

REVENUE

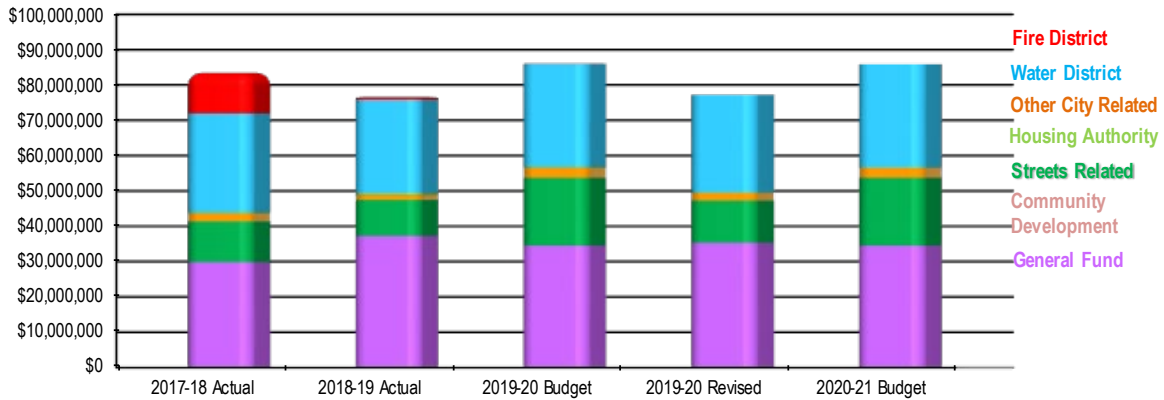
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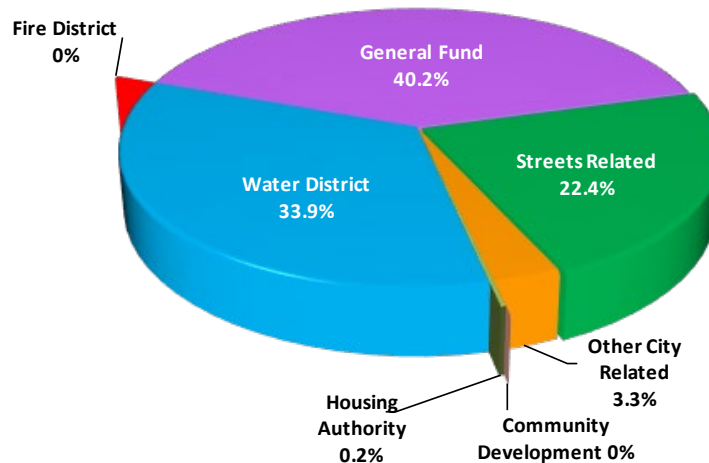
City of Hesperia

Total City Revenue Trend



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	Change From 2019-20 Budget
General Fund	\$29,842,451	\$ 37,243,163	\$ 34,516,450	\$ 35,319,926	\$ 34,489,506	0%
Streets Related	11,472,343	10,195,490	19,194,355	11,910,906	19,239,627	0%
Other City Related	2,349,845	1,454,683	2,864,862	2,123,145	2,801,016	-2%
Total City Funds	43,664,639	48,893,336	56,575,667	49,353,977	56,530,149	0%
Community Development	47,364	36,694	34,863	36,613	0	-100%
Housing Authority	206,304	459,940	218,721	240,563	190,892	-13%
Water District	28,020,136	26,461,759	29,171,476	27,611,172	29,145,681	0%
Sub-total before Fire	71,938,443	75,851,729	86,000,727	77,242,325	85,866,722	0%
Fire District	11,518,284	760,389	33,400	10,510	5,400	-84%
Total All Funds	\$83,456,727	\$ 76,612,118	\$ 86,034,127	\$ 77,252,835	\$ 85,872,122	0%

2020-21 Budget Total City Revenue



REVENUE

Summary and Highlights

Revenues Under COVID-19 – While the impacts of the Coronavirus (COVID-19) have been on the national scene for several months, the City of Hesperia started to experience the fiscal impacts from the pandemic during mid-March 2020. On the direction of the State of California and reaffirmed by the County of San Bernardino, non-essential businesses were ordered to close to allow for shelter in place and social distancing in order to slow the spread of the disease. With the closure of businesses and the drastic reduction of travel, the City's revenue base eroded. Due to the temporary closing of business, most experts agree that the nation, as a whole, has entered a recession; however, the same experts cannot agree on the expected length of the recession, as there is little to no data of the economic effects of a global pandemic.

The City has considered all available data and trends to create the FY 2020-21 Budget. It must be noted that the economic landscape is changing daily. While all projections are made with the available data at the time, trends and information will evolve. The City will continue to monitor its revenue and make recommendations for necessary changes to expenditures. Such changes will be reported to the City Council not less than quarterly, with the first planned review occurring in November 2020. Every effort was made to adhere to the City Council's financial policy of adopting a balanced budget. Unfortunately, revenues reduced at such a great pace, the use of reserves, or savings from prior fiscal years, was needed.

