the commission to conform with this chapter.

(c) An urban and community water system not described in subdivision (a) or (b) shall comply with this chapter on and after April 1, 2020.

116906. (a) An urban and community water system shall have a written policy on discontinuation of residential service for nonpayment available in English, the languages listed in Section 1632 of the Civil Code, and any other language spoken by at least 10 percent of the people residing in its service area. The policy shall include all of the following:

(1) A plan for deferred or reduced payments.

(2) Alternative payment schedules.

(3) A formal mechanism for a customer to contest or appeal a bill.

(4) A telephone number for a customer to contact to discuss options for averting discontinuation of residential service for nonpayment.

(b) The policy shall be available on the urban and community water system's Internet Web site, if an Internet Web site exists. If an Internet Web site does not exist, the urban and community water system shall provide the policy to customers in writing, upon request.

(c) (1) The board may enforce the requirements of this section pursuant to Sections 116577, 116650, and 116655. The provisions of Section 116585

and Article 10 (commencing with Section 116700) of Chapter 4 apply to enforcement undertaken for a violation of this section.

(2) All moneys collected pursuant to this subdivision shall be deposited in the Safe Drinking Water Account established pursuant to Section 116590.

116908. (a) (1) (A) An urban and community water system shall not discontinue residential service for nonpayment until a payment by a customer has been delinquent for at least 60 days. No less than seven business days before discontinuation of residential service for nonpayment, an urban and community water system shall contact the customer named on the account by telephone or written notice.

(B) When the urban and community water system contacts the customer named on the account by telephone pursuant to subparagraph (A), it shall offer to provide in writing to the customer the urban and community water system's policy on discontinuation of residential service for nonpayment. An urban and community water system shall offer to discuss options to avert discontinuation of residential service for nonpayment, including, but not limited to, alternative payment schedules, deferred payments, minimum payments, procedures for requesting amortization of the unpaid balance, and petition for bill review and appeal.

(C) When the urban and community water system contacts the customer named on the account by written notice pursuant to subparagraph (A), the written notice of payment delinquency and impending discontinuation shall be mailed to the customer of the residence to which the residential service is provided. If the customer's address is not the address of the property to which residential service is provided, the notice also shall be sent to the address of the property to which residential service is provided, addressed to "Occupant." The notice shall include, but is not limited to, all of the following information in a clear and legible format:

(i) The customer's name and address.

(ii) The amount of the delinquency.

(iii) The date by which payment or arrangement for payment is required in order to avoid discontinuation of residential service.

(iv) A description of the process to apply for an extension of time to pay the delinquent charges.

(v) A description of the procedure to petition for bill review and appeal.

(vi) A description of the procedure by which the customer may request a deferred, reduced, or alternative payment schedule, including an amortization of the delinquent residential service charges, consistent with the written policies provided pursuant to subdivision (a) of Section 116906.

(2) If the urban and community water system is unable to make contact with the customer or an adult occupying the residence by telephone, and written notice is returned through the mail as undeliverable, the urban and community water system shall make a good faith effort to visit the residence and leave, or make other arrangements for placement in a conspicuous place of, a notice of imminent discontinuation of residential service for nonpayment and the urban and community water system's policy for discontinuation of residential service for nonpayment.

(b) If an adult at the residence appeals the water bill to the urban and community water system or any other administrative or legal body to which such an appeal may be lawfully taken, the urban and community water system shall not discontinue residential service while the appeal is pending.

116910. (a) An urban and community water system shall not discontinue residential service for nonpayment if all of the following conditions are met:

(1) The customer, or a tenant of the customer, submits to the urban and community water system the certification of a primary care provider, as that term is defined in subparagraph (A) of paragraph (1) of subdivision (b) of Section 14088 of the Welfare and Institutions Code, that discontinuation of residential service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where residential service is provided.

(2) The customer demonstrates that he or she is financially unable to pay for residential service within the urban and community water system's normal billing cycle. The customer shall be deemed financially unable to pay for residential service within the urban and community water system's normal billing cycle if any member of the customer's household is a current recipient of CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or the customer declares that the household's annual income is less than 200 percent of the federal poverty level.

(3) The customer is willing to enter into an amortization agreement, alternative payment schedule, or a plan for deferred or reduced payment, consistent with the written policies provided pursuant to subdivision (a) of Section 116906, with respect to all delinquent charges.

(b) (1) If the conditions listed in subdivision (a) are met, the urban and community water system shall offer the customer one or more of the following options:

(A) Amortization of the unpaid balance.

(B) Participation in an alternative payment schedule.

(C) A partial or full reduction of the unpaid balance financed without additional charges to other ratepayers.

(D) Temporary deferral of payment.

(2) The urban and community water system may choose which of the payment options described in paragraph (1) the customer undertakes and may set the parameters of that payment option. Ordinarily, the repayment option offered should result in repayment of any remaining outstanding balance within 12 months. An urban and community water system may grant a longer repayment period if it finds the longer period is necessary to avoid undue hardship to the customer based on the circumstances of the individual case.

(3) Residential service may be discontinued no sooner than 5 business days after the urban and community water system posts a final notice of intent to disconnect service in a prominent and conspicuous location at the property under either of the following circumstances:

(A) The customer fails to comply with an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan for delinquent charges for 60 days or more.

(B) While undertaking an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan for delinquent charges, the customer does not pay his or her current residential service charges for 60 days or more.

116912. An urban and community water system that discontinues residential service for nonpayment shall provide the customer with information on how to restore residential service.

116914. (a) For a residential customer who demonstrates to an urban and community water system household income below 200 percent of the federal poverty line, the urban and community water system shall do both of the following:

(1) Set a reconnection of service fee for reconnection during normal operating hours at fifty dollars ($50), but not to exceed the actual cost of reconnection if it is less. Reconnection fees shall be subject to an annual adjustment for changes in the Consumer Price Index beginning January 1, 2021. For the reconnection of residential service during nonoperational hours, an urban and community water system shall set a reconnection of service fee at one hundred fifty dollars ($150), but not to exceed the actual cost of reconnection if it is less. Reconnection fees shall be subject to an annual adjustment for changes in the Consumer Price Index beginning January 1, 2021.

(2) Waive interest charges on delinquent bills once every 12 months.

(b) An urban and community water system shall deem a residential customer to have a household income below 200 percent of the federal poverty line if any member of the household is a current recipient of CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or the customer declares that the household's annual income is less than 200 percent of the federal poverty level.

116916. (a) This section applies if there is a landlord-tenant relationship between the residential occupants and the owner, manager, or operator of the dwelling.

(b) If an urban and community water system furnishes individually metered residential service to residential occupants of a detached single-family dwelling, a multiunit residential structure, mobilehome park, or permanent residential structure in a labor camp as defined in Section 17008, and the owner, manager, or operator of the dwelling, structure, or park is the customer of record, the urban and community water system shall make every good faith effort to inform the residential occupants, by means of written notice, when the account is in arrears that service will be terminated at least 10 days prior to the termination. The written notice shall further inform the residential occupants that they have the right to become

customers, to whom the service will then be billed, without being required to pay any amount which may be due on the delinquent account.

(c) The urban and community water system is not required to make service available to the residential occupants unless each residential occupant agrees to the terms and conditions of service and meets the requirements of law and the urban and community water system's rules and tariffs. However, if one or more of the residential occupants are willing and able to assume responsibility for the subsequent charges to the account to the satisfaction of the urban and community water system, or if there is a physical means legally available to the urban and community water system of selectively terminating service to those residential occupants who have not met the requirements of the urban and community water system's rules and tariffs, the urban and community water system shall make service available to those residential occupants who have met those requirements.

(d) If prior service for a period of time is a condition for establishing credit with the urban and community water system, residence and proof of prompt payment of rent or other credit obligation acceptable to the urban and community water system for that period of time is a satisfactory equivalent.

(e) Any residential occupant who becomes a customer of the urban and community water system pursuant to this section whose periodic payments, such as rental payments, include charges for residential water service, where those charges are not separately stated, may deduct from the periodic payment each payment period all reasonable charges paid to the urban and community water system for those services during the preceding payment period.

(f) In the case of a detached single-family dwelling, the urban and community water system may do any of the following:

(1) Give notice of termination at least seven days prior to the proposed termination.

(2) In order for the amount due on the delinquent account to be waived, require an occupant who becomes a customer to verify that the delinquent account customer of record is or was the landlord, manager, or agent of the dwelling. Verification may include, but is not limited to, a lease or rental agreement, rent receipts, a government document indicating that the occupant is renting the property, or information disclosed pursuant to Section 1962 of the Civil Code.

116918. An urban and community water system shall report the number of annual discontinuations of residential service for inability to pay on the urban and community water system's Internet Web site, if an Internet Web site exists, and to the board. The board shall post on its Internet Web site the information reported.

116920. (a) The Attorney General, at the request of the board or upon his or her own motion, may bring an action in state court to restrain by temporary or permanent injunction the use of any method, act, or practice declared in this chapter to be unlawful.

(b) For an urban and community water system regulated by the Public Utilities Commission, the commission may bring an action in state court to restrain by temporary or permanent injunction the use by an urban and community water system regulated by the commission of any method, act, or practice declared in this chapter to be unlawful.

116922. All written notices required under this chapter shall be provided in English, the languages listed in Section 1632 of the Civil Code, and any other language spoken by 10 percent or more of the customers in the urban and community water system's service area.

116924. Where provisions of existing law are duplicative of this chapter, compliance with one shall be deemed compliance with the other. Where those provisions are inconsistent, the provisions of this chapter shall apply. Nothing in this chapter shall be construed to limit or restrict the procedural safeguards against the disconnection of residential water service existing as of December 31, 2018.

116926. This chapter does not apply to the termination of a service connection by an urban and community water system due to an unauthorized action of a customer.

O

ORDINANCE NO. 2020-02

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, AMENDING TITLE 14, CHAPTER 14.02, SECTION 14.02.080 OF THE HESPERIA MUNICIPAL CODE, INCORPORATING THE PROVISIONS SET FORTH IN THE WATER SHUTOFF PROTECTION ACT (SENATE BILL 998)

WHEREAS, in 1990, the Hesperia Water District ("District") was established as a subsidiary district of the City of Hesperia ("City"); and

WHEREAS, the District is charged with the control of the water system of the City for the purpose of obtaining, conserving and disposing of water for public and private uses; and

WHEREAS, Title 14, Chapter 14.02, of the Hesperia Municipal Code regulates the City's water and wastewater systems, and all things necessary or incidental to such systems, including but not limited to, the authority to set fees for service, billing procedures, and disconnection steps for non-payment; and

WHEREAS, on September 28, 2018, Senate Bill 998 was approved by the California State Governor, requiring water systems that supply water to more than 200 service connections to have a written policy on discontinuation of water service for nonpayment; and

WHEREAS, among its requirements, Senate Bill 998 requires the City**:**

- To maintain a written policy with (1) a plan for deferred or reduced payments; (2) alternative payment schedules for customers; (3) a formal mechanism for a customer to contest or appeal a bill; and (4) a telephone number for a customer to discuss options for averting the discontinuation of residential water services;
- Not to discontinue water services until customers have been delinquent for at least 60 days;
- To provide a written notice to the customers of their delinquent payment and impending discontinuation containing specific information;
- Do not discontinue water services for customers who meet certain medical and financial conditions;
- To limit the reconnection fee imposed on low income customers;
- Waive interest for low income customers once every twelve months;
- Report the number of annual disconnections of water services on its website; and
- Provide all written notices in English, Chinese, Spanish, Tagalog, Vietnamese, Korean, and any other language spoken by at least 10% of the people residing in the service area; and

WHEREAS, the City is subject to the requirements of Senate Bill 998 and must comply with its requirements by February 1, 2020; and

WHEREAS, Section 14.02.080 of the Hesperia Municipal Code does not satisfy all of the Senate Bill 998 requirements; and

WHEREAS, the City desires to comply with all of the requirements of Senate Bill 998; and

WHEREAS, the City would like to consolidate the requirements of Senate Bill 998 in a single document through the adoption of a policy and amend Section 14.02.080 to reference such policy.

