

# Attachment 1



**FISCAL YEAR 2019-20**

**MID-YEAR BUDGET REVIEW**

**February 18, 2020**

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**EXECUTIVE SUMMARY**

Overall, Fiscal Year 2019-20 Budget revenue and expenditures are proceeding as planned. The following chart compares the FY 2019-20 Budget and December 2019 year-to-date (YTD) revenue and expenditure totals, with the difference being budgeted reserves and transfers.

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD</b>	<b>Amended % Received/Expended</b>
Revenue	\$ 86,034,127	\$ 86,406,046	\$ 30,309,029	35%
Loan Proceeds	4,500,000	4,500,000		
Use of Reserves	9,752,653	10,020,103		
Net Transfers	0	0		
Total Resources	\$ 100,286,780	\$ 100,926,149		
Expenditures	98,496,938	99,648,614	32,990,369	33%
Difference	<b>\$ 1,789,842</b>	<b>\$ 1,277,535</b>		

**Status of Overall City Fiscal Year 2019-20 Budget**

The percentage comparisons for expenditures are based on comparing the December 2019 YTD to the 2019-20 Amended Budget. The Amended Budget is used to accurately reflect any changes to the adopted budget that occur from City Council approving budget amendments throughout the fiscal year.

**Revenue:** Through December 2019, YTD revenue is \$30.3 million, which is approximately 21% more than the December 2018 YTD revenue of \$25.1 million. This increase over the previous year can primarily be attributed to the inclusion of General and Administrative Recovery (G & A) for administration services provided by general fund staff to other departments within the City, which was previously recorded as a Transfer In. However, without the G & A revenue, the December 2019 YTD revenue would only be 10% more than December 2018. Overall, revenue is 35% collected through December 2019. Additional detail is provided further within the report.

**Expenditures:** At 33% of the amended budget utilized, the FY 2019-20 Budget is proceeding as planned. Overall, the December 2019 YTD expenditures of \$33.0 million are \$0.6 million or 2% more than the December 2018 YTD of \$32.4 million which excludes the Fire District. It should be noted that there are four (4) budget amendments totaling \$396,702 included in this report.

**Reserves:** The General Fund exceeds the City Council's policy of 10% cash reserves. The following estimated reserve calculations are based on the June 30, 2019 ending cash balances included in the June 30, 2019 audited Comprehensive Annual Financial Report (CAFR). Using the CAFR audited data assures that the estimated reserves are based on actual information. The Water District's beginning cash balance decreased by \$2.6 million from the Adopted Budget to the Revised Budget, primarily the result of pending reimbursements from the State of California related to the State Revolving Fund Loan for the Recycled Water Line Project. In addition, the four (4) Mid-Year Budget Amendments, totaling \$396,702, are reflected below where appropriate:

	<b>General Fund</b>		<b>Water District</b>	
10% Cash Reserves (Council/Board Policy)	\$ 3,484,295	10%	\$ 3,851,623	10%
Cash Reserves Above 10% Reserve	4,509,828	13%	(2,816,607)	-7%
<b>Total Estimated Cash Reserves</b>	<b>\$ 7,994,123</b>	<b>23%</b>	<b>\$ 1,035,016</b>	<b>3%</b>

**Months of Cash**

**2.8**

**0.3**

**EXECUTIVE SUMMARY (Continued)**

**Proposed Budget Amendments – 4 Budget Amendments are proposed for \$396,702**

The FY 2019-20 Mid-Year Budget Review includes four (4) items as proposed budget amendments totaling \$396,702. The proposed budget amendments are included in the fund balance analyses where appropriate:

<b>FY 2019-20 Mid-Year Budget Requests</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Totals</b>
CSA64 Sewer Service	\$ 98,594	\$ 0	\$ 98,594
Mobile License Plate Reader for 1 Patrol Unit	30,658	0	30,658
Risk Assessment & Emergency Response Plan	0	210,000	210,000
Repairs to Manholes on Bear Valley Road	0	57,450	57,450
<b>Total Mid-Year Amendment Requests</b>	<b>\$ 129,252</b>	<b>\$ 267,450</b>	<b>\$ 396,702</b>

**Revenues and Expenditures through December 31, 2019 for the City's main funds are summarized as follows:**

	2019-20 Revenue			2019-20 Expenditures		
	Revised Budget	December	% Received	Amended Budget	December	% Expended
General Fund						
City Council				\$ 902,533	\$ 321,604	36%
City Manager				2,901,500	1,415,394	49%
Management Services				4,238,398	2,542,665	60%
D.S.-Community Development				2,131,385	1,055,700	50%
D.S.-Code Compliance				2,934,291	1,407,740	48%
D.S.-Public Works (G.F.)				1,975,189	806,991	41%
Police				17,086,541	8,554,501	50%
<b>Total General Fund</b>	<b>\$ 34,922,194</b>	<b>\$ 9,864,123</b>	<b>28%</b>	<b>\$ 32,169,837</b>	<b>\$ 16,104,595</b>	<b>50%</b>
Community Development Block Grant	1,453,342	710,256	49%	1,956,000	694,542	36%
Community Development Commission	29,893	29,864	100%	529,790	300,006	57%
Hesperia Housing Authority	248,939	84,224	34%	83,360	36,795	44%
D.S.-Public Works	89,000	65,906	74%	4,368,994	1,778,683	41%
Streets CIP Funds	18,692,173	4,780,295	26%	18,471,765	1,401,587	8%
Other Transportation Related Funds	485,182	139	0%	484,482	477,331	99%
Other City Related Funds	1,255,312	346,071	28%	2,429,953	1,648,403	68%
D.S.-Water Operating and Capital	24,198,287	12,163,235	50%	29,744,668	8,004,046	27%
D.S.-Sewer Operating and Capital	4,998,324	2,259,753	45%	8,504,109	1,669,871	20%
Fire District	33,400	5,163	15%	905,656	874,510	97%
<b>Total</b>	<b>\$ 86,406,046</b>	<b>\$ 30,309,029</b>	<b>35%</b>	<b>\$ 99,648,614</b>	<b>\$ 32,990,369</b>	<b>33%</b>

**2019-20 MID-YEAR BUDGET REVIEW REPORT**

**STATUS OF CITY GENERAL FUND 2019-20 BUDGET, BUDGET AMENDMENTS, AND RESERVES**

	<b>2019-20 Budget</b>	<b>2019-20 Revised</b>	<b>Change Dollars</b>	<b>Percent</b>
<b>RESOURCES</b>				
General Fund Operating Revenue	\$ 31,819,112	\$ 32,224,856	\$ 405,744	1%
1. Fund 700 - Indirect Cost Allocation - Water	2,289,972	2,289,972		
2. Fund 710 - Indirect Cost Allocation - Sewer	407,366	407,366		
<b>Total General Fund Revenue</b>	<b>\$ 34,516,450</b>	<b>\$ 34,922,194</b>	<b>\$ 405,744</b>	<b>1%</b>
Budgeted Reserves				
1. Budgeted Reserves	0	0		
2. 2014 Development Impact Fee Loan (DIF-Public Service )	0	0		
<b>Total Budgeted Reserves</b>	<b>\$ 0</b>	<b>\$ 0</b>		
Transfers In				
1. Fund 255 - AB 3229 COPS Grant	246,000	246,000		
<b>Total Transfers In</b>	<b>246,000</b>	<b>246,000</b>		
<b>Total Revenues</b>	<b>34,762,450</b>	<b>35,168,194</b>		
<b>Total General Fund Resources</b>	<b>\$ 34,762,450</b>	<b>\$ 35,168,194</b>		
<b>EXPENDITURES</b>				
<b>General Fund Operating Expenses</b>	<b>\$ 32,158,337</b>	<b>\$ 32,158,337</b>		
1. Fund 210 - HFPD CalPERS	644,000	644,000		
2. Fund 304 - 2014 DIF Loan (DIF-Public Service)	350,000	350,000		
3. Fund 402 - 2012 Water Rights Acquisition Debt Service	1,443,175	1,443,175		
4. Fund 403 - 2005 COP Refinance Debt Service	106,686	106,686		
<b>Total Transfers Out</b>	<b>2,543,861</b>	<b>2,543,861</b>		
<b>Total General Fund Expenditures &amp; Transfers Out</b>	<b>34,702,198</b>	<b>34,702,198</b>	<b>0</b>	<b>0%</b>
<b>Total First Quarter Budget Amendment</b>	<b>0</b>	<b>11,500</b>	<b>11,500</b>	<b>n/a</b>
<b>Mid-Year Budget Amendments</b>				
1. CSA 64 Sewer Service (Non-Departmental)	0	98,594		
2. Mobile License Plate Reader for 1 Patrol Unit (Police)	0	30,658		
<b>Total Mid-Year Budget Amendments</b>	<b>0</b>	<b>129,252</b>		
<b>Total Expenditures and Amendments</b>	<b>34,702,198</b>	<b>34,842,950</b>	<b>140,752</b>	<b>0%</b>
<b>DIFFERENCE RESOURCES/EXPENDITURES</b>	<b>\$ 60,252</b>	<b>\$ 325,244</b>		
<b>Fund Balance</b>				
July 1 Beginning Balance	\$ 10,041,678	\$ 13,080,387		
Difference Resources/Expenditures	60,252	325,244		
<b>Estimated June 30 Ending Fund Balance</b>	<b>\$ 10,101,930</b>	<b>\$ 13,405,631</b>		
<b>Months of Cash to Pay Expenditures and Transfers Out</b>				
Beginning Cash July 1,	\$ 5,987,782	\$ 7,668,879		
Estimated Revenues & Transfers In	34,762,450	35,168,194		
Estimated Expenditures & Transfers Out	(34,702,198)	(34,842,950)		
<b>Estimated Ending Cash June 30,</b>	<b>\$ 6,048,034</b>	<b>\$ 7,994,123</b>		
<b>Months of Cash to Pay Expenditures and Transfers Out</b>	<b>2.1</b>	<b>2.8</b>		
<b>Total Estimated Cash Reserves Percentage</b>	<b>17%</b>	<b>23%</b>		