In light of the above, the City of Hesperia maintains the practice of matching each revenue type to a similar expenditure type. The City accomplishes this through utilizing individual program types within funds. The two basic revenue types include on-going revenue and one-time revenue. The City's policy has been to have a 'structurally' balanced budget, not using one-time revenue (i.e. bond proceeds and etc.) to pay for on-going expenditures, ie. not including bond proceeds, etc., as revenue. As identified in the B. Section of this Budget document, this practice has been challenged by the deep and immediate economic downturn resulting from the COVID-19 pandemic. The total FY 2020-21 Budget compared to the total FY 2019-20 Budget exhibits a revenue increase of \$0.2 million, or 0%. The FY 2020-21 Budget reflects an increase over the FY 2019-20 Revised of \$8.5 million or 11%. Comparing the total FY 2020-21 Budget to the total FY 2018-19 Actual shows an increase of \$9.5 million or 12%. The following are summaries of the major revenue segments of the City's revenues.

General Fund – General Fund revenue is for the normal operations of, and services provided by, the City that are not specifically accounted for in other funds. The General Fund Fiscal Year 2020-21 Budget is projecting revenues to be slightly below \$34.5 million, nearly level to the FY 2019-20 Budget. In addition, it is \$0.8 million or 2% less than the FY 2019-20 Revised and \$2.7 million less than the FY 2018-19 Actual amount. Projected General Fund revenue in FY 2020-21 is 40% of the total City of Hesperia revenue compared to 38% for the FY 2018-19 Budget and 36% during FY 2017-18, showing the historical stability of General Fund revenues. The following summarizes the projected increase/decrease of four major General Fund revenues from the FY 2019-20 Budget to the FY 2020-21 Budget:

- Sales and Use Tax revenue is projecting a 7% or nearly \$0.7 million decrease, to \$9.0 million.
- Vehicle License Fee revenue is expecting growth of just over \$0.5 million or 6%, to \$9.2 million.
- Transient Occupancy Tax revenue is projected to decrease by \$0.4 million or 35%, to \$0.8 million.
- Development Related revenue is anticipated to decrease by \$0.7 million or 27%, to \$1.9 million.
- Other General Fund revenue is expected to increase 74% or \$1.2 million, to \$2.8 million.

Streets & Transportation Related Funds – This group is made up of 11 street and transportation related funds budgeted in FY 2020-21. Each of these funds receives revenue that is restricted for specific streets and transportation uses. Some of the major highlights are:

- Developer Impact Fees (DIF) for Streets and Storm Drainage revenues are forecasted to increase 1%, from the FY 2019-20 Budget. This slight increase is due to the timing of the payment of fees, as developers pay the fees upon completion of construction. Revenue is expected from 165 single family residential permits (SFR's) along with 152 multi-family residential permits (MFR's) and 94,335 square feet of commercial. The combined FY 2020-21 DIF (Streets and Storm Drainage) Budget revenue is projecting a \$1.2 million or 31% increase over the Fiscal Year 2019-20 Revised. For the FY 2020-21 Budget, the DIF revenue projections were prepared utilizing a combination of the previous DIF fee rates (for projects under the old fee structure) and the new DIF fee rates that took effect July 16, 2018.

REVENUE

Summary and Highlights (Continued)

Streets & Transportation Related Funds (Continued)

- Measure I 2010 Renewal a sales tax based revenue, is expected to decline 12%, as indicated by the San Bernardino County Transportation Authority (SBCTA), to \$2.4 million. The FY 2020-21 Budget is a 20%, or \$0.6 million, reduction from the Fiscal Year 2018-19 Actual.
- Gas Tax RMRA revenue is State funded and took effect November 2017 during Fiscal Year 2017-18. This revenue is expended 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. Vehicle registration fees also increased depending on the value of the vehicle. Revenue for the FY 2020-21 Budget is anticipated at \$1.8 million, a 17% increase over the FY 2019-20 Budget and 2% greater than the Fiscal Year 2019-20 Revised.

Other City Funds – This group is comprised of 17 other non-street related funds. Each of these funds receives proceeds that are restricted for specific uses. Some of the major highlights are:

- The CDBG/HOME Housing and Urban Development (HUD) grants are projected to be \$2.1 million, which is 20% greater than the FY 2019-20 Budget of \$1.8 million. The principal reason for this increase for FY 2020-21 is due to the increase in CDBG entitlement revenue, which are reimbursements from HUD pursuant to the City's CDBG program.
- Developer Impact Fees (DIF) for the various DIF related revenues is expecting an 8% decrease over the FY 2019-20 Budget, which had previously risen significantly from the \$0.4 million received during FY 2017-18, due, in part, to the new DIF fees that took effect in July 2018. The revenue for this group of funds is received at the end of the building process and must be paid before occupancy. Combined, these funds are anticipated to produce revenue of \$845,399 during FY 2020-21, reflecting estimated commercial square footage of 94,335 and fees from (SFR) and (MFR) permits.