NOW, THEREFORE, BE IT RESOLVED THAT THE HESPERIA CITY COUNCIL DOES ORDAIN AS FOLLOWS:

Section 1. The above recitals are true and correct and incorporated herein by this reference.

Section 2. Section 14.02.080(F) of the Hesperia Municipal Code is amended and shall now read as follows:

> "Payment. Water and sewer service bills shall be due and payable in accordance with the policy adopted by city council resolution."

Section 3**.** Section 14.02.080(G)(2) of the Hesperia Municipal Code is amended and shall now read as follows:

> "Termination of Service Due to Non-Payment. Service shall be terminated for non-payment of bills in accordance with the policy established and adopted by resolution of the city council. Any amount due shall be deemed a debt to the district until paid in full."

Section 4. Section 14.02.080(H) of the Hesperia Municipal Code is amended and shall now read as follows:

> "Delinquencies. Accounts not paid on or before the due date on the bill will be subject to such fees as identified in the City's adopted fee schedule.
>
> 1. Disconnected for non-payment. A meter disconnected for non-payment of bills shall not be reconnected, unlocked or turned on until all unpaid bills, applicable fees, and deposits have been paid to the district."

Section 5. Section 14.02.080(O)(2) of the Hesperia Municipal Code is amended and shall now read as follows:

> "Delinquency Defined. Water/sewer bills shall be deemed delinquent on the date the bill is issued. Delinquent charges for water/sewer services are imposed on those accounts which remain unpaid after twenty (20) days from the bill date."

Section 6. The City Council of the City of Hesperia hereby declares that should any provision, section, paragraph, sentence, or word of this Ordinance hereby adopted be rendered or declared invalid by any final court action in a court of competent jurisdiction, or by any reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences, and words shall remain in full force and effect.

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.

ADOPTED AND APPROVED by the City Council of the City of Hesperia, California, at a regular meeting held on this 7th day of January, 2020.

_____
Larry Bird, Mayor

ATTEST:

_____
Melinda Sayre, City Clerk

APPROVED AS TO FORM

_____

Eric Dunn, City Attorney

ATTACHMENT 3

14.02.080 - Billing and collection procedures.

A. Billing Period. The billing period shall be at the option of the district.

B. Meter Reading. Meters shall be read as nearly as possible on the same date of each corresponding month by one of the following methods:

   1. Actual - Consumption of water based upon a meter read.

   2. Estimated - Consumption may be estimated when the meter is found to be non-registering, damaged, inaccessible, stolen, or when an actual read is unavailable. Such estimates shall be made from previous consumption for a comparable period or by such other method as may be determined by the district, said decision of the district is to be final.

C. Opening and Closing Bills. Opening and closing bills for less than the normal billing period shall be prorated as to minimum charges.

D. Deposits.

   1. New Customer. If an applicant does not have a previous minimum one year record of having at all times paid his water/sewer bills or other fees when due to the district, during a period ending within the preceding eighteen (18) months of the date of application for service, then the district shall require said applicant to make a deposit as a condition of rendering water service. Such deposit shall be as determined by policy or other action established by the district.

   2. Return of Deposit. A guarantee deposit with the water district made by an applicant whose account has not been in arrears or any violations at any time during twelve (12) consecutive months, after which said deposit shall be applied as an offset without interest or upon termination of service.

   3. Use of Deposit. Subsequent to termination of service, the amount remaining unpaid for water/sewer service or any applicable fees may be retained by the district as an offset from the deposit.

   4. Disconnected for Non-Payment. District policy requires a guarantee deposit if a customer has been disconnected for non-payment and does not have a guarantee deposit at the time of disconnection. In addition, a customer with a deposit that is insufficient to cover the amount of a delinquent bill shall be charged an additional deposit sufficient to cover the difference for security. These required deposits shall be paid in full, along with all other necessary fees, before the service shall be reconnected. Said guarantee deposit will be not less than the minimum deposit as established by the district.

E. Billing Charges.

   1. Service Charge. There shall be a fixed service charge for water service connections, construction meters, and private fire protection service to cover the district's expense to monitor and maintain the use of said meter. This charge shall be subject to change by action of the board as deemed necessary.

2. Sewer Charge. There shall be a fixed sewer charge for all service connections to the sewer system to cover the district's expense. This charge shall be subject to change by action of the board as deemed necessary.

3. Consumption Charge. There shall be a charge for actual or estimated water usage; this charge is subject to change by action of the board as deemed necessary.

4. Other fees. Other fees may be applicable as set forth in the fee schedule.

F. Payment.

Water and sewer service bills shall be due and payable in accordance with the policy adopted by city council resolution.

G. Termination of Service.

1. Customer Request. Customers desiring to terminate service should notify the district at least two business days prior to vacating the premises. Unless termination of service is requested, the customer shall be liable for charges whether or not any water is used.

2. Termination of Service Due to Non-Payment. Service shall be terminated for non-payment of bills in accordance with the policy established and adopted by resolution of the city council. Any amount due shall be deemed a debt to the district until paid in full.

H. Delinquencies. Accounts not paid on or before the due date on the bill will be subject to such fees as identified in the City's adopted fee schedule.

1. Disconnected for non-payment. A meter disconnected for non-payment of bills shall not be reconnected, unlocked or turned on until all unpaid bills, applicable fees, and deposits have been paid to the district.

I. Responsibility. Failure to receive a bill, phone call, door tag, or any other attempt of contact by the district does not relieve a customer of liability. Any amount due shall be deemed a debt to the district, and any person, firm or corporation failing, neglecting or refusing to pay said indebtedness shall be liable to an action in the name of the district in any court of competent jurisdiction for the amount thereof.

J. Water Used without Application. A person using water from a service connection without having made prior application to the district for water/sewer service shall be held liable for the service charges, consumption charges, and all other fees for water delivered from the date of the last recorded meter reading, and if the meter is found inoperative, the district will estimate the quantity consumed. Until proper application for water service is made and any accumulated bills for service are paid, the service shall be disconnected by the district without notice.

K. Non-Compliance. The district may, unless otherwise provided, disconnect water/sewer service to a customer for non-compliance with this chapter or any other resolution, ordinance, or regulation related to water/sewer service if the customer fails to comply with them within ten days from written notice from the district informing of the intention to disconnect service. If such non-compliance affects emergency matters of health and safety, and conditions warrant, the district may disconnect water/sewer service immediately, with or without prior notice.

L. Service Refused or Disconnected. Service may be refused or disconnected without prior notice for the following reasons:

1. Where apparatus or appliances are in use which might endanger or disturb the service to other customers;
2. Where there exists a cross connection in violation of state or federal laws;
3. For non-compliance with this chapter or any other resolution, ordinance or regulation relating to the water/sewer service;
4. To protect the district against fraud or abuse.

M. Turn On/Turn Off. No charge shall be made for a turn-on or turn-off of water/sewer service at the meter, either for emergency purposes, or at the request of the current customer. The district shall, upon request day or night, without charge, shut off the supply of water for emergency purposes at the curb stop. If a customer makes multiple requests to turn-on water when having previously been attempted but water was found to be flowing, the district shall require payment of all costs reasonably borne.

N. Liability/Inspection of Premises. The district does not assume liability for inspecting any apparatus on the premises of the customer. However, the district does reserve the right of inspection if there is reason to believe that unsafe apparatus is being used.

O. Delinquencies; Collection from Customer and Property Owner. The customer and property owner shall be jointly and severally liable for all charges that may be imposed under this chapter, including but not limited to charges for tampering as described in Section 14.02.060, and all charges for water service, sewer service and water usage as described in Sections 14.02.070 and 080, including any delinquent charges.

1. Authority and Effect. The district may secure the payment of delinquent charges for water services by establishing a lien against all property located within the state of California which is owned by the person who is liable for the payment of such charges.
2. Delinquency Defined. Water/sewer bills shall be deemed delinquent on the date the bill is issued. Delinquent charges for water/sewer services are imposed on those accounts which remain unpaid after twenty (20) days from the bill date.
3. Notice to Lienee. Prior to establishing any lien pursuant to this section, the general manager shall notify the person who is liable for the payment of the delinquent charges that the delinquency exists and that the district may establish a lien against all real property in San Bernardino County and/or in any other county in the state of California, which such person currently owns or which such person might afterwards acquire during the effective period of the lien. Such notice shall be in writing and shall be served upon the prospective lienee by deposit in the United States Mail.
4. Procedure. In all cases where charges for water services remain unpaid for ten days or more after the notice specified in subsection 3 of this section has been deposited in the mail, the general manager, or such other person who may be directed to do so by the board, shall prepare a certificate of charges due for presentation to the board and shall inform the board, before the recordation of a lien pursuant to subsection 5 of this section, of the lien based upon said certificate of charges due, stating the amount thereof, the name and address of the licensee, and the location of the real property

associated with the delinquency and shall obtain the approval of the board to so record. Thereafter the general manager shall file for record the certificate of charges due in the office of the county recorder of the county of San Bernardino and in the office of the county recorder of any other county in the state of California in which there is reason to believe that there is real property owned by the person who is liable for the payment of the delinquent charges.

5. Contents of Certificate. Each certificate filed pursuant to subsection 4 of this section shall be executed under penalty of perjury and shall certify the amount of unpaid charges including any penalty, the name and address of the person who is liable therefor and the fact that the district is entitled to payment thereof.

6. Release of Lien. Liens recorded pursuant to subsection 4 of this section shall be released upon full satisfaction thereof.

7. Collection on Tax Roll. In addition to establishing a lien pursuant to subsections 1 through 6 of this section, delinquent and unpaid charges for services may be collected on the tax roll pursuant to the procedures set forth herein, or any other applicable procedures under state law. A statement of those delinquent and unpaid charges for water and other services that remain delinquent and unpaid for sixty (60) days or more on July 1st, or on such other date as determined by the district, shall be furnished to the county in accordance with applicable county requirements. The amount of any such delinquent and unpaid charges shall be added to and become a part of the annual taxes next levied upon the property upon which the water or other services for which the charges are unpaid was used and upon the property subject to the charges for any other district services, and shall constitute a lien on that property as of the same time and in the same manner as does the tax lien securing such annual taxes. All laws applicable to the levy, collection and enforcement of municipal ad valorem taxes shall be applicable to such charges, except that if any real property to which such lien would attach has been transferred or conveyed to a bona fide purchaser for value, or if a lien of a bona fide encumbrancer for value has been created and attaches thereon, prior to the date on which the first installment of such taxes would become delinquent, then the lien which would otherwise be imposed by this section shall not attach to such real property and the delinquent and unpaid charges relating to such property shall be transferred to the unsecured roll for collection.

ATTACHMENT 4

14.02.080 - Billing and collection procedures.

A. Billing Period. The billing period shall be at the option of the district.

B. Meter Reading. Meters shall be read as nearly as possible on the same date of each corresponding month by one of the following methods:

1. Actual - Consumption of water based upon a meter read.

2. Estimated - Consumption may be estimated when the meter is found to be non-registering, damaged, inaccessible, stolen, or when an actual read is unavailable. Such estimates shall be made from previous consumption for a comparable period or by such other method as may be determined by the district, said decision of the district is to be final.

C. Opening and Closing Bills. Opening and closing bills for less than the normal billing period shall be prorated as to minimum charges.

D. Deposits.

1. New Customer. If an applicant does not have a previous minimum one year record of having at all times paid his water/sewer bills or other fees when due to the district, during a period ending within the preceding eighteen (18) months of the date of application for service, then the district shall require said applicant to make a deposit as a condition of rendering water service. Such deposit shall be as determined by policy or other action established by the district.

2. Return of Deposit. A guarantee deposit with the water district made by an applicant whose account has not been in arrears or any violations at any time during twelve (12) consecutive months, after which said deposit shall be applied as an offset without interest or upon termination of service.

3. Use of Deposit. Subsequent to termination of service, the amount remaining unpaid for water/sewer service or any applicable fees may be retained by the district as an offset from the deposit.