STATUS OF WATER DISTRICT 2019-20 BUDGET, BUDGET AMENDMENTS, AND RESERVES

	2019-20 Budget	2019-20 Revised	Change	
			Dollars	Percent
<b>RESOURCES</b>				
Revenue				
Water Operating and Capital	\$ 21,873,152	\$ 21,898,287	\$ 25,135	0%
Sewer Operating and Capital	4,998,324	4,998,324		
Total Revenue	26,871,476	26,896,611	25,135	0%
CIP Grants and Loans:				
Prop 84 Drought Relief Grant	0	0		
Prop 1 Grant	2,300,000	2,300,000		
Loan Proceeds-State Revolving Fund (SRF)	4,500,000	4,500,000		
Sub-total One-Time Revenue	6,800,000	6,800,000		
Budgeted Reserves				
Budgeted Reserves	3,672,000	3,672,000		
Mid-Year Budget Amendment	0	267,450		
Total Budgeted Reserves	\$ 3,672,000	\$ 3,939,450	\$ 267,450	7%
<b>Total Resources</b>	<b>37,343,476</b>	<b>37,636,061</b>	<b>292,585</b>	<b>1%</b>
<b>EXPENDITURES</b>				
Water Operating and Capital	29,744,668	29,744,668		
Sewer Operating and Capital	8,493,682	8,504,109		
Total Expenditures	38,238,350	38,248,777	10,427	0%
Mid-Year Budget Amendments - Requested				
1. Risk Assessment & Emergency Response Plan (Water Operating)	0	210,000		
2. Repairs to Manholes on Bear Valley Road (Sewer Capital)	0	57,450		
Total Mid-Year Budget Amendments - Requested	0	267,450		
<b>Total Expenditures and Amendments</b>	<b>38,238,350</b>	<b>38,516,227</b>	<b>277,877</b>	<b>1%</b>
<b>Difference Resources/Expenditures</b>	<b>\$ (894,874)</b>	<b>\$ (880,166)</b>		
<b>Fund Balance</b>				
July 1 Beginning Balance	\$ 90,316,084	\$ 92,064,787		
Budgeted Reserves	(3,672,000)	(3,939,450)		
Difference Resources/Expenditures	(894,874)	(880,166)		
<b>Estimated June 30 Ending Fund Balance</b>	<b>\$ 85,749,210</b>	<b>\$ 87,245,171</b>		
<b>Months of Cash to Pay Expenditures</b>				
Beginning Cash July 1,	\$ 8,459,199	\$ 5,854,632		
Estimated Revenue	33,671,476	33,696,611		
Estimated Expenditures	(38,238,350)	(38,516,227)		
<b>Estimated Ending Cash June 30,</b>	<b>\$ 3,892,325</b>	<b>\$ 1,035,016</b>		
<b>Months of Cash to Pay Expenditures and Transfers Out</b>	<b>1.2</b>	<b>0.3</b>		
<b>Total Estimated Cash Reserves Percentage</b>	<b>10%</b>	<b>3%</b>		

Note: The July 1 cash balance decreased by \$2.6 million from the Adopted Budget to the Revised Budget primarily the result of pending reimbursements from the State of California for the Recycled Water Line Project CO #8087.

**STATUS OF STREETS MAINTENANCE FUND 2019-20 BUDGET, FUND BALANCE, AND RESERVES**

	<b>2019-20 Budget</b>	<b>2019-20 Revised</b>	<b>Change Dollars</b>	<b>Percent</b>
<b>RESOURCES</b>				
<b>Total Street Maintenance Fund Revenue</b>	<b>\$ 17,000</b>	<b>\$ 89,000</b>	<b>\$ 72,000</b>	<b>424%</b>
Budgeted Reserves	250,000	250,000		
<b>Transfers</b>				
Fund 204 - Measure I - Renewal	\$ 1,344,000	\$ 1,344,000		
Fund 205 - Gas Tax Fund	1,530,000	1,530,000		
Fund 206 - Gas Tax Swap	990,000	990,000		
Fund 207 - Local Transportation Fund (LTF)	300,000	300,000		
<b>Total Transfers</b>	<b>4,164,000</b>	<b>4,164,000</b>		
<b>TOTAL RESOURCES</b>				
(Revenue, Budgeted Reserves, and Transfers)	<b>4,431,000</b>	<b>4,503,000</b>	<b>72,000</b>	<b>2%</b>
<b>STREET MAINTENANCE FUND EXPENDITURES</b>	<b>4,368,994</b>	<b>4,368,994</b>	<b>0</b>	<b>0%</b>
<b>DIFFERENCE RESOURCES/EXPENDITURES</b>	<b>\$ 62,006</b>	<b>\$ 134,006</b>		
<b>Fund Balance</b>				
July 1 Beginning Balance	\$ 504,739	\$ 612,022		
Budgeted Reserves	(250,000)	(250,000)		
Difference Resources/Expenditures	62,006	134,006		
<b>Estimated June 30 Ending Balance</b>	<b>\$ 316,745</b>	<b>\$ 496,028</b>		

**STATUS OF COMMUNITY DEVELOPMENT COMMISSION 2019-20 BUDGET, FUND BALANCE, AND RESERVES**

	<b>2019-20 Budget</b>	<b>2019-20 Revised</b>	<b>Change Dollars</b>	<b>Percent</b>
<b>RESOURCES</b>				
Community Development Commission Revenue	\$ 34,863	\$ 29,893	\$ (4,970)	-14%
Budgeted Reserves	0	0		
Transfers	0	0		
<b>Total Resources</b>	<b>34,863</b>	<b>29,893</b>	<b>(4,970)</b>	<b>-14%</b>
<b>EXPENDITURES</b>	<b>529,790</b>	<b>529,790</b>	<b>0</b>	<b>0%</b>
<b>DIFFERENCE RESOURCES/EXPENSES</b>	<b>\$ (494,927)</b>	<b>\$ (499,897)</b>		
<b>Fund Balance</b>				
July 1 Beginning Balance	\$ 11,216,861	\$ 11,214,016		
Budgeted Reserves	0	0		
Difference Resources/Expenditures	(494,927)	(499,897)		
<b>Estimated June 30 Ending Balance</b>	<b>10,721,934</b>	<b>10,714,119</b>		
Less: Land Held for Resale	(12,102,122)	(12,102,122)		
<b>June 30th Ending Operating Fund Balance</b>	<b>\$ (1,380,188)</b>	<b>\$ (1,388,003)</b>		

**2019-20 MID-YEAR BUDGET REVIEW REPORT**

**STATUS OF HESPERIA HOUSING AUTHORITY FUND 2019-20 BUDGET, FUND BALANCE, AND RESERVES**

	<b>2019-20 Budget</b>	<b>2019-20 Revised</b>	<b>Change</b>	
			<b>Dollars</b>	<b>Percent</b>
<b>RESOURCES</b>				
Housing Authority Revenue	\$ 218,721	\$ 248,939	\$ 30,218	14%
Budgeted Reserves	0	0		
<b>Total Resources</b>	<b>\$ 218,721</b>	<b>\$ 248,939</b>	<b>\$ 30,218</b>	<b>14%</b>
<b>EXPENDITURES</b>				
370 Hesperia Housing Authority	83,360	83,360		
371 WEDA Housing Authority	0	0		
<b>Total Expenditures</b>	<b>83,360</b>	<b>83,360</b>	<b>0</b>	<b>0%</b>
<b>DIFFERENCE RESOURCES/EXPENSES</b>	<b>\$ 135,361</b>	<b>\$ 165,579</b>	<b>\$ 30,218</b>	<b>22%</b>
<b>Fund Balance</b>				
July 1 Beginning Balance	\$ 14,150,933	\$ 13,807,441		
Budgeted Reserves	0	0		
Difference Resources/Expenditures	135,361	165,579		
<b>Estimated June 30 Ending Balance</b>	<b>\$ 14,286,294</b>	<b>\$ 13,973,020</b>		
Less: Land Held for Resale	(8,911,584)	(8,911,584)		
<b>June 30th Ending Operating Fund Balance</b>	<b>\$ 5,374,710</b>	<b>\$ 5,061,436</b>		



**FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW**

**MAJOR FUNDS REVENUE SUMMARY**

	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
General Fund	\$ 34,516,450	\$ 9,864,123	29%	\$ 34,922,194	\$ 405,744
Community Development Block Grant	1,758,197	710,256	40%	1,453,342	(304,855)
Community Development Commission	34,863	29,864	86%	29,893	(4,970)
Hesperia Housing Authority	218,721	84,224	39%	248,939	30,218
Street Related Funds	19,194,355	4,846,340	25%	19,266,355	72,000
Other City Related Funds	1,106,665	346,071	31%	1,255,312	148,647
Water Operating	21,073,152	11,254,390	53%	21,098,287	25,135
Water Capital	3,100,000	902,615	29%	3,100,000	0
Water Reserves	0	6,230	n/a	0	0
Total Water Operating & Capital	24,173,152	12,163,235	50%	24,198,287	25,135
Sewer Operating	4,560,324	2,173,240	48%	4,560,324	0
Sewer Capital	438,000	85,913	20%	438,000	0
Sewer Reserves	0	600	n/a	0	0
Total Sewer Operating & Capital	4,998,324	2,259,753	45%	4,998,324	0
Water District	29,171,476	14,422,988	49%	29,196,611	25,135
Fire District	33,400	5,163	15%	33,400	0
<b>Total All Funds</b>	<b>\$ 86,034,127</b>	<b>\$ 30,309,029</b>	<b>35%</b>	<b>\$ 86,406,046</b>	<b>\$ 371,919</b>

**Overall** – Through the end of December 2019, 35% percent of the Adopted Budgeted revenue has been collected compared to 32% for December 2018 (after excluding the Fire District Operations that were transferred to San Bernardino County). The General Fund has received 29% of expected revenue, which is largely due to the timing of when revenues are received. For the 2019-20 Mid-Year Review, more revenue sources will have been received including: vehicle license fee, property tax revenue (with receipts beginning in November), grant reimbursement revenue, and Community Development Block Grant (CDBG) revenue, which will be collected for the activity that occurred during the Second Quarter.

The FY 2019-20 Revised for the General Fund is \$0.4 million more than the FY 2019-20 Budget. This projected increase is due to the expected increase in Development related revenue, Commercial Cannabis related revenue, and pass-thru apportionment that included double the residual that was received in December 2019. Community Development Block Grant (CDBG) was revised down to reflect the reduced reimbursements from projects experiencing delays.

Water Operating revenue is being collected as expected with 53% collected through December 2019, compared to 51% collected through December 2018. Water consumption sales through December 2019 have increased 7% compared to December 2018, while the revenue collected for the water bi-monthly charge has increased by 10% over the same period. The increase in FY 2019-20 Budgeted Water Sales revenue reflects the ongoing effects from the implementation of the water rates structure. Also contributing to the increase is receiving more residual pass-thru apportionment than in prior years. Sewer Operating & Capital combined is 45% collected. As a whole, the Water District revenue is being received as anticipated.

## FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

## GENERAL FUND REVENUES

	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Sales and Use Tax	\$ 9,665,000	\$ 3,390,313	35%	\$ 9,665,000	\$ 0
Vehicle License Fee (VLF)	8,705,693	0	0%	8,705,693	0
Franchise Fees	3,571,144	684,914	19%	3,571,144	0
Sub-Total Top Three Revenues	21,941,837	4,075,227	19%	21,941,837	0
Transient Occupancy Tax	1,175,000	473,084	40%	1,175,000	0
Property Transfer Tax	270,000	129,185	48%	270,000	0
Secured Property Tax	1,193,612	435,043	36%	1,193,612	0
Business License	350,000	255,343	73%	350,000	0
Community Facilities District 2005-1	297,203	148,434	50%	297,203	0
Leased Water Rights	2,312,024	0	0%	2,312,024	0
General & Administrative Recovery	2,697,338	1,348,669	50%	2,697,338	0
Development Related Revenues					
Planning	172,964	149,870	87%	225,261	52,297
Building & Safety	2,136,818	1,051,657	49%	2,139,268	2,450
Engineering	333,228	253,437	76%	409,888	76,660
Sub-Total Development Related Revenues	2,643,010	1,454,964	55%	2,774,417	131,407
Sub-Total Top 13 Revenue Sources	32,880,024	8,319,949	25%	33,011,431	131,407
All Other	1,636,426	1,544,174	94%	1,910,763	274,337
Total General Fund Revenues	\$ 34,516,450	\$ 9,864,123	29%	\$ 34,922,194	\$ 405,744

## General Fund Revenue Comments:

**General Fund Revenue** – Through December 2019, YTD revenue has increased \$2.6 million or 36% from December 2018 revenues of \$7.2 million. This increase is mainly attributed to the inclusion of General and Administrative Recovery (G & A) revenue for administrative services provided by general fund staff to other departments within the City. The inclusion of the G & A revenue represents a change in how the funds are recorded and represented. Previously shown as an Operating Transfer-In, G & A is now reflected as a revenue source. Evaluating the change in revenue without the G & A classification impact results in a mid-year FY 2019-20 revenue increase of \$1.3 million, or 18% over the prior fiscal year. It is necessary to note that the FY 2019-20 Budget assumes 165 residential permits for the year versus the 200 budgeted in the prior year.

**Sales and Use Tax** – The collections through the second quarter of \$3.4 million is \$0.3 million or 7.7% less than the December 2018 YTD of \$3.7 million. This is due to the catch-up payments from the State that were received in FY 2018-19 due to their implementation of a new sales tax computer system. Revenue is expected to be received as budgeted.

**Vehicle License Fee (VLF)** – This revenue is based on the City's assessed valuation. As the assessed valuation changes from the prior year, this revenue changes by the same percentage. There is no revenue reported through December 2019, as the first installment of the VLF is expected to be received in January and May 2020.

**Franchise Fees** – Franchise fees for Cable TV, Advance Disposal, Southwest Gas, Southern California Edison, and Water for December 2019 YTD total \$0.7 million, which is \$29,353 or a 4% increase over December 2018 YTD. Please note that the majority of franchise fees are received in the second half of the fiscal year.

**Transient Occupancy Tax (TOT)** – Through December 2019, YTD revenue is \$473,084, which is \$28,897 more than the December 2018 YTD of \$444,187. This reflects a 6.5% increase, which is attributed due to the timing of receipts received from the hotels through November 2019 and the payments from a new hotel.

FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

**General Fund Revenue Comments (Continued):**

**Property Transfer Tax** – This revenue reflects the change in property valuation upon change of ownership within the City. The December 2019 YTD total of \$129,185, which represents a \$34,826 or 37% increase from December 2018 YTD of \$94,359.

**Secured Property Tax** – Through December 2019, YTD revenue is \$0.4 million, which is \$0.2 million more than the December 2018 YTD. This reflects the increase in property taxes as a result from the annexation with County Fire.

**Business License** – This revenue is paid by each business operating in the City. YTD December 2019 collections of \$0.2 million is \$79,522 more than December 2018. There were 892 new business licenses issued during the first six months of FY 2019-20. Included in the new business licenses issued is nine cannabis businesses, compared to the four issued during the same period last fiscal year.

**Community Facilities District 2005-1** – This special assessment district, (generally west of Maple Avenue and south of Main Street), was formed to refinance the bonds of CFD 91-3, and assesses the properties within the district to repay the bonds. Part of the annual assessment includes a public safety portion to offset some of the costs that residential development places on the City's public safety providers. The December 2019 YTD is \$148,434, which is 3% or \$4,502 more than December 2018 YTD of \$143,932.

**Leased Water Rights** – The permanent water rights owned by the General Fund can be leased annually and the lease revenue is used to pay for the 2012 Bonds, which financed the purchase of the water rights. The leasing of water rights revenue is always collected at the end of the year and will be recorded in June.