Community Development Commission – This agency was created to carry on the economic development function of the former Hesperia Community Redevelopment Agency (HCRA). The Community Development Commission contains no budgeted funds for FY 2020-21 due to a commercial loan payoff in FY 2019-20 and the discontinuation of interest income. The remaining functions of the Community Development Commission will be absorbed into the General Fund beginning FY 2020-21.

Hesperia Housing Authority – The purpose of this agency is to continue the housing function of the former HCRA. The FY 2020-21 Budget of \$190,892 reflects a 13% decrease from the \$218,721 anticipated in the FY 2019-20 Budget and a 21%, or \$49,671 decrease from the FY 2019-20 Revised. The Authority's revenues are comprised mainly of loan repayments and interest. The decrease compared to the FY 2019-20 Budget is due to reduced interest income, while the reduction compared to FY 2019-20 Revised is from loan payoffs that occurred in FY 2019-20.

Water and Sewer Operations – These funds primarily report the City's water and sewer financial operations and are most associated with the functions of a traditional business. The revenues received are to pay for the cost of purchasing and distributing water and for the transmission of sewage that comes from those homes/businesses on the City's sewer system. Some of the major highlights are:

- Total Water District revenue, excluding the Proposition 84 Drought Relief Grant and Proposition 1 Grant related to the Reclaimed Water Distribution System project, is expected to increase nearly \$1.4 million from the FY 2019-20 Budget of \$26.9 million to the FY 2020-21 Budget of \$28.3 million. The Water Sales revenues of the District are projected to increase \$0.3 million or 4% from the FY 2019-20 Budget and expected to increase 9% or \$0.8 million from FY 2019-20 Revised due to the water rate structure approved by the Board of Directors and the scheduled rate change in December 2020. Water Availability revenue is expected to increase \$0.3 million for the FY 2020-21 Budget over the FY 2019-20 Budget also a result of the approved water rate structure. The projected 5% increase in Sewer Operating similarly reflects an expanding customer base and sewer rate changes.
- Water Capital revenue is expected to increase 25% from the FY 2019-20 Budget, which reflects an increase in the anticipated number of residential and commercial developments connecting to the water system, as compared to the FY 2019-20 Budget
- Sewer Capital revenue is showing an expected 19% decrease from the FY 2019-20 Revised and a 43% decline from the FY 2019-20 Budget, due to a decline in the number of anticipated apartment projects, tract homes, and commercial projects that are expected to be completed during FY 2020-21.
- Revenue from Reclaimed Water Operations are expected to begin in FY 2020-21 with the Hesperia Golf Course as the first customer to utilize the system.

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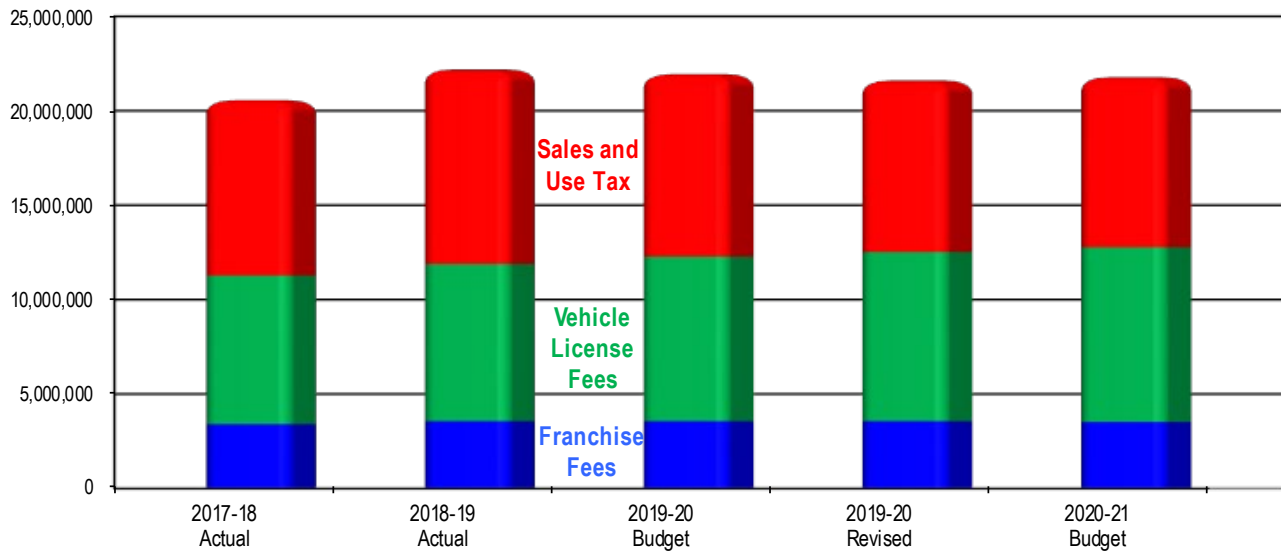
General Fund Summary of Major Revenues