4. Disconnected for Non-Payment. District policy requires a guarantee deposit if a customer has been disconnected for non-payment and does not have a guarantee deposit at the time of disconnection. In addition, a customer with a deposit that is insufficient to cover the amount of a delinquent bill shall be charged an additional deposit sufficient to cover the difference for security. These required deposits shall be paid in full, along with all other necessary fees, before the service shall be reconnected. Said guarantee deposit will be not less than the minimum deposit as established by the district.

E. Billing Charges.

1. Service Charge. There shall be a fixed service charge for water service connections, construction meters, and private fire protection service to cover the district's expense to monitor and maintain the use of said meter. This charge shall be subject to change by action of the board as deemed necessary.

2. Sewer Charge. There shall be a fixed sewer charge for all service connections to the sewer system to cover the district's expense. This charge shall be subject to change by action of the board as deemed necessary.

3. Consumption Charge. There shall be a charge for actual or estimated water usage; this charge is subject to change by action of the board as deemed necessary.

4. Other fees. Other fees may be applicable as set forth in the fee schedule.

F. Payment. ~~Water/sewer service bills shall be due and payable upon presentation as stipulated on the water bill itself and shall be delinquent fourteen (14) days after the date of billing. A past due notice will be mailed out to customers a minimum of ten days prior to disconnection, stating the last date to pay the balance in full without incurring fees and/or disconnection of water service. Before service is disconnected, an additional attempt to contact the customer shall be made forty-eight (48) hours or two business days prior to the disconnection date, whichever is greater, by making an automated phone call, text message, email, or other current form of communication. If a valid contact number or address is not available, notice shall be given by placing a tag or other written document on the door handle, gate, or other conspicuous place on or about the property receiving the water/sewer service, said notice shall request contact with the district by date and time indicated, or service will thereupon be disconnected. Unless a prior arrangement for payment is made, service shall be disconnected if payment in full is not received after at minimum twenty-four-day period.~~

Water and sewer service bills shall be due and payable in accordance with the policy adopted by city council resolution.

G. Termination of Service.

1. Customer Request. Customers desiring to terminate service should notify the district at least two business days prior to vacating the premises. Unless termination of service is requested, the customer shall be liable for charges whether or not any water is used.

2. Termination of Service Due to Non-Payment. Service ~~may~~ shall be terminated for non-payment of bills in accordance with ~~Section 14.02.08(F).~~ the policy established and adopted by resolution of the city council. Any amount due shall be deemed a debt to the district until paid in full.

H. Delinquencies. Accounts not paid on or before the due date on the bill ~~which they become delinquent~~ will be subject to ~~a fixed fee and a service charge of one percent per month on the unpaid balance~~such fees as identified in the City's adopted fee schedule.

1. Disconnected for non-payment. A meter disconnected for non-payment of bills shall not be reconnected, unlocked or turned on until all unpaid bills, applicable fees, and deposits have been paid to the district.

I. Responsibility. Failure to receive a bill, phone call, door tag, or any other attempt of contact by the district does not relieve a customer of liability. Any amount due shall be deemed a debt to the district, and any person, firm or corporation failing, neglecting or refusing to pay said indebtedness shall be liable to an action in the name of the district in any court of competent jurisdiction for the amount thereof.

J. Water Used without Application. A person using water from a service connection without having made prior application to the district for water/sewer service shall be held liable for the service charges, consumption charges, and all other fees for water delivered from the date of the last recorded meter reading, and if the meter is found inoperative, the district will estimate the quantity consumed. Until proper application for water service is made and any accumulated bills for service are paid, the service shall be disconnected by the district without notice.

K. Non-Compliance. The district may, unless otherwise provided, disconnect water/sewer service to a customer for non-compliance with this chapter or any other resolution, ordinance, or regulation related to water/sewer service if the customer fails to comply with them within ten days from written notice from the district informing of the intention to disconnect service. If such non-compliance affects emergency matters of health and safety, and conditions warrant, the district may disconnect water/sewer service immediately, with or without prior notice.

L. Service Refused or Disconnected. Service may be refused or disconnected without prior notice for the following reasons:

1. Where apparatus or appliances are in use which might endanger or disturb the service to other customers;

2. Where there exists a cross connection in violation of state or federal laws;

3. For non-compliance with this chapter or any other resolution, ordinance or regulation relating to the water/sewer service;

4. To protect the district against fraud or abuse.

M. Turn On/Turn Off. No charge shall be made for a turn-on or turn-off of water/sewer service at the meter, either for emergency purposes, or at the request of the current customer. The district shall, upon request day or night, without charge, shut off the supply of water for emergency purposes at the curb stop. If a customer makes multiple requests to turn-on water when having previously been attempted but water was found to be flowing, the district shall require payment of all costs reasonably borne.

N. Liability/Inspection of Premises. The district does not assume liability for inspecting any apparatus on the premises of the customer. However, the district does reserve the right of inspection if there is reason to believe that unsafe apparatus is being used.

O. Delinquencies; Collection from Customer and Property Owner. The customer and property owner shall be jointly and severally liable for all charges that may be imposed under this chapter, including but not limited to charges for tampering as described in Section 14.02.060, and all charges for water service, sewer service and water usage as described in Sections 14.02.070 and 080, including any delinquent charges.

1. Authority and Effect. The district may secure the payment of delinquent charges for water services by establishing a lien against all property located within the state of California which is owned by the person who is liable for the payment of such charges.

2. Delinquency Defined. Water/sewer bills shall be deemed delinquent on the date the bill is issued. Delinquent charges for water/sewer services are imposed on those accounts which remain unpaid ~~for~~ after twenty ~~- four (24)~~ (20) days ~~after~~ from the bill ~~billing~~ date.

3. Notice to Lienee. Prior to establishing any lien pursuant to this section, the general manager shall notify the person who is liable for the payment of the delinquent charges that the delinquency exists and that the district may establish a lien against all real property in San Bernardino County and/or in any other county in the state of California, which such person currently owns or which such person might afterwards acquire during the effective period of the lien. Such notice shall be in writing and shall be served upon the prospective lienee by deposit in the United States Mail.

4. Procedure. In all cases where charges for water services remain unpaid for ten days or more after the notice specified in subsection 3 of this section has been deposited in the mail, the general manager, or such other person who may be directed to do so by the board, shall prepare a certificate of charges due for presentation to the board and shall inform the board, before the recordation of a lien pursuant to subsection 5 of this section, of the lien based upon said certificate of charges due, stating the amount thereof, the name and address of the licensee, and the location of the real property associated with the delinquency and shall obtain the approval of the board to so record. Thereafter the general manager shall file for record the certificate of charges due in the office of the county recorder of the county of San Bernardino and in the office of the county recorder of any other county in the state of California in which there is reason to believe that there is real property owned by the person who is liable for the payment of the delinquent charges.

5. Contents of Certificate. Each certificate filed pursuant to subsection 4 of this section shall be executed under penalty of perjury and shall certify the amount of unpaid charges including any penalty, the name and address of the person who is liable therefor and the fact that the district is entitled to payment thereof.

6. Release of Lien. Liens recorded pursuant to subsection 4 of this section shall be released upon full satisfaction thereof.

7. Collection on Tax Roll. In addition to establishing a lien pursuant to subsections 1 through 6 of this section, delinquent and unpaid charges for services may be collected on the tax roll pursuant to the procedures set forth herein, or any other applicable procedures under state law. A statement of those delinquent and unpaid charges for water and other services that remain delinquent and unpaid for sixty (60) days or more on July 1st, or on such other date as determined by the district, shall be furnished to the county in accordance with applicable county requirements. The amount of any such delinquent and unpaid charges shall be added to and become a part of the annual taxes next levied upon the property upon which the water or other services for which the charges are unpaid was used and upon the property subject to the charges for any other district services, and shall constitute a lien on that property as of the same time and in the same manner as does the tax lien securing such annual taxes. All laws applicable to the levy, collection and enforcement of municipal ad valorem taxes shall be applicable to such charges, except that if any real property to which such lien would attach has been transferred or conveyed to a bona fide purchaser for value, or if a lien of a bona fide encumbrancer for value has been created and attaches thereon, prior to the date on which the first installment of such taxes would become delinquent, then the lien which would otherwise be imposed by this section shall not attach to such real property and

the delinquent and unpaid charges relating to such property shall be transferred to the unsecured roll for collection.

JOINT RESOLUTION NO. 2020-02
RESOLUTION NO. HWD 2020-01

A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, AND THE BOARD OF DIRECTORS OF THE HESPERIA WATER DISTRICT, ADOPTING THE POLICY ON THE DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NON-PAYMENT PURSUANT TO SENATE BILL 998 (DOCUMENT NO. ORG 49)

WHEREAS, in 1990, the Hesperia Water District ("District") was established as a subsidiary district of the City of Hesperia ("City"); and

WHEREAS, on September 28, 2018, Senate Bill 998 was approved by the California State Governor, requiring water systems that supply water to more than 200 service connections to have a written policy on the discontinuation of water service for nonpayment; and

WHEREAS, the City/District provides water to more than 200 services connections and is therefore subject to Senate Bill 998; and

WHEREAS, among its requirements, Senate Bill 998 requires the City/District to maintain a policy with the following information: (1) a plan for deferred or reduced payments for customers; (2) alternative payment schedules for customers; (3) a formal mechanism for a customer to contest or appeal a bill; and (4) a telephone number for a customer to contact the District to discuss options for averting the discontinuation of residential water services; and

WHEREAS, the City/District does not have a written policy satisfying Senate Bill 998 requirements; and

WHEREAS, the City and the District desire to comply with Senate Bill 998.

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

Section 1. All of the recitals in this Resolution, as set forth above, are true and correct and are incorporated herein by this reference.

Section 2. The City Council and Hesperia Water District Board of Directors hereby approve and adopt the "Policy on the Discontinuation of Residential Water Service for Non-Payment Pursuant to SB 998" (Document No. ORG 49), set forth in Exhibit "A" attached hereto and incorporated by this reference.

Section 3. The City Clerk/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 7th day of January 2020.

_____
Larry Bird, Mayor

ATTEST:

_____
Melinda Sayre, City Clerk

City of Hesperia

Document No.	ORG 49
Page No.	1 of 9
Revision No.	0
Effective Date	02/01/2020
Enabling/Authorizing Documents	Joint Resolution No. 2020-02 & HWD 2020-01

Administrative Policies and Procedures Manual

Policy: Policy on the Discontinuation of Residential Water Service for Non-Payment Pursuant to SB 998

1.0 Purpose

This Policy is intended to comply with Senate Bill 998 – Discontinuation of Residential Water Service, codified in the California Health and Safety Code 116900 *et. seq.*, effective on February 1, 2020, and shall govern Hesperia Water District's ("District") administrative actions for the collection of accounts affecting residential consumers and other non-residential consumer accounts, unless otherwise specified below, including notifications, fee assignments and discontinuation of service.

This Policy is available to the public on the District's website at www.cityofhesperia.us . The District can also be contacted by phone at 760-947-1840 for assistance concerning the payment of water bills and to discuss options for averting discontinuation of water service for nonpayment under the terms of this policy.

2.0 Procedures

A. Rendering and Payment of Bills – Bills for water service will be rendered to each consumer on a bi-monthly basis unless otherwise provided for in the District's rate schedules. Bills for service are due and payable upon presentation and become overdue and subject to discontinuation of service if not paid within sixty (60) days from the date of the bill. Payment may be made at the District's offices or to any representative of the District authorized to make collections. However, it is the consumer's responsibility to assure that payments are received in full by the due date at the District's office. Partial payments are not authorized unless prior approval has been received from the District. Bills will be computed as follows:

1. Meters will be read at regular intervals for the preparation of periodic bills and as required for the preparation of opening bills, closing bills, and special bills.
2. Bills for metered service will show the meter reading for the current and previous meter reading period for which the bill is rendered, the number of units, and billing date.
3. A twenty (20) day grace period starting from the date of the bill will be afforded to the consumer. Payments received after 20 days from the date on bill are subject

to a late charge, as specified in the District's fees and charges, which shall be assessed and added to the outstanding balance on the consumer's account.