**Development Related Revenue** – The FY 2019-20 Budget anticipated issuing 165 residential building permits (SFR's). Through December 2019, 98 residential permits have been issued compared to 90 through December 2018. Development Related YTD revenue is \$294,535 or 25.4% more than the December 2018 YTD of \$1,160,429 due to the increased number of building permits issued and the increased commercial square footage added compared to the prior fiscal year. Commercial square footage is at 142,550 square feet through December 2019 compared to the 92,052 square feet through December 2018. The development of Kaiser Permanente, Southland Pipe, and Aldi have contributed to the increase in commercial square footage through December 2019. Overall, the 25.4% increase in development related revenue compared to the same period last fiscal year is evident with the increase of building permits issued for added commercial square footage. As such, this revenue has been revised to reflect the anticipated increase in additional permits for commercial permits, additional parcel maps, and additional conditional use permits during the second half of the fiscal year. The chart below exhibits the overall increase from the prior fiscal year through December 31, 2019.

<u>Division</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Change</u>	
	<u>December 2018</u>	<u>December 2019</u>	<u>Amount</u>	<u>Percentage</u>
Planning	\$ 106,715	\$ 149,870	\$ 43,155	40.4%
Building & Safety	860,395	1,051,657	191,262	22.2%
Engineering	193,319	253,437	60,118	31.1%
Total	\$ 1,160,429	\$ 1,454,964	\$ 294,535	25.4%

**All Other General Fund Revenue** – The numerous all other general fund revenue accounts are \$1.5 million and 94% collected through December 31, 2019, compared to \$0.6 million collected December 2018. This difference can be attributed to receiving more revenue related to Commercial Cannabis than budgeted and the pass-thru apportionment that was received in December 2019, which included double the residual balance versus FY 2018-19 receiving the apportionment in January and May.

FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVENUE

	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
CDBG Administration Reimbursement	\$ 1,689,197	\$ 635,567	38%	\$ 1,267,515	\$ (421,682)
CDBG Neighborhood Stabilization Prog. (NSP)	53,400	14,612	27%	114,121	60,721
<b>Sub-Total</b>	<b>1,742,597</b>	<b>650,179</b>	<b>37%</b>	<b>1,381,636</b>	<b>\$ (360,961)</b>
All Other CDBG Revenues	15,600	60,077	385%	71,706	56,106
<b>Total CDBG Revenues</b>	<b>\$ 1,758,197</b>	<b>\$ 710,256</b>	<b>40%</b>	<b>\$ 1,453,342</b>	<b>\$ (304,855)</b>

**Community Development Block Grant Revenue Comments:**

These revenues are reimbursements for projects designed to benefit the City and must be spent prior to submitting for reimbursements. Reimbursements of \$0.6 million has been received through December 2019 and has been revised down due to projects experiencing delays.

**CDBG Neighborhood Stabilization Program (NSP)** – The Budget primarily represents proceeds from sales of NSP properties, which are difficult to estimate as projected property sales can occur at any time during the fiscal year. However, staff anticipates the sale of one property will take place during the second half of the fiscal year and has revised the revenue to reflect the sale.

**All Other CDBG Revenues** – This revenue includes CDBG program income and interest revenue for the HOME Grant fund and the CDBG Revolving Loan fund. These revenues are one-time in nature and are not received on a time schedule as other revenue. The FY 2019-20 Budget has been revised to include \$60,077 that was received during the second quarter. This unanticipated revenue was due to the 1999 Home-Down Payment Assistance (DAP) repayments and interest income.

COMMUNITY DEVELOPMENT COMMISSION (CDC) REVENUE

	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
Reimbursement from Other Agencies	\$ 20,000	\$ 0	0%	\$ 0	\$ (20,000)
All Other CDC Revenues	14,863	29,864	201%	29,893	15,030
<b>Total CDC Revenues</b>	<b>\$ 34,863</b>	<b>\$ 29,864</b>	<b>86%</b>	<b>\$ 29,893</b>	<b>\$ (4,970)</b>

**Community Development Commission Revenue Comments:**

Reimbursements from Other Agencies has been reduced to zero, as the City does not expect to receive reimbursements from the member agencies of Opportunity High Desert. All Other CDC Revenues has been received and is revised to include a \$15,000 deposit refund received during the first quarter, which was due to escrow being canceled on a property.

**FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)**

**HESPERIA HOUSING AUTHORITY (HHA) REVENUE**

	<b>2019-20 Budget</b>	<b>December 2019-20 Actual</b>	<b>Percent Received</b>	<b>2019-20 Revised</b>	<b>Change From Budget To Revised</b>
Interest Income	\$ 91,475	\$ 41,892	46%	\$ 91,475	\$ 0
Loan Repayments	88,246	30,218	34%	118,464	30,218
All Other HHA Revenue	1,000	375	38%	1,000	0
<b>Sub-Total HHA Revenue</b>	<b>180,721</b>	<b>72,485</b>	<b>40%</b>	<b>210,939</b>	<b>30,218</b>
VVEDA Housing Authority Revenue	38,000	11,739	31%	38,000	0
<b>Total HHA Revenues</b>	<b>\$ 218,721</b>	<b>\$ 84,224</b>	<b>39%</b>	<b>\$ 248,939</b>	<b>\$ 30,218</b>

**Hesperia Housing Authority (HHA) Revenue Comments:**

Interest and rental income/loan repayments are 99% of the Authority's FY 2019-20 Budget and 40% has been collected through December 2019. Loan repayments has been revised by \$30,218 to reflect the payments from San Remo II and HRLP payoffs. VVEDA Housing Authority revenue is being collected as expected.

**STREET RELATED FUNDS REVENUE**

	<b>2019-20 Budget</b>	<b>December 2019-20 Actual</b>	<b>Percent Received</b>	<b>2019-20 Revised</b>	<b>Change From Budget To Revised</b>
204 Measure I - Renewal	\$ 2,731,880	\$ 832,336	30%	\$ 2,731,880	\$ 0
205 Gas Tax Fund	1,553,281	661,671	43%	1,553,281	0
206 Gas Tax Swap Fund	925,584	366,161	40%	925,584	0
207 Local Transportation Fund	834,165	816,607	98%	834,165	0
209 Gas Tax - RMRA	1,569,303	621,163	40%	1,569,303	0
254 AQMD Fund	485,182	139	0%	485,182	0
263 Public Works Street Maintenance Fund	17,000	65,906	388%	89,000	72,000
<b>Sub-Total</b>	<b>8,116,395</b>	<b>3,363,983</b>	<b>41%</b>	<b>8,188,395</b>	<b>72,000</b>
DIF Streets & Storm Drain					
300 Development Impact Fee-Streets	3,075,223	117,268	4%	3,075,223	0
301 Development Impact Fee-Storm Drain	452,849	30,502	7%	452,849	0
306 Development Impact Fee 2018-Streets	1,494,562	1,228,119	82%	1,494,562	0
307 Development Impact Fee 2018-Drainage Facilities	121,999	106,293	87%	121,999	0
<b>Sub-Total DIF Streets &amp; Storm Drain</b>	<b>5,144,633</b>	<b>1,482,182</b>	<b>29%</b>	<b>5,144,633</b>	<b>0</b>
504 City Streets CIP	5,933,327	175	0%	5,933,327	0
<b>Total Street Related Funds</b>	<b>\$ 19,194,355</b>	<b>\$ 4,846,340</b>	<b>25%</b>	<b>\$ 19,266,355</b>	<b>\$ 72,000</b>

**Streets Related Funds Revenue Comments:**

**Measure I - Renewal** – This fund is used to account for the renewed Measure I sales tax based on revenue generated from the ½ cent added tax on sales tax. Through December 2019 YTD, revenue is \$832,336 (3 installments) or 20% less than the December 2018 YTD of \$1,041,423 (4 installments). Installments are received monthly through the fiscal year. When comparing the first three installments through December 2019 to the first three through December 2018, the FY 2019-20 is \$33,119 more or 4.3%.

**Gas Tax** – The City's apportionments through December 2019 total \$661,671, which is \$156,094 more than the December 2018 total of \$505,577. Monthly apportionments are received throughout the fiscal year and vary from year-to-year due to timing differences by the State schedule of monthly apportionments. FY 2019-20 Revised remains unchanged reflecting that revenue is proceeding as expected.

**FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)****Streets Related Funds Revenue Comments (Continued):**

**Gas Tax Swap** – Through December 2019, the total apportionments of \$366,161 are \$229,897 more than the December 2018 YTD of \$136,264. The reason for this increase can be attributed to the SB-1 Transportation Funding Act and a State General Fund loan repayment from prior years borrowing of transportation funds, which will continue through the end of this fiscal year.

**Local Transportation** – Prior to FY 2018-19, Article 8 funds were received after the end of the fiscal year. During FY 2018-19, SBCTA notified the City that they made a change in the distribution of funds retroactive to FY 2015-16. As a result, of this change the determination was made that the allocation would be recorded during FY 2019-20, the year received. The December 2019 YTD of \$816,607 includes the apportionment received and a portion of interest income received in FY 2019-20.