	2017-18	2018-19	2019-20	2019-20	2020-21	% Change From 2019-20
<u>General Fund Revenues</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>	<u>Budget</u>
Sales and Use Tax	\$ 9,283,823	\$ 10,305,374	\$ 9,665,000	\$ 9,092,000	\$ 9,007,000	-7%
Vehicle License Fees	7,864,087	8,314,894	8,705,693	8,943,147	9,241,906	6%
Franchise Fees	3,411,764	3,569,802	3,571,144	3,570,799	3,526,353	-1%
Total Top Three Revenues	20,559,674	22,190,070	21,941,837	21,605,946	21,775,259	-1%
General & Administrative						
Recovery	0	2,682,555	2,697,338	2,697,338	2,807,356	4%
Leased Water Rights	2,021,000	2,101,840	2,312,024	2,150,344	2,202,890	-5%
Secured Property Tax	614,705	940,441	1,193,612	1,200,000	1,200,000	1%
Transient Occupancy Tax	1,295,192	1,399,842	1,175,000	1,050,000	765,000	-35%
Business License	321,952	371,194	350,000	470,000	400,000	14%
Community Facilities District						
2005-1	277,911	287,862	297,203	297,203	306,000	3%
Property Transfer Tax	302,093	280,853	270,000	270,000	270,000	0%
Development Related						
Revenues:						n/a
Planning	201,141	221,319	172,964	222,234	132,057	-24%
Building & Safety	1,921,691	1,870,233	2,136,818	1,709,206	1,403,660	-34%
Engineering	337,077	406,629	333,228	422,100	382,610	15%
Total Dev. Rel. Revenues	2,459,909	2,498,181	2,643,010	2,353,540	1,918,327	-27%
Sub-Total Top 13 Revenue						
Sources	27,852,436	32,752,838	32,880,024	32,094,371	31,644,832	-4%
All Other General Fund						
Revenues	1,990,015	4,490,325	1,636,426	3,225,555	2,844,674	74%
Total General Fund						
Revenues	\$29,842,451	\$37,243,163	\$34,516,450	\$35,319,926	\$34,489,506	0%

Total General Fund revenue remains relatively unchanged from the FY 2019-20 Budget of \$34.5 million. This net 0%, or \$26,944 decrease, is due to anticipated decreases in Sales and Use Tax, Transient Occupancy Tax, Leased Water Rights, and development activity (combined of \$1,902,000) due to the COVID-19 stay-at-home orders. These reductions are mitigated by expected increases in Vehicle License Fee (VLF), General and Administrative Recovery, and Other General Fund revenues, which includes Redevelopment Agency Pass-Thru and Commercial Cannabis taxes. The General Fund FY 2019-20 Revised revenue rose \$0.8 million from the FY 2019-20 Budget, an increase of 2%. Conversely, the FY 2020-21 Budget revenues are expected to decline \$0.8 million from FY 2019-20 Revised and \$2.8 million from FY 2018-19 Actual.

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Top Three Revenue Comparison



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	% Change From 2019-20 Budget
General Fund Revenue						
Sales and Use Tax	\$ 9,283,823	\$10,305,374	\$ 9,665,000	\$ 9,092,000	\$ 9,007,000	-7%
Vehicle License Fees	7,864,087	8,314,894	8,705,693	8,943,147	9,241,906	6%
Franchise Fees	3,411,764	3,569,802	3,571,144	3,570,799	3,526,353	-1%
TOTAL TOP THREE GENERAL FUND REVENUES	\$20,559,674	\$22,190,070	\$21,941,837	\$21,605,946	\$21,775,259	-1%

Top Three Revenue – The General Fund’s top three revenues are: Sales and Use Tax, Vehicle License Fee (VLF), and Franchise Fees. From the 2017-18 Actual to the 2020-21 Budget, the top three revenues have comprised 69% of the 2017-18 Actual to 63% of the 2020-21 Budget, which represents a very stable revenue base for the General Fund. During the same time period, the top three revenues have grown 6%, or \$1.2 million.