4. District's billings shall be paid in legal tender of the United States of America. Notwithstanding the foregoing, the District shall have the right to refuse any payment of such billings in coin.

B. Overdue Bills ("Past Due") – The following rules apply to consumers whose bills remain unpaid for more than sixty (60) days following the bill date:

1. Past Due Notice – If payment for a bill rendered is not received on or before the twenty-first (21st) day following the bill date, a past due notice (the "Past Due Notice") will be mailed to the water service account holder.
2. Notice of Discontinuation of Residential Service for Nonpayment – If payment for a bill rendered is not received on or before the forty-ninth (49th) day following the bill date, the consumer shall be provided notice of impending discontinuation of service via telephone to the contact number on file at least seven (7) business days prior to the possible discontinuation of service date identified in the Past Due Notice. Such telephonic message shall contain the District's offer to provide the consumer with a copy of this Policy and also offer to discuss with the consumer the options for alternative payments, as described in Section 2.1 below, and the procedures for review and appeal of the consumer's bill, as described in Section 2.2 below. For purposes of this Policy, the term "business days" shall refer to any days on which the District's office is open for business.
3. Unable to Contact Customer – If the District's attempt to contact the consumer via telephone message is unsuccessful (undeliverable), the District will visit the residence and leave, or make other arrangements to place in a conspicuous location, a copy of this Policy addressed to "Occupant" and a notice of imminent discontinuation of service for non-payment.
4. Turn-Off Deadline – Payment for water service and other applicable charges must be received in the District offices no later than 4:30 p.m. on the date specified in the Past Due Notice. Postmarks are not acceptable.
5. Restoration of Service - Water service will only be restored upon full payment of all outstanding charges, penalties, deposits, and any and all reconnection charges, such payment shall be in the form of cash or other certified funds.
6. Notification of Returned Check – Upon receipt of a returned payment (returned check/credit card chargeback) rendered as remittance for water service or other charges, the District will consider the account not paid. The District will attempt to notify the consumer by telephone and leave a notice of termination of water service at the premises if unable to make contact with the consumer by telephone. Water service will be disconnected if the amount of the retuned check and returned check charge are not paid by the due date specified on the notice, which due date shall not be sooner than the date specified in the Past Due Notice; or if a Past Due Notice had not been previously provided, no sooner than the sixtieth (60th) day after the invoice for which payment by the returned check had been made. To redeem a returned check and to pay a returned check charge, all amounts owing must be paid by cash or certified funds.

7. Returned Check Tendered as Payment for Water Service Disconnected for Non-payment
   (a) If the check tendered and accepted as payment which resulted in restoring service to an account that had been disconnected for non-payment is returned as non-negotiable, the District may disconnect said water service with at least one (1) calendar days' notice. The consumer's account may only be reinstated by receipt of outstanding charges in the form of cash or certified funds. Once the consumer's account has been reinstated, the account will be flagged indicating the fact that a non-negotiable form of payment was issued by the consumer.
   (b) If a second non-negotiable payment is received, the District will no longer accept that form(s) of payment from the consumer for a period of one (1) year. During this time, the District may require the consumer to pay cash or certified funds.

C. Conditions Prohibiting Discontinuation of Residential Water Service – The District shall not discontinue residential water services if all of the following conditions are met:
   1. Health Conditions – The consumer or tenant of the consumer submits certification of a "Primary Care Provider," as defined in Welfare and Institutions Code Section 14088(b)(1)(A), that discontinuation of water service would (i) be life threatening, or (ii) pose a serious threat to the health and safety of a person residing at the property;
   2. Financial Inability – The consumer demonstrates he or she is financially unable to pay for water service within the water system's normal billing cycle. The consumer is deemed "financially unable to pay" if any member of the consumer's household is: (i) a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the consumer declares the household's annual income is less than 200% of the federal poverty level; and
   3. Alternative Payment Arrangements – The consumer is willing to enter into an amortization agreement, alternative payment schedule or a plan for deferred or reduced payment, consistent with the provisions of Section 2.1 below.

D. Process for Determination of Conditions Prohibiting Discontinuation of Residential Water Service – The burden of proving compliance with the conditions described in Subdivision (C), above, is on the consumer. In order to allow the District sufficient time to process any request for assistance by a consumer, the consumer is encouraged to provide the District with the necessary documentation demonstrating the medical issues under Subdivision (C)(1), financial inability under Subdivision (C)(2), and willingness to enter into any alternative payment arrangement under Subdivision (C)(3) as far in advance of any proposed date for discontinuation of service as possible. Upon receipt of such documentation, the City Manager, or his or her designee, shall review that documentation and respond to the consumer within seven (7) calendar days to either request additional information, including information relating to the feasibility of the available alternative arrangements, or to notify the

consumer of the alternative payment arrangement, and terms thereof, under Section 2.1 below, in which the District will allow the consumer to participate. If the District has requested additional information, the consumer shall provide that requested information within seven (7) calendar days of the District's request. Within seven (7) calendar days of its receipt of that additional information, the District shall either notify the consumer that the consumer does not meet the conditions under Subdivision (C) above, or notify the consumer in writing of the alternative payment arrangement, and terms thereof, under Section 2.1 below, in which the District will allow the consumer to participate. Consumers who fail to meet the conditions described in Subdivision (C) above, must pay the delinquent amount, including any penalties and other charges, owing to the District within the latter to occur of: (i) two (2) business days after the date of notification from the District of the City Manager's determination the consumer failed to meet those conditions; or (ii) the date of the impending service discontinuation, as specified in the Past Due Notice.

E. Special Rules for Low Income Residential Consumers – Residential consumers are deemed to have a household income below 200% of the federal poverty line if: (i) any member of the consumer's household is a current recipient of the following benefits: CalWORKS, CalFresh, general assistance, Medi-Cal, SSI/State Supplementary Payment Program or California Special Supplemental Nutrition Program for Women, Infants and Children; or (ii) the consumer declares the household's annual income is less than 200% of the federal poverty level. If a consumer demonstrates either of those circumstances, then the following apply:

1. Reconnection Fees – If service has been discontinued and is to be reconnected, then any reconnection fees during the normal operating hours of the District's Field Staff cannot exceed $50, and reconnection fees during non-operating hours of the District's Field Staff cannot exceed $150. Those fees cannot exceed the actual cost of reconnection if that cost is less than the statutory caps. Those caps may be adjusted annually for changes in the Consumer Price Index (CPI) –for the Riverside - San Bernardino - Ontario area beginning January 1, 2021. Normal operating hours of the District's Field Staff are Monday through Thursday from 6:30 am to 4:00 pm and on Friday from 6:30 am to 3:00 pm.
2. Interest Waiver – The District shall waive interest charges on delinquent bills once every 12 months.

F. Landlord-Tenant – The below procedures apply to individually metered detached single-family dwellings, multi-unit residential structures, and mobile home parks where the property owner or manager is the customer of record and is responsible for payment of the water bill.

1. Required Notice

   (a) At least ten (10) calendar days prior if the property is a multi-unit residential structure or mobile home park, or seven (7) calendar days prior if the property is a detached single-family dwelling, to the possible discontinuation of water service, the District shall make a good faith effort to inform the tenants/occupants at the property by written notice that the water service will be discontinued.

(b) The written notice must also inform the tenants/occupants that they have the right to become customers to whom the service will be billed (see Subdivision 2 below), without having to pay any of the then delinquent amounts.

2. Tenants/Occupants Becoming Customers

(a) The District is not required to make service available to the tenants/occupants unless each tenant/occupant agrees to the terms and conditions for service and meets the District's requirements and rules.

(b) However, if (i) one or more of the tenants/occupants assumes responsibility for subsequent charges to the account to the District's satisfaction, or (ii) there is a physical means to selectively discontinue service to those tenants/occupants who have not met the District's requirements, then the District may make service available only to those tenants/occupants who have met the requirements.

(c) If prior service for a particular length of time is a condition to establish credit with the District, then residence at the property and proof of prompt payment of rent for that length of time, to the District's satisfaction, is a satisfactory equivalent.

2.1 Alternative Payment Arrangements for Residential Consumers – Section 2.1 shall apply only to residential consumer accounts. For any residential consumer who meets the three conditions under Section 2.0(C) above, in accordance with the process set forth in Section 2.0(D) above, the District shall offer the consumer one of the following alternative payment arrangements, to be selected by the District in its sole discretion: (i) amortization of the unpaid balance under Subdivision (A) below; (ii) alternative payment schedule under Subdivision (B) below; (iii) partial or full reduction of unpaid balance under Subdivision (C) below; or (iv) temporary deferral of payment under Subdivision (D) below. The City Manager, or his or her designee, shall, in the exercise of reasonable discretion, select the most appropriate alternative payment arrangement after reviewing the information and documentation provided by the consumer and taking into consideration the consumer's financial situation and District's payment needs.

A. Amortization – If the City Manager, or his or her designee, selects the amortization plan for the consumer, the consumer must enter into a written amortization plan with the District in accordance with the following terms:

1. Term – The consumer shall pay the unpaid balance, with the administrative fee and interest as specified in Subdivision (2) below, over a period not to exceed twelve (12) months, as determined by the City Manager or his or her designee; provided, however, that the City Manager or his or her designee, in their reasonable discretion, may apply an amortization term of longer than twelve (12) months to avoid undue hardship on the consumer. The unpaid balance, together with the applicable administrative fee and any interest to be applied, shall be divided by the number of months in the amortization period and that amount shall be added each month to the consumer's ongoing monthly bills for water service.

2. Administrative Fee; Interest – For any approved amortization plan, the consumer will be charged an administrative fee, in the amount established by the District

from time to time, representing the cost to the District of initiating and administering the plan. At the discretion of the City Manager or his or her designee, interest at an annual rate not to exceed eight percent (8%) shall be applied to any amount to be amortized under this Subsection A.

3. Compliance with Plan – The consumer must comply with the amortization plan and remain current as charges accrue in each subsequent billing period. The consumer may not request further amortization of any subsequent unpaid charges while paying delinquent charges pursuant to an amortization plan. Where the consumer fails to comply with the terms of the amortization plan for sixty (60) calendar days or more, or fails to pay the consumer's current service charges for sixty (60) calendar days or more, the District may discontinue water service to the consumer's property at least five (5) business days after the District posts at the consumer's residence a final notice of its intent to discontinue service.

B. Alternative Payment Schedule – If the City Manager, or his or her designee, selects an alternative payment schedule for the consumer, the consumer must enter into a written alternative payment schedule with the District in accordance with the following terms:

1. Repayment Period – The consumer shall pay the unpaid balance, with the administration fee and interest as specified in Subdivision (2) below, over a period not to exceed twelve (12) months, as determined by the City Manager or his or her designee; provided, however, that the City Manager or his or her designee, in their reasonable discretion, may extend the repayment period for longer than twelve (12) months to avoid undue hardship on the consumer.
2. Administrative Fee; Interest – For any approved alternative payment schedule, the consumer will be charged an administrative fee, in the amount established by the District from time to time, by resolution or ordinance of the City Council, representing the cost to the District of initiating and administering the schedule. At the discretion of the City Manager or his or her designee, interest at an annual rate not to exceed eight percent (8%) shall be applied to any amounts to be amortized under this Subsection B.
3. Schedule – The City Manager or his or her designee shall develop an alternative payment schedule. The alternative schedule may provide for periodic lump sum payments that do not coincide with the District's established payment date, may provide for payments to be made more frequently than monthly, or may provide that payments be made less frequently than monthly, provided that in all cases, subject to Subdivision (1) above, the unpaid balance and administrative fee shall be paid in full over a period not to exceed twelve (12) months of establishment of the payment schedule. The agreed upon schedule shall be set forth in writing and be provided to the consumer.
4. Compliance with Plan – The consumer must comply with the agreed upon payment schedule and remain current as charges accrue in each subsequent billing period. The consumer may not request a longer payment schedule for any subsequent unpaid charges while paying delinquent charges pursuant to a previously agreed upon schedule. Where the consumer fails to comply with the terms of the agreed upon schedule for sixty (60) calendar days or more, or fails to pay the consumer's current service charges for sixty (60) calendar days or more,

the District may discontinue water service to the consumer's property at least five (5) business days after the District posts at the consumer's residence a final notice of its intent to discontinue service.