**Gas Tax RMRA** – This source of revenue is State-funded and took effect in November 2017 during FY 2017-18. This revenue is used to repair and maintain roads, freeways, and bridges. SB 1, the Road Repair and Accountability Act of 2017, increased the gas tax by 12 cents and 20 cents for diesel. The vehicle registration fee also increased depending on the value of the vehicle. As of December 2019, revenue received from the State is \$621,163, which reflects four payments.

**AQMD (AB2766 Transit)** – Revenue is related to a grant reimbursement which is anticipated to be received later in the fiscal year as expenses are incurred and submitted for reimbursement.

**Public Works-Street Maintenance** – The estimated revenues are primarily interest earnings. This fund will occasionally receive miscellaneous reimbursements on an inconsistent basis, making comparisons to prior years meaningless. Through December 2019, \$59,791 of an unanticipated lien pay-off and proceeds from the sale of equipment has been received. The year-end revised has been increased by \$72,000 to reflect the unanticipated revenue received.

**Development Impact Fees for Streets and Storm Drain** – Through December 2019 YTD, the combined revenue received of \$1.5 million is \$0.4 million or 21%, less than the \$1.9 million received through December 2018 YTD. The primary reason for the decrease between the two periods is due to large development projects that paid their fees in FY 2018-19.

**City Streets CIP** – This fund tracks grant and developer funded projects such as the E Avenue Street Improvements, the Traffic Signal at Main Street and Sultana Street/Timberlane Avenue, Ranchero Aqueduct crossing, and the Park and Ride facility. Reimbursement revenue will be received after project construction later in the fiscal year.

**FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)**

**OTHER CITY FUNDS REVENUE**

	<b>2019-20 Budget</b>	<b>December 2019-20 Actual</b>	<b>Percent Received</b>	<b>2019-20 Revised</b>	<b>Change From Budget To Revised</b>
255 AB3229 Supplemental Law Fund	141,700	136,377	96%	227,106	85,406
256 Environmental Programs Grant	2,600	14,185	546%	65,841	63,241
260 Disaster Preparedness Grant	500	276	55%	500	0
DIFs 302-304, 308-312					
302 Development Impact Fee-Fire	365,246	10,506	3%	365,246	0
303 Development Impact Fee-Police	108,656	1,977	2%	108,656	0
304 Development Impact Fee-Public Services	263,597	1,058	0%	263,597	0
308 Development Impact Fee 2018-Fire Suppression	80,875	72,967	90%	80,875	0
309 Development Impact Fee 2018-City Hall Facilities	69,472	62,438	90%	69,472	0
310 Development Impact Fee 2018-Animal Control	22,633	20,009	88%	22,633	0
311 Development Impact Fee 2018-Records Storage	3,368	3,034	90%	3,368	0
312 Development Impact Fee 2018-Police Facilities	1,018	1,198	118%	1,018	0
<b>Sub-Total DIFs 302-304, 308-312</b>	<b>914,865</b>	<b>173,187</b>	<b>19%</b>	<b>914,865</b>	<b>0</b>
402 2012 Water Rights Debt Service	26,000	12,134	47%	26,000	0
403 2013 Refunding Debt Service	21,000	9,912	47%	21,000	0
<b>Total Other City Funds</b>	<b>\$ 1,106,665</b>	<b>\$ 346,071</b>	<b>31%</b>	<b>\$ 1,255,312</b>	<b>\$ 148,647</b>

**Other City Funds Revenue Comments:** Many of these funds only receive interest income during the fiscal year.

**AB3229 Supplemental Law Fund** – The passage of Senate Bill (SB) 89 allowed for the continued funding of the Supplemental Law Enforcement Funding (SLESF). Through December 2019 \$136,377 or 96% has been received. The FY 2019-20 Budget has been revised to \$227,106 to reflect additional residual SLESF expected to be received from the prior year.

**Environmental Programs Grant** – This fund tracks various environmental grants for reimbursements. The December 2019 YTD of \$14,185 is primarily comprised of unanticipated reimbursements for electronic waste recycling. The FY 2019-20 revised has been increased by \$63,241 to reflect the additional reimbursements for various recycling events during the second half of the fiscal year.

**Disaster Preparedness Grant** – The revenue in this fund is interest earnings from retained cash.

**Development Impact Fees-Fire, Police, Public Services, City Hall, Animal Control, and Records Storage** – The combined total of \$173,186 for December 2019 YTD is 33% less than December 2018 YTD of \$259,517. The primary reason for the difference between the two periods is that large development projects such as West Main Villas and Hesperia Distribution Center paid their fees in FY 2018-19.

**2012 Water Rights and 2013 Refunding Debt Service** – The revenue in these fund is interest earnings from fiscal agent cash.

## FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

## WATER DISTRICT REVENUE

	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
<b>Water Operating Revenue</b>					
Water Sales	\$ 19,643,000	\$ 10,434,485	53%	\$ 19,643,000	\$ 0
Property Taxes	442,765	311,385	70%	442,765	0
<b>Sub-Total</b>	<b>20,085,765</b>	<b>10,745,870</b>	<b>53%</b>	<b>20,085,765</b>	<b>0</b>
All Other Water Operating Revenues	987,387	508,520	52%	1,012,522	25,135
<b>Total Water Operating Revenues</b>	<b>\$ 21,073,152</b>	<b>\$ 11,254,390</b>	<b>53%</b>	<b>\$ 21,098,287</b>	<b>\$ 25,135</b>
Capital Facilities Charges	800,000	902,615	113%	800,000	0
Prop 1 Grants	2,300,000	0	0%	2,300,000	0
<b>Total Water Capital Revenues</b>	<b>3,100,000</b>	<b>902,615</b>	<b>29%</b>	<b>3,100,000</b>	<b>0</b>
All Other Water Reserves Revenues	0	6,230	n/a	0	0
<b>Total Water Operating &amp; Capital Revenues</b>	<b>\$ 24,173,152</b>	<b>\$ 12,163,235</b>	<b>50%</b>	<b>\$ 24,198,287</b>	<b>\$ 25,135</b>
<b>Sewer Operating Revenue</b>					
Sewer Billing	\$ 4,339,054	\$ 2,105,237	49%	\$ 4,339,054	\$ 0
All Other Sewer Operating Revenues	221,270	68,003	31%	221,270	0
<b>Total Sewer Operating Revenue</b>	<b>4,560,324</b>	<b>2,173,240</b>	<b>48%</b>	<b>4,560,324</b>	<b>0</b>
Sewer Connections	400,000	75,170	19%	400,000	0
All Other Sewer Capital Revenues	38,000	10,743	28%	38,000	0
<b>Total Sewer Capital Revenue</b>	<b>438,000</b>	<b>85,913</b>	<b>20%</b>	<b>438,000</b>	<b>0</b>
All Other Sewer Reserves Revenues	0	600	n/a	0	0
<b>Total Sewer Operating &amp; Capital Revenues</b>	<b>\$ 4,998,324</b>	<b>\$ 2,259,753</b>	<b>45%</b>	<b>\$ 4,998,324</b>	<b>\$ 0</b>
<b>Total Hesperia Water District Revenue</b>	<b>\$ 29,171,476</b>	<b>\$ 14,422,988</b>	<b>49%</b>	<b>\$ 29,196,611</b>	<b>\$ 25,135</b>

## Water District Revenue Comments:

**Water Sales** – Through December 2019, \$10.4 million has been received, which is \$0.7 million, or 7% higher than the December 2018 YTD of \$9.7 million. Water consumption sales increased 7% compared to December 2018, while the revenue collected for the water bi-monthly charge has increased by 10% over the same period. These increases in Water Sales revenue compared to December 2018 continue to represent the ongoing effects from the implementation of the new water rates structure. With Water Sales at 53% collected from the budgeted amount, it signifies the seasonality of this revenue source where revenues are typically higher during the warmer summer months.

**Property Taxes** – Property tax revenue is normally received from November 2019 through July 2020. Through December 2019, the YTD of \$311,385 is approximately \$155,887 or 100% more than the December 2018 YTD of \$155,498. This is due to receiving the one pass-thru apportionment which included double the residual balance in December 2019 versus receiving the apportionment in January and May as was done during FY 2018-19.

**All Other Water Operating Revenue** – Through December 2019, \$508,520 or 52%, has been received which is 4% more than December 2018 YTD of \$488,427. The increase for the Revised is primarily due to the unanticipated proceeds from equipment sales.

**Capital Facilities Surcharge** – Revenue through December 2019 YTD is \$902,615, which is \$507,825 or 129% more than December 2018 YTD of \$394,790. The increase to the revenue received during the Second quarter of 2019 is related to the large commercial projects such as the Frontier and Muscatel Apartments compared to revenue generated during the same period in 2018.

**Prop. 1 Grants** – This revenue will reimburse expenses of the Recycled Water project and will be drawn upon after expenses have been paid.



