

# City of Hesperia

## STAFF REPORT



**DATE:** October 20, 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

**SUBJECT:** Amendment to Contract with NBS for CFD Formation Services

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### RECOMMENDED ACTION

It is recommended that the City Council and Board of Directors of the Hesperia Water District authorize the City Manager to amend the agreement with NBS Government Finance Group (NBS) by \$35,000 to include a Community Facilities District (CFD) fiscal impact analysis of commercial/industrial development and perform the CFD formation services. Upon approval, the amended contract total with NBS will not exceed \$112,130.

### BACKGROUND

Currently, the City contracts with NBS to provide CFD administration/delinquency services for the City's CFD 2005-1 Belgate Development and CFD formation services for the Hesperia Golf Course. For Fiscal Year (FY) 2020-21, the total contract for these services is \$77,130 (\$37,130 for administration services for CFD 2005-1 and Assessment District 3 (AD-3) Close-Out Analysis; as well as \$40,000 for CFD formation services for the Golf Course).

### ISSUES/ANALYSIS

The City receives a small portion of property taxes, most areas within the City limits yielding approximately 1.60%. With this rate, the City is reliant upon sales tax (the largest revenue source) to primarily fund City services. With the interest of developing industrial/commercial complexes on the westside of Interstate-15 (I-15), the City must identify funding mechanisms to adequately provide services, while ensuring no negative impact to the current surrounding residence or complexes. Though there are exceptions to this rule, industrial complexes historically do not generate sales taxes; thus, for this type of development, the City is reliant on property taxes to fund services like public safety and road maintenance.

One funding mechanism is a development of a CFD for industrial/commercial complexes. This will ensure revenue to fund services for the new development. To begin the CFD process, NBS will review the City's tax base revenue and costs associated with such developments to determine the fiscal impact. Specifically, NBS will compare the level of service that the City can provide versus the optimal level of service should a CFD exist. Upon completion of the fiscal impact report, NBS will assist the City through the CFD formation process. The formation process includes a presentation to the City Council, where a discussion will take place regarding the outcome of the fiscal analysis, CFD formation process, and applicable CFD tax rates.

## **FISCAL IMPACT**

Funding of \$35,000 for CFD feasibility analysis and formation services was not included in the FY 2020-21 Budget. The City will make every attempt to utilize budgeted savings; however, should none exists, a budget amendment will be presented to the City Council during the Mid-Year Budget Review.

It should be noted that if this action is approved, the fiscal impact of the proposed CFD will be presented to the City Council upon the completion of the fiscal impact analysis.

## **ALTERNATIVE(S)**

1. Provide alternative direction to staff.

## **ATTACHMENT(S)**

None.