C. Reduction of Unpaid Balance – If the District has selected this alternative, the consumer shall receive a reduction of the unpaid balance owed by the consumer, not to exceed thirty percent (30%) of that balance without approval of and action by the Water District Board; provided that any such reduction shall be funded from a source that does not result in additional charges being imposed on other District customers. The proportion of any reduction shall be determined by the consumer's financial need, the District's financial condition and needs, and the availability of funds to offset the reduction of the consumer's unpaid balance.

1. Repayment Period – The consumer shall pay the reduced balance by the due date determined by the City Manager or his or her designee, which date (the "Reduced Payment Date") shall be at least fifteen (15) calendar days after the effective date of the reduction of the unpaid balance.
2. Compliance with Reduced Payment Date – The consumer must pay the reduced balance on or before the Reduced Payment Date, and must remain current in paying in full any charges that accrue in each subsequent billing period. If the consumer fails to pay the reduced payment amount within sixty (60) calendar days after the Reduced Payment Date, or fails to pay the consumer's current service charges for sixty (60) calendar days or more, the District may discontinue water service to the consumer's property at least five (5) business days after the District posts at the consumer's residence a final notice of its intent to discontinue service.

D. Temporary Deferral of Payment – If the District has selected this alternative, the consumer shall have payment of the unpaid balance temporarily deferred for a period of up to six (6) months after the payment is due. The District shall determine, in its discretion, how long of a deferral shall be provided to the consumer.

1. Repayment Period – The consumer shall pay the unpaid balance by the deferral date (the "Deferred Payment Date") determined by the City Manager or his or her designee. The Deferral Payment Date shall be within twelve (12) months from the date the unpaid balance became delinquent; provided, however, that the City Manager or his or her designee, in their reasonable discretion, may establish a Deferred Payment Date beyond that twelve (12) month period to avoid undue hardship on the consumer.
2. Compliance with Reduced Payment Date – The consumer must pay the reduced balance on or before the Deferred Payment Date, and must remain current in paying in full any charges that accrue in each subsequent billing period. If the consumer fails to pay the unpaid payment amount within sixty (60) calendar days after the Deferred Payment Date, or fails to pay the consumer's current service charges for sixty (60) calendar days or more, the District may discontinue water service to the consumer's property at least five (5) business days after the District posts at the consumer's residence a final notice of its intent to discontinue service.

2.2 **Appeals** – The procedure to be used to appeal the amount set forth in any bill for residential water service is as follows:

A. Consumer Dispute of Charges to District – In cases where a consumer asserts that a water service bill has been calculated in error, the consumer may dispute such water service charge(s) and request a review of the bill rendered by the District as follows:

1. Consumer Dispute of Bill/Past Due Notice – Within twenty-one (21) days of the original bill date for water service, the consumer may dispute charge(s) rendered by the District and request a review of such charge(s) for accuracy. The Dispute of Charges must be made in writing, must include documentation supporting the appeal and the reason for the appeal, and be delivered to the District's office. For so long as the consumer's dispute and any resulting investigation is pending, the District shall not discontinue water service to the consumer.

2. Within fourteen (14) calendar days of receiving a consumer dispute, a review will be conducted by the District.

(a) If water charges are determined to be incorrect, the District will provide a corrected bill and payment of the revised charges will be due within ten (10) calendar days of the bill for revised charges. If the revised charges remain unpaid for more than sixty (60) calendar days after the corrected bill is provided, water service will be disconnected after expiration of that sixty (60) calendar day period; provided that the District shall provide the consumer with the Past Due Notice in accordance with Section 2.0 (B) above.

(b) If the water charges in question are determined to be correct, the bill is due and payable within two (2) business days after the District's notification. Water service to the referenced property is subject to disconnection if the charges remain unpaid the latter of: (i) two (2) business days after the District's notification that the billed charges are valid, or (ii) sixty (60) calendar days from the original bill date; provided that the District shall provide the consumer with the Past Due Notice in accordance with Section 2.0 (B) above.

(c) Any consumer whose dispute has resulted in an adverse determination by the District may appeal the determination within seven (7) calendar days from the District's notification to the Appeals Officer. Such appeal shall be in writing and must include documentation supporting the appeal.

B. Appeal to Appeals Officer– Following receipt of a request for an appeal under Subsection A above, an evaluation shall be conducted by the Director of Finance, or his or her designee (the "Appeals Officer"). The Appeals Officer shall evaluate the evidence presented by the consumer, as well as the information on file with the District concerning the water charges in question, and render a decision as to the accuracy of said charges.

1. If the water charge(s) are determined to be incorrect by the Appeals Officer, the District will provide a corrected bill and payment of the revised charges will be due within ten (10) calendar days of the bill for revised charges. If the revised charges remain unpaid for more than sixty (60) calendar days after the corrected bill is provided, water service will be disconnected after expiration of that sixty (60)

calendar day period; provided that the District shall provide the consumer with the Overdue Notice in accordance with Section 2.0(B) above.

2. If the water charges in question are determined to be correct by the Appeals Officer, the bill is due and payable within two (2) business days after the Appeals Officer's decision is rendered. Water service to the referenced property is subject to disconnection if the charges remain unpaid the latter of: (i) two (2) business days after the Appeals Officer's decision is rendered to the consumer, or (ii) sixty (60) calendar days from the original bill date; provided that the District shall provide the consumer with the Past Due Notice in accordance with Section 2.0(B) above.
3. Any overcharges will be reflected as a credit on the next regular bill to the consumer, or refunded directly to the consumer, at the sole discretion of the District.
4. Water service to any consumer shall not be discontinued at any time during which the consumer's appeal to the Appeals Officer is pending.
5. The Appeals Officer's decision shall be final and binding.

2.3 **Restoration of Service** – For water service that has been discontinued by the District due to non-payment, water service will only be restored upon full payment of all outstanding charges, penalties, deposits, and any and all applicable reconnection charges. The referenced payment shall be in the form of cash or other certified funds. The District will endeavor to make such reconnection as soon as practicable as a convenience to the consumer. The District shall make the reconnection no later than the end of the next regular working day following the consumer's request and receipt of referenced fees/charges.

Reviewed and Recommended for Approval by:

_____
Casey Brooksher
Director of Finance

Approved by:

_____
Nils Bentsen
General Manager

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City of Hesperia
STAFF REPORT

DATE: January 7, 2020

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

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

SUBJECT: Statewide Community Infrastructure Program (SCIP)

RECOMMENDED ACTION

It is recommended that the City Council hold a public hearing to receive comments regarding the Statewide Community Infrastructure Program (SCIP); and adopt Resolution 2020-03, authorizing the City to join the SCIP; approving substantially to form, the Acquisition Agreement and other SCIP related documents, subject to modifications as approved by the City Attorney as needed; and authorizing the City Manager to execute completed Acquisition Agreements.

BACKGROUND

The California Statewide Communities Development Authority (CSCDA) is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include approximately 389 cities and 56 counties throughout California, including the City of Hesperia (the "City").

The Statewide Community Infrastructure Program (SCIP) was instituted by CSCDA in 2002 to allow owners of property in participating cities and counties to finance certain development impact fees that would be payable by property owners upon receiving development entitlements or building permits. The program has since been expanded to include financing of certain public capital improvements to be constructed by or on behalf of property owners and relinquished to the City.

ISSUES/ANALYSIS

If a property owner chooses to participate, the selected public capital improvements and/or the development impact fees owed to the City may be financed by the issuance of tax-exempt bonds by CSCDA. CSCDA will impose a special assessment on the owner's property to repay the portion of the bonds issued to finance the fees paid with respect to the property. With respect to impact fees, the property owner will either pay the impact fees at the time of permit issuance, and will be reimbursed from the SCIP bond proceeds when the SCIP bonds are issued; or the fees will be funded directly from the proceeds of the SCIP bonds. In the former case, the City is required to pay the fees over to SCIP, and in the latter case, SCIP holds the bond proceeds representing the fees. In both cases the fees are subject to requisition by the City at any time to make authorized fee expenditures. But by holding and investing the money until it is spent, SCIP is able to monitor the investment earnings (which come to the City) for federal tax law arbitrage purposes. SCIP encourages the City to spend those amounts before

any other fee revenues of the City. If the fees are paid by the property owner and bonds are never issued, the fees are returned to the City by SCIP. In this way, the City is never at risk for the receipt of the impact fees. Since its inception, SCIP has financed approximately $600 million of bonds for local projects.

The benefits to the property owner include:

- Only property owners who choose to participate in the program will have assessments imposed on their property.
- Instead of paying cash for public capital improvements and/or development impact fees, the property owner receives low-cost, long-term tax-exempt financing of those fees, freeing up capital for other purposes.
- The property owner can choose to pay off the special assessments at any time in accordance with the CSCDA regulations. Because SCIP is a fixed lien assessment payments will not escalate over time and no property owner is in any way responsible for another properties assessment.
- For home buyers, paying for the costs of public infrastructure through a special assessment is superior to having those costs “rolled” into the cost of the home. Although the tax bill is higher, the amount of the mortgage is smaller. Moreover, because the special assessment financing is at tax-exempt rates, it can come at a lower cost than mortgage rates.
- Owners of smaller projects, both residential and commercial, can have access to tax-exempt financing of infrastructure. Before the inception of SCIP, only projects large enough to justify the formation of an assessment or communities facilities district had access to tax-exempt financing. SCIP can finance project amounts as low as $500,000.

The benefits to the City include:

- As in conventional assessment financing, the City is not liable to repay the bonds issued by CSCDA or the assessments imposed on the participating properties.
- CSCDA handles all district formation, district administration, bond issuance and bond administration functions. A participating county or city can provide tax-exempt financing to property owners through SCIP while committing very little staff time to administer the program. At its discretion, the local agency can charge an administrative fee to cover staff time taken to review the SCIP application and request for funding.
- Providing tax-exempt financing helps participating cities and counties cushion the impact of rising public capital improvements costs and development impact fees on property owners.
- The availability of financing can encourage developers to pull permits and pay fees in larger blocks, giving the participating city immediate access to revenues for public infrastructure, rather than receiving a trickle of revenues stretched out over time. As part of the entitlement negotiation process, the possibility of tax-exempt financing of fees can be used to encourage a developer to pay fees up front.
- In some cases, the special assessments on successful projects can be refinanced through refunding bonds. Savings achieved through refinancing will be directed back to the participating county or city for use on public infrastructure, or credits to property owners, subject to applicable federal tax limitations.
- SCIP is an important tool for developers in determining the overall feasibility of a project and in certain instances the decision to purchase land.

The proposed resolution authorizes CSCDA to accept applications from owners of property within our planning jurisdiction to apply for tax-exempt financing of public capital improvements

and development impact fees through SCIP. It also authorizes CSCDA to form assessment districts within our City's boundaries, conduct assessment proceedings and levy assessments against the property of participating owners. It approves the form of an Acquisition Agreement, attached to the resolution as Exhibit B, to be entered into between the City and the participating property owner/developer, if applicable, to provide the terms and conditions under which financing for public capital improvements will be provided and to establish the procedure for disbursement of bond proceeds to pay for completed facilities. It also authorizes miscellaneous related actions and makes certain findings and determinations required by law.