FISCAL YEAR 2019-20 DECEMBER 31, 2019 YEAR-TO-DATE REVENUE REVIEW (Continued)

Water District Revenue Comments (Continued):

**Sewer Billing** revenue through December 2019 is \$2,105,237, which is \$155,078 or 8% more than the revenue received in the Second Quarter of 2018-19. This increase is associated with the 6% sewer rate increase, which took effect in December 2018, along with the addition of new sewer residential and commercial customers over the past year.

**Sewer Connections** revenue through December 2019 YTD is \$75,170, which is 56% less than the \$170,789 received through December 2018 YTD. The decrease between the two periods is due to having received \$82,566 from the Mesa Linda duplexes in FY 2018-19.

FIRE DISTRICT REVENUE					
	2019-20 Budget	December 2019-20 Actual	Percent Received	2019-20 Revised	Change From Budget To Revised
210 HFPD (PERS) Interest Income	\$ 33,400	\$ 5,163	15%	\$ 33,400	\$ 0
<b>Total Fire District Revenue</b>	<b>\$ 33,400</b>	<b>\$ 5,163</b>	<b>15%</b>	<b>\$ 33,400</b>	<b>\$ 0</b>

**Hesperia Fire Protection District (Public Employees' Retirement System - PERS)** – Interest Income is received later in the fiscal year.

**2019-20 MID-YEAR BUDGET REVIEW REPORT**

**DEPARTMENT FY 2019-20 BUDGET EXPENDITURE STATUS SUMMARY**

**Total City Expenditures** – With the exception of the four (4) mid-year budget amendments totaling \$396,702, the overall assessment of the City's expenditures through the mid-year of the fiscal year is that expenditures are expected to stay within the FY 2019-20 Amended Budget.

Grouping	Department Expenditure Summary	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>Department/Division Proceeding As Planned</b>					
<b>1</b>	Development Services - Community Development	\$ 2,131,385	\$ 2,131,385	\$ 1,055,700	50%
	Police	17,086,541	17,086,541	8,554,501	50%
	City Manager	2,901,500	2,901,500	1,415,394	49%
	Development Services - Code Compliance	2,934,291	2,934,291	1,407,740	48%
	Development Services - Public Works	6,332,683	6,344,183	2,585,674	41%
	Economic Development	2,418,069	2,569,150	1,031,343	40%
<b>Department/Division Expenditures Are Less Than Expected (Less than 40% Expended)</b>					
<b>2</b>	City Council	\$ 902,533	\$ 902,533	\$ 321,604	36%
	Development Services - Water	29,744,668	29,744,668	8,004,046	27%
	Development Services - Sewer	8,493,682	8,504,109	1,669,871	20%
<b>CIP Funds Are Less Than Expected</b>					
<b>3</b>	Streets Capital Improvement Project (CIP) Funds	\$ 17,493,097	\$ 18,471,765	\$ 1,401,587	8%
<b>Department/Division Exceeding 55% Expended</b>					
<b>4</b>	Other Transportation Related Funds	\$ 484,482	\$ 484,482	\$ 477,331	99%
	Fire District	905,656	905,656	874,510	97%
	Other City Related Funds	2,429,953	2,429,953	1,648,403	68%
	Management Services	4,238,398	4,238,398	2,542,665	60%
<b>TOTAL CITY EXPENDITURES</b>		<b>\$ 98,496,938</b>	<b>\$ 99,648,614</b>	<b>\$ 32,990,369</b>	<b>33%</b>

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**

**DEPARTMENT/DIVISION PROCEEDING AS PLANNED**

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>D. S. - Community Development</b>				
100 3000 Planning	\$ 990,359	\$ 990,359	\$ 476,879	48%
100 3020 Building & Safety	1,141,026	1,141,026	578,821	51%
<b>Total D. S. - Community Development</b>	<b>\$ 2,131,385</b>	<b>\$ 2,131,385</b>	<b>\$ 1,055,700</b>	<b>50%</b>

The Community Development Division is 50% expended overall through the Second Quarter. Planning is 48% expended and Building & Safety is 51% expended both consistent with expectations at this point of the year.

# 2019-20 MID-YEAR BUDGET REVIEW REPORT

## TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS DEPARTMENT/DIVISION PROCEEDING AS PLANNED (Continued)

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>Police</b>	<b>\$ 17,086,541</b>	<b>\$ 17,086,541</b>	<b>\$ 8,554,501</b>	<b>50%</b>

The Police Department budget is 50% expended, which is expected for the first half of the fiscal year with the County contract invoices paid through December 2019. An amendment in the amount of \$30,658 for the purchase of one (1) Mobile License Plate Reader (LPR) is being requested as part of this Mid-Year Budget Review.

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>City Manager</b>				
100 200 City Manager	\$ 1,472,767	\$ 1,472,767	\$ 708,329	48%
100 215 Information Technology	1,428,733	1,428,733	707,065	49%
<b>Total City Manager</b>	<b>\$ 2,901,500</b>	<b>\$ 2,901,500</b>	<b>\$ 1,415,394</b>	<b>49%</b>

The City Manager Department expenditures are on track staying within the 2019-20 Budget at 49% expended. Overall, both the City Manager and the Information Technology Divisions are proceeding as expected.

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>D. S. - Code Compliance</b>				
100 3010 Code Enforcement	\$ 1,199,796	\$ 1,199,796	\$ 609,588	51%
100 5000 Animal Control	1,734,495	1,734,495	798,152	46%
<b>Total D. S. - Code Compliance</b>	<b>\$ 2,934,291</b>	<b>\$ 2,934,291</b>	<b>\$ 1,407,740</b>	<b>48%</b>

The Code Compliance Division expenditures are trending as expected through mid-year. As shown by the table above, Code Enforcement is 51% expended, while Animal Control is 46% expended.

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>D. S. - Public Works</b>				
100 3100 Engineering	\$ 785,506	\$ 785,506	\$ 370,002	47%
100 3110 Building Maintenance	1,178,183	1,189,683	436,989	37%
263 3150 Street Maintenance	2,668,501	2,668,501	1,048,948	39%
263 3170 Traffic	1,700,493	1,700,493	729,735	43%
<b>Total D. S. - Public Works</b>	<b>\$ 6,332,683</b>	<b>\$ 6,344,183</b>	<b>\$ 2,585,674</b>	<b>41%</b>

Through the end of December, the Public Works Division is 41% expended. While Engineering and Traffic are trending as expected, Building Maintenance and Street Maintenance are contributing factors for the Public Works Division's lower than expected expenditures, at 37% and 39% respectively. Large projects such as recoating the parking lots at City Hall and the County Library, rebuilding the access control gates at the Police Station, heavy load vehicles impact study, and the street assessment for the Pavement Management Program will take place in the second half of the fiscal year, with expenditures occurring as progress is made. During the first quarter budget review, a budget amendment to re-paint the decorative tube steel at City Hall in the amount of \$11,500 was approved.

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**  
**DEPARTMENT/DIVISION PROCEEDING AS PLANNED (Continued)**

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD Expenditures</b>	<b>Amended Percent Expended</b>
<b>Economic Development</b>				
<u>CDBG</u>				
251 CDBG Administration	\$ 1,689,197	\$ 1,828,845	\$ 681,883	37%
257 Neighborhood Stabilization	115,722	127,155	12,659	10%
Sub-total CDBG	1,804,919	1,956,000	694,542	36%
<u>Community Development Commission</u>				
170 Community Development Commission	529,790	529,790	300,006	57%
<u>Hesperia Housing Authority Funds</u>				
370 Hesperia Housing Authority	83,360	83,360	36,795	44%
<b>Total Economic Development</b>	<b>\$ 2,418,069</b>	<b>\$ 2,569,150</b>	<b>\$ 1,031,343</b>	<b>40%</b>

The Economic Development Department consists of the Community Development Block Grant (CDBG), Community Development Commission, and Hesperia Housing Authority funds. As a whole, the Economic Development Department is 40% expended through the Second Quarter.

In total, the CDBG funds are 36% expended.

- Fund 251 Community Development Block Grant has expended 37% of the amended budget. This fund administers the City's CDBG program and related activities which includes budgeted funds for two street improvement projects. Two additional projects, the Downtown Commercial Façade Improvement and grant contributions to the High Desert Homeless Services Warming Shelter, will occur after mid-year. Administration for the CDBG Programs, which is 12% expended at the end of December, will increase as progress is made on the public projects. During the first quarter budget review, a budget amendment for \$139,648 was approved to reprogram unspent funds for the use in the 2018-19 CDBG Street Improvements Project.
- Through the Second Quarter, the Neighborhood Stabilization Program is 10% expended, which is lower than anticipated. The FY 2019-20 Budget included funds for the demolition of a property to be completed by an outside contractor, but the demolition was instead performed by Development Services staff, resulting in a savings. During the first quarter budget review, a budget amendment for \$11,433 was approved to replace a septic tank at an NSP home.