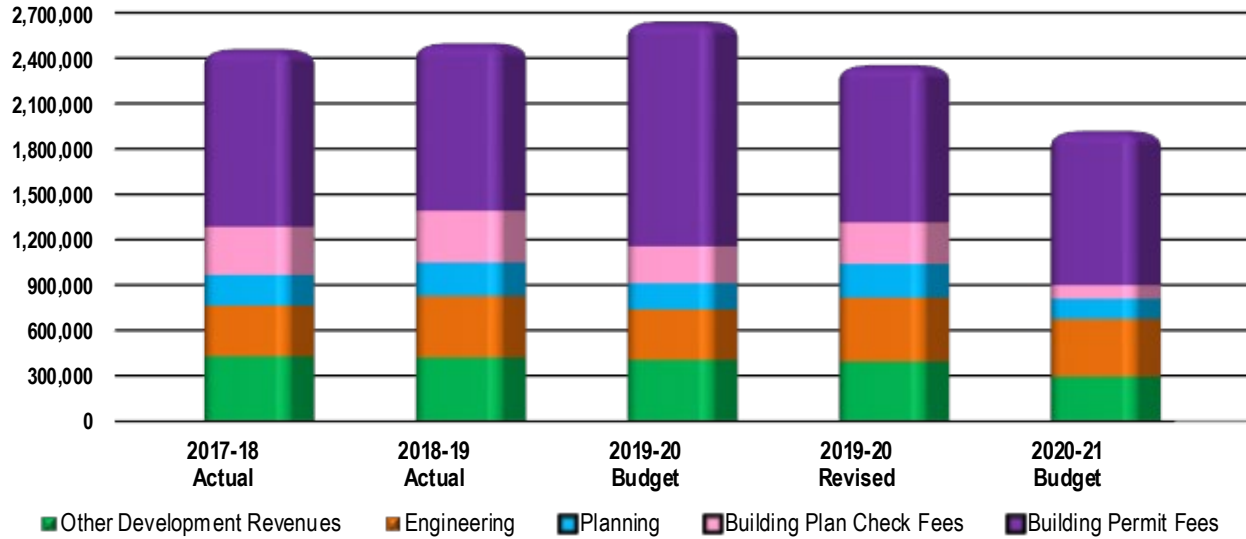
Sales and Use Tax – Sales Tax is currently 7.75% on various taxable items in San Bernardino County. The City’s share is 1.00% of the 7.75%, with 6.00% going to the State, 0.50% to Measure I, and 0.25% applied to Local Transportation funding. The FY 2020-21 Budget estimate for Sales and Use Tax revenue is \$9.0 million, a decrease from the FY 2019-20 Budget of \$0.7 million. Prior to the COVID-19 crisis, the City’s sales tax consultant forecasted a FY 2019-20 Revised estimate of \$10.5 million and a FY 2020-21 estimate of \$10.7 million. The revenue decrease is due to the impacts of COVID-19 on consumer spending, the state-mandated closures or restrictions on businesses, as well as the timeline for economic recovery. The revenue decrease is also negatively impacted by the reduction of crude oil prices as a production cost on taxable items.

Vehicle License Fee (VLF) – The growth of the City’s Vehicle License Fees is tied to the City’s growth of assessed valuation. The County Assessor will provide notification on July 1, 2020, through a press release, of the FY 2020-21 assessed valuation. Based on past trends, it is estimated that the FY 2020-21 assessed valuation will be a 3.3% increase. Currently, the combined FY 2020-21 Budget for VLF revenues estimate is \$9.2 million, an increase of approximately \$0.3 million, or 3%, from the 2019-20 Revised Budget. The \$9.2 million is \$0.5 million or 6% higher than the F 2019-20 Budget, and \$1.4 million or 18% above, the FY 2017-18 Actual.

Franchise Fees – The City imposes fees on refuse hauling; gas and electric utilities; and cable television companies operating in the City for the use and wear and tear of the City’s right-of-ways. The fees range from two to ten percent (2% - 10%) of their gross receipts. The FY 2020-21 Budget estimates revenue of \$3.5 million, which is 1% lower than the FY 2019-20 Revised and 1% lower than the FY 2019-20 Budget, primarily due an anticipated decline from a cable provider. This revenue source is 10% of the General Fund budget.

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General Fund Development Revenue



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	% Change From 2019-20 Budget
Development Revenues						
Building Permit Fees	\$1,174,807	\$1,108,193	\$1,487,376	\$1,040,000	\$1,020,000	-31%
Building Plan Check Fees	319,073	341,640	244,075	275,000	90,000	-63%
Planning	201,141	221,319	172,964	222,234	132,057	-24%
Engineering	337,077	406,629	333,228	422,100	382,610	15%
Other Development Revenues	427,811	420,400	405,367	394,206	293,660	-28%
Sub-Total Development Related Revenues	2,459,909	2,498,181	2,643,010	2,353,540	1,918,327	-27%
Business License	321,952	371,194	350,000	470,000	400,000	14%
Total Development Revenues	\$2,781,861	\$2,869,375	\$2,993,010	\$2,823,540	\$2,318,327	-23%

Overall, Development Related revenue, excluding Business License revenue, is projected to decrease 27% from both the FY 2019-20 Budget due to the COVID-19 stay-at-home orders. Development related revenues comprise 7% of the General Fund FY 2020-21 Budget estimates. Development Revenues represent an 18% decline from the FY 2019-20 Revised Budget.

Building Permit Fees – The City charges permit fees on construction activity in part to provide inspection services to ensure that the structures being built are in compliance with existing building codes in accordance with the California Government Code. Building Permit Fees represent 3% of the General Fund FY 2020-21 Budget revenue, which is a slight decrease from 4% of the FY 2019-20 Budget. The FY 2020-21 Budget revenue projection estimates that 165 single-family residential (SFR) building permits will be issued during Fiscal Year 2019-20 in addition to 152 multi-family units. Commercial activity is projected to decrease as the Fiscal Year 2020-21 Budget anticipates 94,335 square feet from twelve (12) new commercial projects, compared to 197,848 square feet for thirteen (13) FY 2019-20 enterprises.