FISCAL IMPACT

There is no fiscal impact associated with the current action.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. Resolution 2020-03

RESOLUTION NO. 2020-03

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HESPERIA, CALIFORNIA, AUTHORIZING THE CITY TO JOIN THE STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM (SCIP); AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ACCEPT APPLICATIONS FROM PROPERTY OWNERS, CONDUCT SPECIAL ASSESSMENT PROCEEDINGS AND LEVY ASSESSMENTS WITHIN THE TERRITORY OF THE CITY OF HESPERIA; APPROVING SUBSTANTIALLY TO FORM THE ACQUISITION AGREEMENT AND OTHER SCIP RELATED FORMS FOR USE WHEN APPLICABLE; AND AUTHORIZING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority (the "Authority") is a joint exercise of powers authority the members of which include numerous cities and counties in the State of California, including the City of Hesperia (the "City"); and

WHEREAS, the Authority has established the Statewide Community Infrastructure Program ("SCIP") to allow the financing of certain development impact fees (the "Fees") levied in accordance with the Mitigation Fee Act (California Government Code Sections 66000 and following) and other authority providing for the levy of fees on new development to pay for public capital improvements (collectively, the "Fee Act") through the levy of special assessments pursuant to the Municipal Improvement Act of 1913 (Streets and Highways Code Sections 10000 and following) (the "1913 Act") and the issuance of improvement bonds (the "Local Obligations") under the Improvement Bond Act of 1915 (Streets and Highways Code Sections 8500 and following) (the "1915 Act") upon the security of the unpaid special assessments; and

WHEREAS, SCIP will also allow the financing of certain public capital improvements to be constructed by or on behalf of property owners for acquisition by the City or another public agency (the "Improvements"); and

WHEREAS, the City desires to allow the owners of property being developed within its jurisdiction ("Participating Developers") to participate in SCIP and to allow the Authority to conduct assessment proceedings under the 1913 Act and to issue Local Obligations under the 1915 Act to finance Fees levied on such properties and Improvements, provided that such Participating Developers voluntarily agree to participate and consent to the levy of such assessments; and

WHEREAS, in each year in which eligible property owners within the jurisdiction of the City elect to be Participating Developers, the Authority will conduct assessment proceedings under the 1913 Act and issue Local Obligations under the 1915 Act to finance Fees payable by such property owners and Improvements and, at the conclusion of such proceedings, will levy special assessments on such property within the territory of the City;

WHEREAS, there has been presented to this meeting a proposed form of Resolution of Intention to be adopted by the Authority in connection with such assessment proceedings (the "ROI"), a copy of which is attached hereto as Exhibit A, and the territory within which assessments may be levied for SCIP (provided that each Participating Developer consents to such assessment) shall be coterminous with the City's official boundaries of record at the time of adoption of each such ROI (the "Proposed Boundaries"), and reference is hereby made to such boundaries for the plat

or map required to be included in this Resolution pursuant to Section 10104 of the Streets and Highways Code; and

WHEREAS, there has also been presented to this meeting a proposed form of Acquisition Agreement (the "Acquisition Agreement"), a copy of which is attached hereto as Exhibit B, to be approved as to form for use with respect to any Improvements to be constructed and installed by a Participating Developer and for which the Participating Developer requests acquisition financing as part of its SCIP application; and

WHEREAS, the City will not be responsible for the conduct of any assessment proceedings; the levy or collection of assessments or any required remedial action in the case of delinquencies in such assessment payments; or the issuance, sale or administration of the Local Obligations or any other bonds issued in connection with SCIP; and

WHEREAS, pursuant to Government Code Section 6586.5, notice was published at least five days prior to the adoption of this resolution at a public hearing, which was duly conducted by this Council concerning the significant public benefits of SCIP and the financing of the Improvements and the public capital improvements to be paid for with the proceeds of the Fees;

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

Section 1. The City hereby consents to the conduct of special assessment proceedings by the Authority in connection with SCIP pursuant to the 1913 Act and the issuance of Local Obligations under the 1915 Act on any property within the Proposed Boundaries; provided, that

(1) Such proceedings are conducted pursuant to one or more Resolutions of Intention in substantially the form of the ROI; and

(2) The Participating Developers, who shall be the legal owners of such property, execute a written consent to the levy of assessment in connection with SCIP by the Authority and execute an assessment ballot in favor of such assessment in compliance with the requirements of Section 4 of Article XIIID of the State Constitution.

Section 2. The City hereby finds and declares that the issuance of bonds by the Authority in connection with SCIP will provide significant public benefits, including without limitation, savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs and the more efficient delivery of local agency services to residential and commercial development within the City.

Section 3. The Authority has prepared and will update from time to time the "SCIP Manual of Procedures" (the "Manual"), and the City will handle Fee revenues and funds for Improvements for properties participating in SCIP in accordance with the procedures set forth in the Manual.

Section 4. The form of Acquisition Agreement presented to this meeting is hereby approved, and the City Manager is authorized to execute and the City Clerk is authorized to attest the execution of a completed Acquisition Agreements in substantially said

form, subject to modifications as approved by the City Attorney, and pertaining to the Improvements being financed on behalf of the applicable Participating Developer.

Section 5. The appropriate officials and staff of the City are hereby authorized and directed to make SCIP applications available to all property owners who are subject to Fees for new development within the City and/or who are conditioned to install Improvements and to inform such owners of their option to participate in SCIP; provided, that the Authority shall be responsible for providing such applications and related materials at its own expense. The staff persons listed on the attached Exhibit C, together with any other staff persons chosen by the City Manager from time to time, are hereby designated as the contact persons for the Authority in connection with the SCIP program.

Section 6. The appropriate officials and staff of the City are hereby authorized and directed to execute and deliver such closing certificates, requisitions, agreements and related documents, including but not limited to such documents as may be required by Bond Counsel in connection with the participation in SCIP of any districts, authorities or other third-party entities entitled to own Improvements and/or to levy and collect fees on new development to pay for public capital improvements within the jurisdiction of the City, as are reasonably required by the Authority in accordance with the Manual to implement SCIP for Participating Developers and to evidence compliance with the requirements of federal and state law in connection with the issuance by the Authority of the Local Obligations and any other bonds for SCIP. To that end, and pursuant to Treasury Regulations Section 1.150-2, the staff persons listed on Exhibit C, or other staff person acting in the same capacity for the City with respect to SCIP, are hereby authorized and designated to declare the official intent of the City with respect to the public capital improvements to be paid or reimbursed through participation in SCIP.

Section 7. This Resolution shall take effect immediately upon its adoption. The City Clerk is hereby authorized and directed to transmit a certified copy of this resolution to the Secretary of the Authority.

Section 8. 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 7th day of January 2020.

_____
Larry Bird, Mayor

ATTEST:

_____
Melinda Sayre
City Clerk

EXHIBIT A TO THE RESOLUTION

FORM OF RESOLUTION OF INTENTION
TO BE ADOPTED BY CSCDA

RESOLUTION NO. __SCIP-

RESOLUTION OF INTENTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO FINANCE CAPITAL IMPROVEMENTS AND/OR THE PAYMENT OF DEVELOPMENT IMPACT FEES FOR PUBLIC CAPITAL IMPROVEMENTS IN THE PROPOSED STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM ASSESSMENT DISTRICT NO. ___ (CITY OF HESPERIA, COUNTY OF SAN BERNARDINO, CALIFORNIA), APPROVING A PROPOSED BOUNDARY MAP, MAKING CERTAIN DECLARATIONS, FINDINGS AND DETERMINATIONS CONCERNING RELATED MATTERS, AND AUTHORIZING RELATED ACTIONS IN CONNECTION THEREWITH

WHEREAS, under the authority of the Municipal Improvement Act of 1913 (the "1913 Act"), being Division 12 (commencing with Sections 10000 and following) of the California Streets and Highways Code (the "Code"), the Commission (the "Commission") of the California Statewide Communities Development Authority (the "Authority") intends to finance, through its Statewide Community Infrastructure Program, the payment of certain development impact fees for public improvements (the "Improvement Fees") and/or to finance certain public capital improvements to be constructed by or on behalf of the property owner(s) and to be acquired by the City of Hesperia or another local agency (the "Improvements") as described in Exhibit A attached hereto and by this reference incorporated herein, all of which are of benefit to the property within the proposed Statewide Community Infrastructure Program Assessment District No. ___ (City of Hesperia, County of San Bernardino, California) (the "Assessment District");

WHEREAS, the Commission finds that the land specially benefited by the Improvements and/or the Improvement Fees is shown within the boundaries of the map entitled "Proposed Boundaries of California Statewide Communities Development Authority Statewide Community Infrastructure Program Assessment District No. ___ (City of Hesperia, County of San Bernardino,) State of California," a copy of which map is on file with the Secretary and presented to this Commission meeting, and determines that the land within the exterior boundaries shown on the map shall be designated "Statewide Community Infrastructure Program Assessment District No. ___ (City of Hesperia, County of San Bernardino,) State of California";

WHEREAS, the City of Hesperia is a member of the Authority and has approved the adoption on its behalf of this Resolution of Intention and has consented to the levy of the assessments in the Assessment District;

NOW, THEREFORE, BE IT RESOLVED that the Commission of the California Statewide Communities Development Authority hereby finds, determines and resolves as follows:

Section 1. The above recitals are true and correct.

Pursuant to Section 2961 of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (the "1931 Act"), being Division 4 (commencing with Section 2800) of the Code, the

Commission hereby declares its intent to comply with the requirements of the 1931 Act by complying with Part 7.5 thereof.

The Commission has designated a registered, professional engineer as Engineer of Work for this project, and hereby directs said firm to prepare the report containing the matters required by Sections 2961(b) and 10204 of the Code, as supplemented by Section 4 of Article XIIID of the California Constitution.

The proposed boundary map of the Assessment District is hereby approved and adopted. Pursuant to Section 3111 of the Code, the Secretary of the Authority is directed to file a copy of the map in the office of the County Recorder of the County of San Bernardino within fifteen (15) days of the adoption of this resolution.

The Commission determines that the cost of financing the Improvements and/or the payment of the Improvement Fees shall be specially assessed against the lots, pieces or parcels of land within the Assessment District benefiting from the financing of the Improvements and/or the payment of the Improvement Fees. The Commission intends to levy a special assessment upon such lots, pieces or parcels in accordance with the special benefit to be received by each such lot, piece or parcel of land, respectively, from the financing of the Improvements and/or the payment of the Improvement Fees.

The Commission intends, pursuant to subparagraph (f) of Section 10204 of the Code, to provide for an annual assessment upon each of the parcels of land in the proposed Assessment District to pay various costs and expenses incurred from time to time by the Authority and not otherwise reimbursed to the Authority which result from the administration and collection of assessment installments or from the administration or registration of the improvement bonds and the various funds and accounts pertaining thereto.

Bonds representing unpaid assessments, and bearing interest at a rate not to exceed twelve percent (12%) per annum, will be issued in the manner provided by the Improvement Bond Act of 1915 (Division 10 of the Code), and the last installment of the bonds shall mature not to exceed twenty-nine (29) years from the second day of September next succeeding twelve (12) months from their date.

The procedure for the collection of assessments and advance retirement of bonds under the Improvement Bond Act of 1915 shall be as provided in Part 11.1 thereof.

Neither the Authority nor any member agency thereof will obligate itself to advance available funds from its or their own funds or otherwise to cure any deficiency which may occur in the bond redemption fund. A determination not to obligate itself shall not prevent the Authority or any such member agency from, in its sole discretion, so advancing funds.

The amount of any surplus remaining in the improvement fund after acquisition of the Improvements and/or payment of Improvement Fees and all other claims shall be distributed in accordance with the provisions of Section 10427.1 of the Code.

To the extent any Improvement Fees are paid to the Authority in cash with respect to property within the proposed Assessment District prior to the date of issuance of the bonds, the amounts so paid shall be reimbursed from the proceeds of the bonds to the property owner or developer that made the payment.

PASSED AND ADOPTED by the California Statewide Communities Development Authority this ___ day of _____, 20__.

I, the undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on _____ __ , 20__.

By _____

Authorized Signatory
California Statewide Communities
Development Authority

EXHIBIT A TO THE RESOLUTION OF INTENTION

DESCRIPTION OF WORK

The payment of development impact fees levied within the Assessment District and/or public capital improvements to be acquired and owned by the City of Hesperia or another local agency upon or for the benefit of parcels within the Assessment District, for the project known as [Project Name], which are authorized to be financed pursuant to the Municipal Improvement Act of 1913 and as to which the owners of the applicable parcels within the Assessment District have applied for participation in SCIP, as more particularly described below.