The Community Development Commission (CDC), which performs the economic development functions for the City, is proceeding as expected with 57% of the budget expended.

The Hesperia Housing Authority (HHA) funds oversee the affordable housing activities within the City. Through the end of December, the HHA funds are 44% expended, which is expected for normal housing activities.

**DEPARTMENT/DIVISION EXPENDITURES ARE LESS THAN EXPECTED (LESS THAN 40% EXPENDED)**

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD Expenditures</b>	<b>Amended Percent Expended</b>
<b>City Council</b>				
100 100 City Council	\$ 602,533	\$ 602,533	\$ 192,058	32%
100 102 City Attorney	300,000	300,000	129,546	43%
<b>Total City Council</b>	<b>\$ 902,533</b>	<b>\$ 902,533</b>	<b>\$ 321,604</b>	<b>36%</b>

The City Council Department budget is 36% expended through December 2019. Contributing to the lower than anticipated City Council Division's expended percentage are budgeted items that are typically expended later during the fiscal year, such as \$150,000 for the Community Assistance Program, and \$50,000 for the Hesperia Unified School District Crossing Guard Program. The City Attorney Division is 43% expended, with invoices paid through November.

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**

**DEPARTMENT/DIVISION EXPENDITURES ARE LESS THAN EXPECTED (LESS THAN 40% EXPENDED)**

**(Continued)**

	<b>2019-20</b>	<b>2019-20</b>	<b>December</b>	<b>Amended</b>
	<b>Budget</b>	<b>Amended</b>	<b>2019 YTD</b>	<b>Percent</b>
			<b>Expenditures</b>	<b>Expended</b>
<b>D.S. Water Operating &amp; Capital</b>				
4010 Source of Supply	\$ 3,838,428	\$ 3,834,243	\$ 113,356	3%
4020 Production	3,297,777	3,299,600	1,396,216	42%
4030 Distribution	1,475,117	1,566,027	719,603	46%
4035 Pipeline Maintenance	1,437,009	1,337,204	474,749	36%
4040 Engineering	985,325	985,325	410,827	42%
4050 Customer Service	1,869,967	1,871,874	829,142	44%
4060 Utility Billing	940,985	940,985	525,053	56%
4070 Administration	4,930,233	4,937,083	1,886,205	38%
4080 Property Management	464,827	467,327	164,277	35%
Total Water Operations	19,239,668	19,239,668	6,519,428	34%
701 Water Capital	10,505,000	10,505,000	1,484,618	14%
<b>Total D.S. Water Operating &amp; Capital</b>	<b>\$ 29,744,668</b>	<b>\$ 29,744,668</b>	<b>\$ 8,004,046</b>	<b>27%</b>

Overall, the Water Operating and Capital funds are 27% expended through December 31, 2019. The following narrative details the progression of each program.

- The primary responsibility of Source of Supply is to secure make-up water lease rights to remedy overproduction. At Mid-Year, Source of Supply is only 3% expended. Expenditures will increase significantly in the later part of the fiscal year due to the recording of leased water rights, to offset the Alto and Centro Subarea replacement obligation.
- Production, which is responsible for drawing the groundwater, has expended 42% of the budget by the end of the Second Quarter. Expenditures are lower than expected due to the timing of receipt of invoices related to the State Water Resources Control Board compliance tracking, and unregulated constituent monitoring invoices which are paid in the later part of the fiscal year.
- Distribution has utilized 46% of its allocated budget and is proceeding as planned.
- Through December 31, 2019, Pipeline Maintenance has expended 36% of the budget and will increase as material (pipe) is purchased for the pipeline replacement program, as identified in the FY 2019-20 Budget.
- Engineering is currently 42% expended and proceeding as expected with pending payments anticipated after the Second Quarter for the Water Master Plan update.
- Customer Service is 44% expended and, as progress is made with Advanced Metering Infrastructure (AMI) program, the expenditures will increase.
- Utility Billing is proceeding as expected with 56% expended.
- Administration is at 38% of the budget, which is primarily due to the Water District's principal debt service payment that is paid during the fourth quarter of the fiscal year. An amendment for \$210,000 is being requested for the District to prepare a federally mandated Risk Assessment and Emergency Response Plan as a requirement of the America's Water Infrastructure Act of 2018 (AWIA).
- Property Management is at 35% expended at mid-year. Facility maintenance costs are expected to increase as maintenance projects are completed throughout the fiscal year.
- Expenditures for the Water Capital fund are 14% expended and will increase as projects such as the Reclaimed Water Distribution System and I-15 Corridor progress.

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**

**DEPARTMENT/DIVISION EXPENDITURES ARE LESS THAN EXPECTED (LESS THAN 40% EXPENDED)**

**(Continued)**

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>D. S. - Sewer Operating &amp; Capital</b>				
4200 Operations	\$ 3,906,429	\$ 3,916,856	\$ 1,401,056	36%
4240 Engineering	181,145	181,145	85,085	47%
4260 Utility Billing	176,899	176,899	89,595	51%
4270 Administration	119,209	119,209	56,374	47%
Total Sewer Operating	4,383,682	4,394,109	1,632,110	37%
711 Sewer Capital Projects	4,110,000	4,110,000	37,761	1%
<b>Total D.S. Sewer Operating &amp; Capital</b>	<b>\$ 8,493,682</b>	<b>\$ 8,504,109</b>	<b>\$ 1,669,871</b>	<b>20%</b>

The Sewer Funds overall are 20% expended.

Sewer Operating expenditures are 37% expended, which is primarily due to receiving invoices for Victor Valley Wastewater Reclamation Authority (VWWRA) sewer treatment fees through October 2019. It should be noted that the VWWRA connection fees are being recorded as an expense, but held in a liability account until payments are released to VWWRA. An amendment for \$10,427 was approved at the December 17, 2019 Council Meeting in order to fully fund the purchase of a replacement truck.

Sewer Capital has \$4.1 million allocated to several projects, such as the Maple Avenue sewer line replacement and I-15 Corridor sewer project. Capital expenditures will occur during the latter half of the fiscal year. Included in this report is a budget amendment request of \$57,450 for the repair of five (5) manholes on Bear Valley Road.

**CIP FUNDS ARE LESS THAN EXPECTED**

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>Streets Capital Improvement Project (CIP) Funds</b>	<b>\$ 17,493,097</b>	<b>\$ 18,471,765</b>	<b>\$ 1,401,587</b>	<b>8%</b>

Streets Capital Improvement related expenditures is at 8% expended through December 2019. As progress continues on projects, such as the FY 2019-20 Street Improvement Project, A-04 Drainage Program, "E" Avenue Street Improvements, and other streets related projects, the percentage of actual expenses to budget will increase.

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**

**DEPARTMENT/DIVISION EXCEEDING 55% EXPENDED**

	2019-20 Budget	2019-20 Amended	December 2019 YTD Expenditures	Amended Percent Expended
<b>Other Transportation Related Funds</b>	<b>\$ 484,482</b>	<b>\$ 484,482</b>	<b>\$ 477,331</b>	<b>99%</b>

The Other Transportation Related Funds category consists of approximately \$0.4 million for the Main Street Traffic Synchronization project, which is anticipated to be completed during the early part of the 3<sup>rd</sup> Quarter.

**TOTAL EXPENDITURES BY DEPARTMENT AND PROGRAMS**  
**DEPARTMENT/DIVISION EXCEEDING 55% EXPENDED (Continued)**

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD Expenditures</b>	<b>Amended Percent Expended</b>
<b>Fire District</b>				
210 HFPD (PERS)	\$ 905,656	\$ 905,656	\$ 874,510	97%
<b>Total Fire District</b>	<b>\$ 905,656</b>	<b>\$ 905,656</b>	<b>\$ 874,510</b>	<b>97%</b>

During FY 2018-19, the City transferred all Hesperia Fire Protection District (Fire District) assets and liabilities to San Bernardino County Fire, with the exception of the former personnel obligations, for which the Fire District will continue to function with dedicated funding. The Fire District is 97% expended, which is due to paying the annual contractual retirement obligations related to the former Fire District employees at the beginning of the fiscal year.

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD Expenditures</b>	<b>Amended Percent Expended</b>
<b>Other City Related Funds</b>	<b>\$ 2,429,953</b>	<b>\$ 2,429,953</b>	<b>\$ 1,648,403</b>	<b>68%</b>

A large portion of this classification is the budgeting of the principal and interest payments for the 2012 Water Rights Acquisition and 2013 Refunding Lease Revenue Bonds. Principal payments occur in October of each fiscal year, explaining the 68% expended percentage at December 2019.