Building Plan Check Fees – The purpose of these fees is to offset the cost of verifying that the proposed structures will be in compliance with existing building codes and zoning requirements. This revenue source typically includes residential development activity such as single-family residential, new stock home plans, commercial buildings, and various other miscellaneous permits. The FY 2020-21 Budget expects revenue of \$90,000, a 63% decrease from the FY 2019-20 Budget of \$244,075. The Fiscal Year 2020-21 Budget revenues are 67% below the \$275,000 FY 2019-20 Revised estimate and 74% below the Fiscal Year 2018-19 Actual.

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General Fund Development Revenue (Continued)

Planning related revenues, for the FY 2020-21 Budget predicts an 41% decrease from the FY 2019-20 Revised and 24% lower than the FY 2019-20 Budget. This budget to budget decrease reflects a decrease in the square footage of commercial projects requiring review.

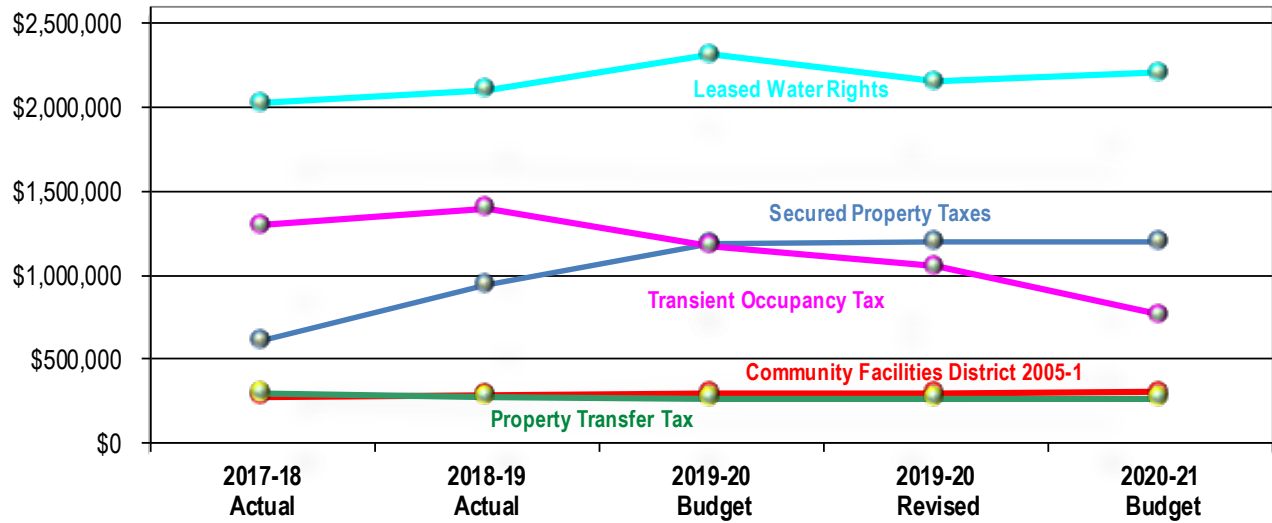
Engineering related revenues for the FY 2020-21 Budget are projecting a 9% reduction from the FY 2019-20 Revised but a 15% rise over the FY 2019-20 Budget. This budget to budget increase is based on the issuance of 165 single family permits, 143 apartments and 9 duplexes (compared to 260 apartments and 14 duplexes within the FY 2019-20 Budget), and 94,335 square feet of commercial (contrasted with the 197,848 expected from FY 2019-20). Engineering is also responsible for processing public infrastructure development projects.

Other Development Revenues – This classification captures the remaining development revenues (various permit, plan check, review, and inspection fees) into one group. The largest component of this revenue group is the fee that is a charge on development collections to recover the costs of automating City systems. As a group, these revenues are less than 1% of the total General Fund FY 2020-21 Budget. For the FY 2020-21 Budget, these revenues are expected to decrease 28% from the FY 2019-20 Budget. In addition, these revenue totals reflect a 26% decrease compared to the FY 2019-20 Revised and 31% less than the FY 2017-18 Actual.

Business License – This revenue is paid by each business operating within the City. Though the FY 2020-21 Budget estimate of \$400,000 is 14% higher than the FY 2019-20 Budget estimate of \$350,000, the FY 2020-21 Budget is projecting a decrease of 15% from the FY 2019-20 Revised estimate of \$470,000. This decrease can partially be explained by the initial business license fees collected from cannabis-related businesses in FY 2019-20. Other factors for the decline in budget-to-revised include the current trend, reflecting a decrease in Business License renewals offset by an increase in new business licenses being issued.