PAYMENT OF IMPACT FEES

CAPITAL IMPROVEMENTS*

**Capital improvements includes funding for incidental costs associated with the capital improvements, including but not limited to, contingency, design, engineering, and construction management*

[End of Form of Resolution of Intention]

EXHIBIT B TO THE RESOLUTION

FORM OF ACQUISITION AGREEMENT

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM

ACQUISITION AGREEMENT

BY AND BETWEEN

CITY OF HESPERIA

AND

[DEVELOPER]

Dated as of _____, 20__

ACQUISITION AGREEMENT

Recitals

A. The parties to this Acquisition Agreement (the "Agreement") are the CITY OF HESPERIA, (the "Local Agency"), and [DEVELOPER], a [here indicate type of legal entity] (the "Developer").

B. The effective date of this Agreement is _____, 20__.

C. The Developer has applied for financing of certain public capital improvements (the "Acquisition Improvements") and capital facilities fees through the Statewide Community Infrastructure Program ("SCIP") administered by the California Statewide Communities Development Authority (the "Authority") and such application has been approved by the Local Agency.

D. The administration, payment and reimbursement of the capital facilities fees is agreed to be governed by the provisions of the SCIP Manual of Procedures as it may be amended from time to time. The administration, payment and reimbursement of the Acquisition Improvements shall be as provided herein.

E. Under SCIP, the Authority intends to issue bonds to fund, among other things, all or a portion of the costs of the Acquisition Improvements, and the portion of the proceeds of such bonds allocable to the cost of the Acquisition Improvements to be constructed and installed by the Developer, together with interest earned thereon prior to such acquisition, is referred to herein as the "Available Amount".

F. SCIP will provide financing for the acquisition by the Local Agency of the Acquisition Improvements and the payment of the Acquisition Price (as defined herein) of the Acquisition Improvements from the Available Amount. Attached hereto as Exhibit A are descriptions of the Acquisition Improvements, which descriptions are subject to modification by written amendment of this Agreement, subject to the approval of the Authority.

G. The parties anticipate that, upon completion of the Acquisition Improvements and subject to the terms and conditions of this Agreement, the Local Agency will acquire such completed Acquisition Improvements with the Available Amount.

H. Any and all monetary obligations of the Local Agency arising out of this Agreement are the special and limited obligations of the Local Agency payable only from the Available Amount, and no other funds whatsoever of the Local Agency shall be obligated therefor.

I. In consideration of Recitals A through H, inclusive, and the mutual covenants, undertakings and obligations set forth below, the Local Agency and the Developer agree as stated below.

Agreement

DEFINITIONS; ASSESSMENT DISTRICT FORMATION AND FINANCING PLAN

Definitions. As used herein, the following capitalized terms shall have the meanings ascribed to them below:

"Acceptable Title" means free and clear of all monetary liens, encumbrances, assessments, whether any such item is recorded or unrecorded, and taxes, except those items which are reasonably determined by the Local Agency Engineer in his sole discretion not to interfere with the intended use and therefore are not required to be cleared from the title.

"Acquisition Improvements" shall have the meaning assigned to such term in Recital C and are described in Exhibit A.

"Acquisition Price" means the amount paid to the Developer upon acquisition of all of the Acquisition Improvements as provided in Section 2.03.

"Actual Cost" means the cost of construction of all of the Acquisition Improvements, as documented by the Developer to the satisfaction of the Local Agency, as certified by the Local Agency Engineer in an Actual Cost Certificate.

"Actual Cost Certificate" shall mean a certificate prepared by the Developer detailing the Actual Cost of all of the Acquisition Improvement to be acquired hereunder, as revised by the Local Agency Engineer pursuant to Section 2.03.

"Agreement" means this Acquisition Agreement, dated as of _____, 20__.

"Assessment District" means the assessment district established by the Authority pursuant to SCIP which includes the Developer's property for which the Acquisition Improvements are being funded.

"Authority" means the California Statewide Communities Development Authority.

"Available Amount" means the amount of funds deposited in the Developer Acquisition Account by the Authority pursuant to SCIP, together with any interest earnings thereon.

"Code" means the Streets and Highways Code of the State of California.

"Developer" means [Developer], a [here indicate type of legal entity].

"[Developer] Acquisition Account" means the account by that name established by the Authority pursuant to SCIP for the purpose of paying the Acquisition Price of the Acquisition Improvements.

"Local Agency" means the City of Hesperia.

"Local Agency Engineer" means the City Engineer of the Local Agency (the "Engineer") or the designee of the Engineer, who will be responsible for administering the acquisition of the Acquisition Improvements hereunder.

"Project" means the land development program of the Developer pertaining to the Developer's property in the Assessment District, including the design and construction of the Acquisition Improvements and the other public and private improvements to be constructed by the Developer within or adjacent to the Assessment District.

"SCIP" means the Statewide Community Infrastructure Program of the Authority.

"SCIP Requisition" means a requisition for payment of funds from the [Developer] Acquisition Account in substantially the form attached hereto as Exhibit B.

"SCIP Trust Agreement" means the Trust Agreement entered into by the Authority and the SCIP Trustee in connection with the financing for the Acquisition Improvements.

"SCIP Trustee" means Wilmington Trust, National Association, as trustee under the SCIP Trust Agreement.

"Title Documents" means, for each Acquisition Improvement acquired hereunder, a grant deed or similar instrument necessary to transfer title to any real property or interests therein (including easements) necessary or convenient to the operation, maintenance, rehabilitation and improvement by the Local Agency of that Acquisition Improvement (including, if necessary, easements for ingress and egress) and a Bill of Sale or similar instrument evidencing transfer of title to that Acquisition Improvement (other than said real property interests) to the Local Agency, where applicable.

Participation in SCIP. Developer has applied for financing through SCIP of the Acquisition Improvements, and such application has been approved by the Local Agency. Developer and Local Agency agree that until and unless such financing is completed by the Authority and the Available Amount is deposited in the Developer Acquisition Account, neither the Developer nor the Local Agency shall have any obligations under this agreement. Developer agrees to cooperate with the Local Agency and the Authority in the completion of SCIP financing for the Acquisition Improvements.

Deposit and Use of Available Amount.

Upon completion of the SCIP financing, the Available Amount will be deposited by the Authority in the [Developer] Acquisition Account.

The Authority will cause the SCIP Trustee to establish and maintain the [Developer] Acquisition Account for the purpose of holding all funds for the Acquisition Improvements. All earnings on amounts in the [Developer] Acquisition Account shall remain in the [Developer] Acquisition Account for use as provided herein and pursuant to SCIP. The amounts in the [Developer] Acquisition Account shall be withdrawn by the Local Agency in

accordance with SCIP procedures upon completion of the Acquisition Improvements within 30 days (or as soon thereafter as reasonably practicable) of receipt by the Local Agency of the certification of the Local Agency Engineer required by Section 2.03 of this Agreement, and subject to satisfaction of all other conditions precedent to such acquisition pursuant to Section 2.04 of this Agreement, to pay the Acquisition Price of such completed Acquisition Improvements, as specified in Article II hereof. Upon completion of all of the Acquisition Improvements and the payment of all costs thereof, any remaining funds in the [Developer] Acquisition Account (less any amount determined by the Local Agency as necessary to reserve for claims against such account) (i) shall be applied to pay the costs of any additional improvements eligible for acquisition with respect to the Project as approved by the Authority and, to the extent not so used, thereafter (ii) shall be applied by the Authority as provided in Section 10427.1 of the Code to pay a portion of the assessments levied on the Project property in the Assessment District.

No Local Agency Liability; Local Agency Discretion; No Effect on Other Agreements. In no event shall any actual or alleged act by the Local Agency or any actual or alleged omission or failure to act by the Local Agency with respect to SCIP subject the Local Agency to monetary liability therefor. Further, nothing in this Agreement shall be construed as affecting the Developer's or the Local Agency's duty to perform their respective obligations under any other agreements, public improvement standards, land use regulations or subdivision requirements related to the Project, which obligations are and shall remain independent of the Developer's and the Local Agency's rights and obligations under this Agreement.

DESIGN, CONSTRUCTION AND ACQUISITION OF ACQUISITION IMPROVEMENTS

Letting and Administering Design Contracts. The parties presently anticipate that the Developer has awarded and administered or will award and administer engineering design contracts for the Acquisition Improvements to be acquired from Developer. All eligible expenditures of the Developer for design engineering and related costs in connection with the Acquisition Improvements (whether as an advance to the Local Agency or directly to the design consultant) shall be reimbursed at the time of acquisition of such Acquisition Improvements. The Developer shall be entitled to reimbursement for any design costs of the Acquisition Improvements only out of the Acquisition Price as provided in Section 2.03 and shall not be entitled to any payment for design costs independent of or prior to the acquisition of Acquisition Improvements.

Letting and Administration of Construction Contracts. State law requires that all Acquisition Improvements shall be constructed as if they were constructed under the direction and supervision of the Local Agency. In order to assure compliance with those provisions, except for any contracts entered into prior to the date hereof, Developer agrees to comply with the guidelines of the Local Agency for letting and administering said contracts. The Developer agrees that all such contracts shall call for payment of prevailing wages as required by the Labor Code of the State of California.

Sale of Acquisition Improvements. The Developer agrees to sell to the Local Agency the Acquisition Improvements to be constructed by Developer (including any rights-of-way or other easements necessary for the operation and maintenance of the Acquisition

Improvements, to the extent not already publicly owned) when such Acquisition Improvements are completed to the satisfaction of the Local Agency for an amount not to exceed the lesser of (i) the Available Amount or (ii) the Actual Cost of the Acquisition Improvements. Exhibit A, attached hereto and incorporated herein, contains a list of each Acquisition Improvement. At the time of completion of each Acquisition Improvement, the Developer shall deliver to the Local Agency Engineer a written request for acquisition, accompanied by an Actual Cost Certificate and executed Title Documents for the transfer of the Acquisition Improvement, where necessary. In the event that the Local Agency Engineer finds that the supporting paperwork submitted by the Developer fails to demonstrate the required relationship between the subject Actual Cost and the related Acquisition Improvement, the Local Agency Engineer shall advise the Developer that the determination of the Actual Cost (or the ineligible portion thereof) has been disallowed and shall request further documentation from the Developer. If such further documentation is still not adequate, the Local Agency Engineer may revise the Actual Cost Certificate to delete any disallowed items, and such determination shall be final and conclusive.

In the event that the Actual Cost is in excess of the Available Amount, the Local Agency shall withdraw the Available Amount from the [Developer] Acquisition Account and transfer said amount to the Developer. In the event that the Actual Cost is less than the Available Amount, the Local Agency shall withdraw an amount from the [Developer] Acquisition Account equal to the Actual Cost, and shall transfer said amount to the Developer. Any amounts then remaining in the [Developer] Acquisition Account shall be applied as provided in Section 1.03.

In no event shall the Local Agency be required to pay the Developer more than the amount on deposit in the [Developer] Acquisition Account at the time such payment is requested.

Conditions Precedent to Payment of Acquisition Price. Payment by the Local Agency to the Developer from the [Developer] Acquisition Account of the Acquisition Price for an Acquisition Improvement shall be conditioned first upon the determination of the Local Agency Engineer, pursuant to Section 2.03, that such Acquisition Improvement is all complete and ready for acceptance by the Local Agency, and shall be further conditioned upon prior satisfaction of the following additional conditions precedent:

The Developer shall have provided the Local Agency with lien releases or other similar documentation satisfactory to the Local Agency as evidence that the property which is subject to the special assessment liens of the Assessment District is not subject to any prospective mechanics lien claim respecting the Acquisition Improvements.

All due and payable property taxes, and installments of special assessments shall be current on property owned by the Developer or under option to the Developer that is subject to the special assessment liens of the Assessment District.

The Developer shall certify that it is not in default with respect to any loan secured by any interest in the Project.