	<b>2019-20 Budget</b>	<b>2019-20 Amended</b>	<b>December 2019 YTD Expenditures</b>	<b>Amended Percent Expended</b>
<b>Management Services</b>				
100 220 Finance	\$ 1,837,411	\$ 1,837,411	\$ 964,785	53%
100 225 Human Resources/ Risk Mgmt.	1,650,276	1,650,276	1,047,174	63%
100 229 Non-Departmental	750,711	750,711	530,706	71%
<b>Total Management Services</b>	<b>\$ 4,238,398</b>	<b>\$ 4,238,398</b>	<b>\$ 2,542,665</b>	<b>60%</b>

The Management Services Department is currently at 60% expended. The Finance Division is at 53% expended and proceeding as planned. The Human Resources Division is 63% expended due to the lump sum payment to CalPERS for the unfunded accrued liability and annual insurance premiums that were paid at the beginning of the fiscal year. Start-up expenditures for the Golf Course is the primary reason that Non-Departmental is 71% expended, which is causing Management Services to be higher than expected at the end of the second quarter. A budget amendment in the amount of \$98,594 has been included for County Service Area (CSA) 64 sewer fees, related to a development agreement, and more information is provided on page 24 of this report.

**PROPOSED BUDGET AMENDMENTS – SUMMARY**

The FY 2019-20 Mid-Year Budget Review includes four (4) budget amendments totaling \$396,702. The following listing categorizes the proposed budget amendments, with the following pages providing detail on each request:

<b>FY 2019-20 Mid-Year Budget Requests</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Totals</b>
CSA 64 Sewer Service	\$ 98,594	\$ 0	\$ 98,594
Mobile License Plate Reader for 1 Patrol Unit	30,658	0	30,658
Risk Assessment & Emergency Response Plan	0	210,000	210,000
Repairs to Manholes on Bear Valley Road	0	57,450	57,450
<b>Total Mid-Year Amendment Requests</b>	<b>\$ 129,252</b>	<b>\$ 267,450</b>	<b>\$ 396,702</b>

**PROPOSED BUDGET AMENDMENTS – NARRATIVE**

**Management Services**

▪ **CSA 64 Sewer Service – Non-Departmental \$98,594 (100-19-229) – Previous Staff Report**

On August 6, 2019, the City Council approved the covenant agreement between the City and Rich Development (18667 Hesperia, LLC). The agreement established that County Service Area (CSA) 64 would provide sewer service to the City for the development area at the southern portion of Bear Valley road near Fish Hatchery Road. The City will be billed directly by CSA 64 for sewer services. The Developer will then reimburse the City for the sewer fees as well as a 10% administrative fee. At the time that the staff report was brought to Council, no fees had been incurred. To date, the City has received one invoice in the amount of \$98,594 for which reimbursement has been received from the developer. To properly reflect the revenue and expenditure, a budget amendment in the amount of \$98,594 is requested.

**Police**

▪ **Mobile License Plate Reader \$30,658 (100-51-510) – New**

In an effort to enhance public safety, the Department of Homeland Security offers a Homeland Security Grant. The City applied for the grant during FY 2017-18 and was notified in October 2019 that the grant was awarded for the purchase of one (1) Mobile License Plate Reader (LPR) 4-Camera System for one patrol unit. The grant requires that the purchase be made first and then the required documentation submitted for reimbursement. During the FY 2019-20 Budget process, the City had not been notified of the grant award and it therefore was not included in the current budget. A budget amendment of \$30,658 is being requested for the purchase of one Mobile LPR.

**Water**

▪ **Risk Assessment & Emergency Response Plan– Water Operating \$210,000 (700-29-400) – Previous Staff Report**

On February 18, 2020, staff requested approval to award a professional services agreement for consulting services in the amount of \$210,000. These consulting services are being requested per the federal mandate for the Water District to prepare a Risk Assessment and Emergency Response Plan as a requirement of the America's Water Infrastructure Act of 2018 (AWIA). As such, an amendment is being requested.



PROPOSED BUDGET AMENDMENTS – NARRATIVE (Continued)

**Sewer**

▪ **Repairs to Manholes on Bear Valley Road – Sewer Capital \$57,450 (711-29-900) – Previous Staff Report**

On January 21, 2020, the City Council approved a contract in the amount of \$54,450 for repairs to five (5) manholes on Bear Valley Road. The manholes are in need of replacement due to the covers sinking beneath the grade of the road, causing an uneven driving surface and possible road hazard. As identified in the staff report, the request for budget amendment has been included with the Mid-Year report. Including printing and administrative costs of \$3,000, the total project is estimated to cost \$57,450.

<b>Requested:</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Totals</b>
<b>Management Services</b>			
CSA64 Sewer Service (Non-Departmental)	\$ 98,594	\$ 0	\$ 98,594
<b>Total Management Services</b>	<b>\$ 98,594</b>	<b>\$ 0</b>	<b>\$ 98,594</b>
<b>Police</b>			
Mobile License Plate Reader for 1 Patrol Unit	\$ 30,658	\$ 0	\$ 30,658
<b>Total Police</b>	<b>\$ 30,658</b>	<b>\$ 0</b>	<b>\$ 30,658</b>
<b>Water District Costs</b>			
Risk Assessment & Emergency Response Plan (Water Operating)	\$ 0	\$ 210,000	\$ 210,000
Repairs to Manholes on Bear Valley Road (Sewer Capital)	0	57,450	57,450
<b>Total Water District Costs</b>	<b>\$ 0</b>	<b>\$ 267,450</b>	<b>\$ 267,450</b>
<b>Total City Expenditures</b>	<b>\$ 129,252</b>	<b>\$ 267,450</b>	<b>\$ 396,702</b>
<b>Source of Funds:</b>			
General Fund - 100			\$ 129,252
Water Operating - 700			210,000
Sewer Capital - 711			57,450
<b>Total Source of Funds</b>			<b>\$ 396,702</b>

**2019-20 Mid-Year Budget Proposed Restructuring**

The following position title and salary changes are proposed for the more effective management of City operations. The increased cost associated with the proposed restructuring is approximately \$60,000. If approved by the City Council, these changes will be included in the 2020-21 Proposed Budget. The proposed changes are summarized as follows:

- Deputy City Manager (Unclassified/At-Will) – Eliminate one Assistant to the City Manager position, which is Unclassified/At-Will at a Range 45 and add one new Deputy City Manager position, with the same salary range of 45.
- Director of Government Services/City Clerk (Unclassified/At-Will) – Retitle the City Clerk, which will continue to be a Senior Management Classification (Unclassified/At-Will), with the same salary range of 45.
- Public Works Superintendent (Non-Represented) – Retitle the Public Works Supervisor/Water position, which is a Professional/Supervisory at a salary range of 40 to a new Public Works Superintendent position, which will be a Management classification at a Range 42.
- Animal Services Coordinator (Non-Represented) – Add a new position classification title of Animal Services Coordinator, which will be a Non-Represented position in the General classification, with a salary range of 30.
- Facilities Maintenance Technician – Reclassify the Facilities Maintenance Technician position (Non-Represented, part-time, Range 32) to a full-time position, which will be a Represented classification at a Range 12.

## 2019-20 MID-YEAR BUDGET REVIEW REPORT

### 2020-21 Tentative Budget Calendar

While the Mid-Year report is a gauge of the current year's activity, it does serve as the official start for planning the next year's budget. Below is the tentative calendar for the FY 2020-21 Budget.

Council FY 2019-20 Mid-Year Budget Review	February 18, 2020
2020-21 Budget Instructions (Intranet)	February 27, 2020
2020-21 Draft Division and/or Program Narratives	March 12, 2020
FY 2019-20 Revised Expenditure Estimates, 2020-21 Current Level Proposed Budget Expenditures and Expenditure Detail Narrative forms	March 17, 2020
2020-21 Budget Increments-"Requested Expenditures Above Current Level"	March 19, 2020
FY 2019-20 Revised Revenue and 2020-21 Proposed Budget Revenue Estimates to Departments for Review	April 16, 2020
Budget Review with Departments/Divisions (Finance)	Mid-April
2020-21 Final Proposed Budget Division and/or Program Narratives completed	End of April
Workshop #1 – PERS Update	April 21, 2020
Workshop #2 – Current Level Budget to Council (Operating)	May 5, 2020
Workshop #3 – Above Current Levels to Council	May 19, 2020
2020-21 Proposed Budget completed	May 22, 2020
Council Budget Workshop	June 2, 2020
Council Adopts Operating Budget	June 2, 2020
Council Adopts CIP Budget	June 16, 2020

With this calendar, there are three planned budget workshops prior to requesting the City Council to adopt the operating budget on June 02, 2020 and the CIP Budget on June 16, 2020.

- Budget Workshop #1 will be an update on the status of CalPERS and the impacts to the City. The presentation will update the unfunded liability for each of the plans administered by the City (City, Water, and Fire).
- Budget Workshop #2 will highlight the current-level operating budget.
- Budget Workshop #3 will highlight the use of reserves for major purchases, as well as the capital improvement program budget.