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Other General Fund Taxes and Leased Water Rights



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	% Change From 2019-20 Budget
Secured Property Taxes	\$ 614,705	\$ 940,441	\$ 1,193,612	\$ 1,200,000	\$ 1,200,000	1%
Transient Occupancy Tax	1,295,192	1,399,842	1,175,000	1,050,000	765,000	-35%
Property Transfer Tax	302,093	280,853	270,000	270,000	270,000	0%
Community Facilities District 2005-1	277,911	287,862	297,203	297,203	306,000	3%
Leased Water Rights	2,021,000	2,101,840	2,312,024	2,150,344	2,202,890	-5%
Total Other Taxes & Leased Water Rights	\$4,510,901	\$ 5,010,838	\$ 5,247,839	\$ 4,967,547	\$ 4,743,890	-10%

Overall, this group of revenues is anticipated to decrease 10% from the FY 2019-20 Budget. The primary reason for the decrease in the budget-to-budget comparison is related to revenue from transient occupancy taxes. This group, *Other General Fund Taxes and Leased Water Rights*, comprises approximately 14% of the total General Fund FY 2020-21 Budget revenue estimates.

Secured Property Tax – Property owners pay a basic tax of 1% of their property’s valuation to the County annually. The City’s General Fund receives approximately 1.5 cents of every property tax dollar out of this 1% tax levy. The FY 2020-21 Budget of \$1.2 million is similar to the FY 2019-20 Budget and the 2019-20 Revised. Additionally, the FY 2020-21 Budget is a 28% increase over the FY 2018-19 Actual revenue and 95% higher than the FY 2017-18 Actual revenue. This increase is the result of the LAFCO approved transfer of HFPD operations to County Fire that occurred in FY 2018-19. One of the planned uses is to pay the HFPD CalPERS obligation.

Transient Occupancy Tax (TOT) – The City’s municipal code authorizes the application of a 10% tax to the cost of hotel rooms within the City. This is intended to offset the cost of governmental services (streets and public safety) that the transient population use while temporarily staying in the City. Growth is driven by a combination of occupancy, rates, and lodging supply. It is expected that the revenue will decrease significantly by 35% in FY 2020-21 compared to FY 2019-20. This anticipated reduction is due to reduced hotel occupancy resulting from the effects of the Coronavirus that began in March 2020. The effects on future lodging demands and average room rates impact the projected FY 2020-21 \$0.4 million decrease from the FY 2019-20 Budget, the \$0.3 million decrease from the FY 2019-20 Revised, and the \$0.6 million decrease from FY 2018-19 Actual. It is expected that COVID-19 will have a lasting negative effect on both business-related and leisure travel. Prior to the FY 2020-21 Budget, TOT revenue reflected a relatively stable hotel occupancy base.

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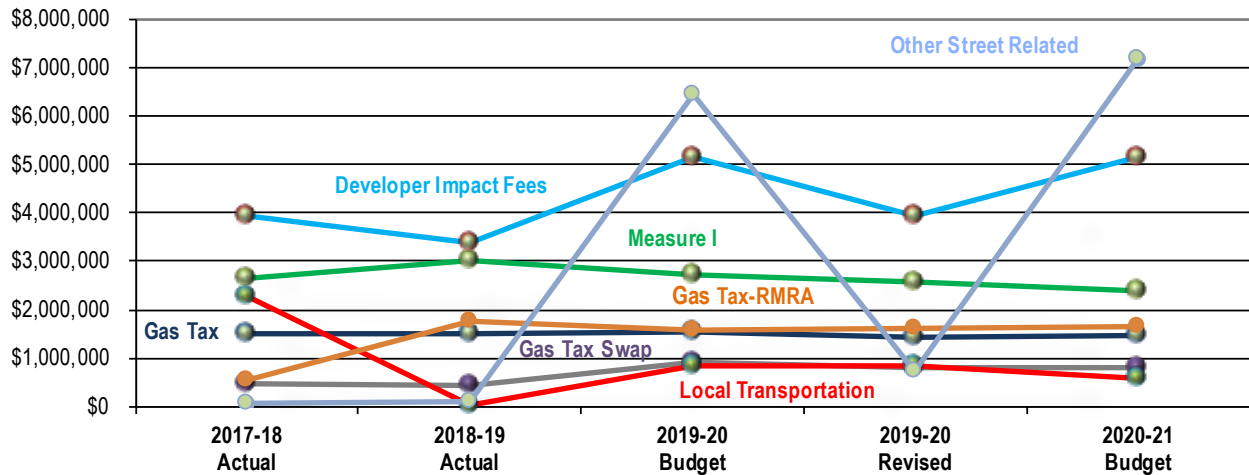
Other General Fund Taxes and Leased Water Rights (Continued)

Property Transfer Tax – This revenue is based on transfer of ownership of real property within the City. It serves as a barometer of future property tax revenues, as the sales price of a property re-establishes the assessed valuation base that the 1% property tax is applied to. The rate charged on the ownership transfer is \$1.10 per \$1,000 of the sale value, with the City and County splitting the tax equally (\$0.55 per \$1,000 to each). The FY 2020-21 Budget estimate is \$270,000, equal to the FY 2019-20 Budget and the FY 2019-20 Revised. While remaining less than 1% of the General Fund's FY 2020-21 Budget, this revenue source is projected in FY 2020-21 to be 4% less than the FY 2018-19 Actual revenue.