The Developer shall have provided the Local Agency with Title Documents needed to provide the Local Agency with title to the site, right-of-way, or easement upon which the subject Acquisition Improvements are situated. All such Title Documents shall be in a form acceptable to

the Local Agency (or applicable governmental agency) and shall convey Acceptable Title. The Developer shall provide a policy of title insurance as of the date of transfer in a form acceptable to the Local Agency Engineer insuring the Local Agency as to the interests acquired in connection with the acquisition of any interest for which such a policy of title insurance is not required by another agreement between the Local Agency and the Developer. Each title insurance policy required hereunder shall be in the amount equal to or greater than the Acquisition Price.

SCIP Requisition. Upon a determination by the Local Agency Engineer to pay the Acquisition Price of the Acquisition Improvements pursuant to Section 2.04, the Local Agency Engineer shall cause a SCIP Requisition to be submitted to the Program Administrator. The Program Administrator will review the SCIP Requisition and forward it with instructions to the SCIP Trustee and the SCIP Trustee shall make payment directly to the Developer of such amount pursuant to the SCIP Trust Agreement. The Local Agency and the Developer acknowledge and agree that the SCIP Trustee shall make payment strictly in accordance with the SCIP Requisition and shall not be required to determine whether or not the Acquisition Improvements have been completed or what the Actual Costs may be with respect to such Acquisition Improvements. The SCIP Trustee shall be entitled to rely on the SCIP Requisition on its face without any further duty of investigation.

MISCELLANEOUS

Indemnification and Hold Harmless. The Developer hereby assumes the defense of, and indemnifies and saves harmless the Local Agency, the Authority, and each of its respective officers, directors, employees and agents, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from or alleged to have resulted from the acts or omissions of the Developer or its agents and employees in the performance of this Agreement, or arising out of any contract for the design, engineering and construction of the Acquisition Improvements or arising out of any alleged misstatements of fact or alleged omission of a material fact made by the Developer, its officers, directors, employees or agents to the Authority's underwriter, financial advisor, appraiser, district engineer or bond counsel or regarding the Developer, its proposed developments, its property ownership and its contractual arrangements contained in the official statement relating to the SCIP financing (provided that the Developer shall have been furnished a copy of such official statement and shall not have objected thereto); and provided, further, that nothing in this Section 3.01 shall limit in any manner the Local Agency's rights against any of the Developer's architects, engineers, contractors or other consultants. Except as set forth in this Section 3.01, no provision of this Agreement shall in any way limit the extent of the responsibility of the Developer for payment of damages resulting from the operations of the Developer, its agents and employees. Nothing in this Section 3.01 shall be understood or construed to mean that the Developer agrees to indemnify the Local Agency, the Authority or any of its respective officers, directors, employees or agents, for any negligent or wrongful acts or omissions to act of the Local Agency, Authority its officers, employees, agents or any consultants or contractors.

Audit. The Local Agency shall have the right, during normal business hours and upon the giving of ten days' written notice to the Developer, to review all books and records of

the Developer pertaining to costs and expenses incurred by the Developer (for which the Developer seeks reimbursement) in constructing the Acquisition Improvements.

Cooperation. The Local Agency and the Developer agree to cooperate with respect to the completion of the SCIP financing for the Acquisition Improvements. The Local Agency and the Developer agree to meet in good faith to resolve any differences on future matters which are not specifically covered by this Agreement.

General Standard of Reasonableness. Any provision of this Agreement which requires the consent, approval or acceptance of either party hereto or any of their respective employees, officers or agents shall be deemed to require that such consent, approval or acceptance not be unreasonably withheld or delayed, unless such provision expressly incorporates a different standard. The foregoing provision shall not apply to provisions in the Agreement which provide for decisions to be in the sole discretion of the party making the decision.

Third Party Beneficiaries. The Authority and its officers, employees, agents or any consultants or contractors are expressly deemed third party beneficiaries of this Agreement with respect to the provisions of Section 3.01. It is expressly agreed that, except for the Authority with respect to the provisions of Section 3.01, there are no third party beneficiaries of this Agreement, including without limitation any owners of bonds, any of the Local Agency's or the Developer's contractors for the Acquisition Improvements and any of the Local Agency's, the Authority's or the Developer's agents and employees.

Conflict with Other Agreements. Nothing contained herein shall be construed as releasing the Developer or the Local Agency from any condition of development or requirement imposed by any other agreement between the Local Agency and the Developer, and, in the event of a conflicting provision, such other agreement shall prevail unless such conflicting provision is specifically waived or modified in writing by the Local Agency and the Developer.

Notices. All invoices for payment, reports, other communication and notices relating to this Agreement shall be mailed to:

If to the Local Agency:

City of Hesperia
[Address to Come]

If to the Developer:

[Developer]
[Address to Come]

Either party may change its address by giving notice in writing to the other party.

Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement.

Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Successors and Assigns. This Agreement is binding upon the heirs, assigns and successors-in-interest of the parties hereto. The Developer may not assign its rights or obligations hereunder, except to successors-in-interest to the property within the District, without the prior written consent of the Local Agency.

Remedies in General. It is acknowledged by the parties that the Local Agency would not have entered into this Agreement if it were to be liable in damages under or with respect to this Agreement or the application thereof, other than for the payment to the Developer of any (i) moneys owing to the Developer hereunder, or (ii) moneys paid by the Developer pursuant to the provisions hereof which are misappropriated or improperly obtained, withheld or applied by the Local Agency.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that the Local Agency shall not be liable in damages to the Developer, or to any assignee or transferee of the Developer other than for the payments to the Developer specified in the preceding paragraph. Subject to the foregoing, the Developer covenants not to sue for or claim any damages for any alleged breach of, or dispute which arises out of, this Agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

CITY OF HESPERIA

By _____
City Manager

ATTEST:
City Clerk

By _____
Melinda Sayre

[DEVELOPER],
a [here indicate type of legal entity]

By _____
(Signature)

_____
(Print Name)

EXHIBIT A TO THE ACQUISITION AGREEMENT

DESCRIPTION OF ACQUISITION IMPROVEMENTS AND BUDGETED AMOUNTS

ACQUISITION IMPROVEMENTS	BUDGETED AMOUNTS
1.	$
2.	
3.	
4.	

EXHIBIT B TO THE ACQUISITION AGREEMENT

FORM OF SCIP REQUISITION

To: BLX Group LLC
SCIP Program Administrator
777 S. Figueroa St., Suite 3200
Los Angeles, California 90017
Attention: Vo Nguyen
Fax: 213-612-2499

Re: Statewide Community Infrastructure Program

The undersigned, a duly authorized officer of the CITY OF HESPERIA hereby requests a withdrawal from the [DEVELOPER] ACQUISITION ACCOUNT, as follows:

Request Date:	[Insert Date of Request]
Name of Developer:	[Developer]
Withdrawal Amount:	[Insert Acquisition Price]
Acquisition Improvements:	[Insert Description of Acquisition Improvement(s) from Ex. A]
Payment Instructions:	[Insert Wire Instructions or Payment Address for Developer]

The undersigned hereby certifies as follows:

1. The Withdrawal is being made in accordance with a permitted use of such monies pursuant to the Acquisition Agreement, and the Withdrawal is not being made for the purpose of reinvestment.

2. None of the items for which payment is requested have been reimbursed previously from other sources of funds.

3. If the Withdrawal Amount is greater than the funds held in the [Developer] Acquisition Account, the SCIP Program Administrator is authorized to amend the amount requested to be equal to the amount of such funds.

4. To the extent the Withdrawal is being made prior to the date bonds have been issued on behalf of SCIP, this withdrawal form serves as the declaration of official intent of the CITY OF HESPERIA, pursuant to Treasury Regulations 1.150-2, to reimburse with respect expenditures made from the Developer Acquisition Account listed above in the amount listed above.

CITY OF HESPERIA

By : _____

Title: _____

EXHIBIT C TO THE RESOLUTION

CITY OF HESPERIA CONTACTS FOR SCIP PROGRAM

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City of Hesperia
STAFF REPORT

DATE: January 7, 2020

TO: Mayor and Council Members

FROM: Nils Bentsen, City Manager

BY: Melinda Sayre, City Clerk

SUBJECT: Consideration of Ballot Measure- Land Use

RECOMMENDED ACTION

It is recommended that the City Council provide direction to staff regarding placing a ballot measure on an upcoming election regarding land use requirements in the City including minimum parcel sizes and maximum building densities.

BACKGROUND

At the November 5, 2019 City Council Meeting, Mayor Bird directed staff to return with a staff report regarding the possibility of adding a measure concerning land use to an upcoming election. The next regularly scheduled election is scheduled for Tuesday, November 3, 2020.

ISSUES/ANALYSIS

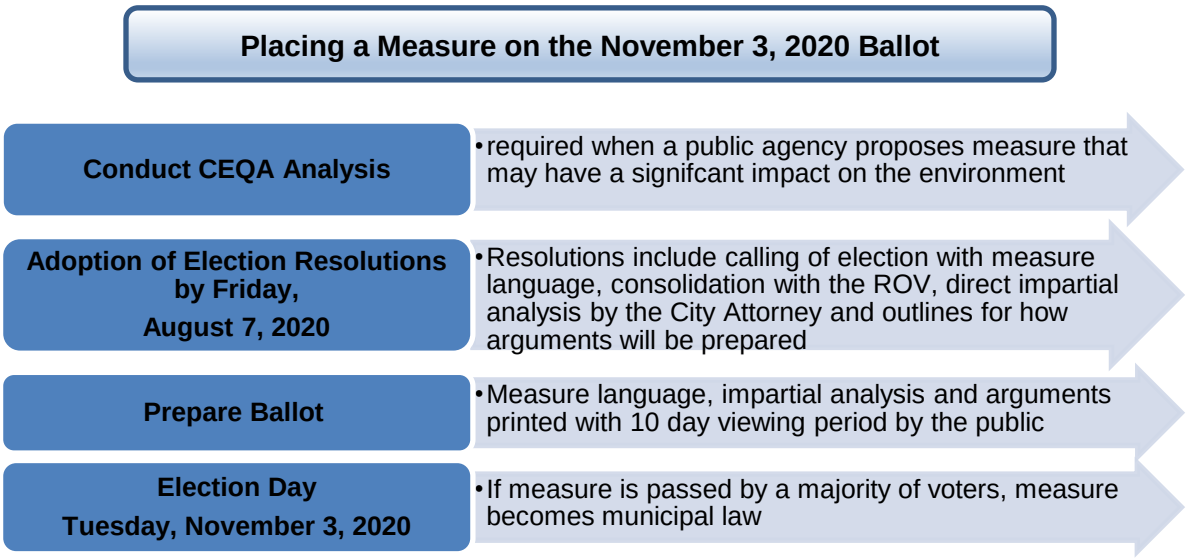
A governing body may submit a measure to be placed on the ballot to enact an ordinance directly to the voters by a majority vote of the City Council. If a public agency places a land use focused measure on the ballot it must conduct environmental review under the California Environmental Quality Act. The measure may then be voted on at any succeeding regular or special election. The next regularly scheduled election is November 3, 2020. If the required majority of voters approve it at the election, the ordinance becomes effective.

Placing a Measure on the Ballot

Should the City Council decide to move forward with a ballot measure, the following issues must be considered:

- A CEQA analysis must be conducted;
- Election date (if November 2020, The City Council must vote to place on ballot at future meeting by **August 7, 2020**) and;
- Whether to allow supporting and opposing arguments to be printed in the ballot materials, and method for selection.

The flow chart below depicts the general process of adding a City sponsored land use measure to the November 3, 2020 ballot. Should direction be given to staff to move forward with placing a land use measure on the November 2020 ballot, the following must occur:



FISCAL IMPACT

The cost of placing a measure on the ballot is undetermined at this time. However, the cost will be significantly less if placed on the ballot on a regularly scheduled election such as November 2020, versus a special election at another time. Should the City Council direct staff to draft a measure to add to the ballot, a formal estimate of associated costs will be requested for the San Bernardino County Registrars Office to prepare.

ALTERNATIVE(S)

Provide alternative direction to staff.

ATTACHMENT(S)

1. None