Community Facilities District (CFD) 2005-1 – The special assessment district, generally west of Maple Avenue and south of Main Street, was formed to refinance the bonds of CFD 91-3 and to assess the properties within the district to repay the bonds and includes a public safety portion to offset some of the costs that residential development places on the public safety providers of the City. For the Fiscal Year 2020-21 Budget, this revenue is estimated to be \$306,000, or 1% of the General Fund FY 2020-21 Budget. This reflects a 3% increase over the FY 2019-20 Budget of \$297,203 and a 10% increase over the FY 2017-18 Actual.

Leased Water Rights – The City owns 6,736 acre feet of water rights (base annual production) which, after mandated ramp downs, leaves leasable water rights (free production allowance) at 4,042 acre feet. The General Fund leases its water rights at 90% of the Mojave Water Agency's rates which had previously increased over time based upon market demand. The Fiscal Year 2020-21 lease rate is \$587 per acre foot compared to \$532 per acre foot in FY 2019-20 Revised. It should be noted that the lease rate was revised from \$572 to \$532 based upon the adopted rates of the Mojave Basin Water Master. The lease rate was \$520 per acre foot in FY 2018-19, \$509 in FY 2017-18, and \$478 in FY 2016-17.

Streets and Transportation Related Funds



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	% Change From 2019-20 Budget
Measure I - 2010 Renewal	\$ 2,650,759	\$ 3,009,646	\$ 2,731,880	\$ 2,558,205	\$ 2,401,529	-12%
Gas Tax	1,496,375	1,512,642	1,553,281	1,420,073	1,450,684	-7%
Gas Tax-RMRA	551,849	1,754,423	1,569,303	1,620,038	1,666,120	6%
Gas Tax Swap	477,522	428,955	925,584	818,335	814,805	-12%
Local Transportation	2,286,534	26,671	834,165	838,184	563,311	-32%
Sub-Total Streets Funds	7,463,039	6,732,337	7,614,213	7,254,835	6,896,449	-9%
Developer Impact Fees	3,944,373	3,376,364	5,144,633	3,943,681	5,171,732	1%
Other Street Related Funds	64,931	86,789	6,435,509	712,390	7,171,446	11%
Total Streets & Transportation Related Funds	\$11,472,343	\$10,195,490	\$19,194,355	\$11,910,906	\$19,239,627	0%

REVENUE

Streets and Transportation Related Funds (Continued)

Overall, this group of 11 funds estimates revenues at \$19.2 million and is anticipated to a slight increase over the FY 2019-20 Budget of \$19.2 million. The COVID-19 crisis shut-down of the economy, created negative effects on various street related revenues of the City including Measure I (sales tax based), Gas Tax, Gas Tax Swap, and Gas Tax RMRA (based on gallons of gasoline and diesel sold). Without the anticipated increase of grant reimbursements in the Other Street Related Funds, this group of revenues would have seen a \$0.7 million or a 4% decrease. However, this group of revenues is reflecting only a \$45,272 gain. More detail on each major revenue source follows.

Measure I Renewal – This revenue is funded by the County's 1/2 cent sales tax, as the 2010 Renewal approved by the voters went into effect in April 2010. The money is restricted for street related purpose expenditures which will maintain or enhance the capacity of the City's streets, and reflects a 12% decrease over the Fiscal Year 2019-20 Budget and a 6% decrease from the Fiscal Year 2019-20 Revised. It is 9% less than the FY 2017-18 Actual.

Gas Tax – Gas Tax revenue is derived from a cents per gallon tax collected at the pump. Revenues are allocated by the State on a per capita basis for street maintenance and improvements. The FY 2020-21 Budget of \$1.5 million has decreased from the FY 2019-20 Budget by \$0.1 million and a slight 2% increase from the FY 2019-20 Revised. The FY 2020-21 Budget amount reflects a 3% decrease from the Fiscal Year 2017-18 Actual.

Gas Tax RMRA – This source of revenue is State funded and took effect November 2017 during Fiscal Year 2017-18. This revenue is used to repair and maintain roads, freeways, and bridges. SB 1, the Road Repair and Accountability Act (RMRA) of 2017, increased the gas tax by 12 cents and 20 cents for diesel. Vehicle registration fees also increased depending on the value of the vehicle. The estimated FY 2020-21 Budget is expected to be \$1.7 million. This is a 6% increase above the Fiscal Year 2019-20 Budget and 3% greater than the Fiscal Year 2019-20 Revised.

Gas Tax Swap – This source of revenue is State funded and, beginning with the FY 2011-12 Budget, legislative actions (ABx8 6 and ABx8 9 passed in March 2010) terminated the Proposition 42 Traffic Congestion Relief and 'swapped' it with the new Gas Tax Swap revenue. This revenue is used to fund street maintenance and projects. The FY 2020-21 Budget expects a decrease of 12% from the FY 2019-20 Budget and no change from FY 2019-20 Revised. This is in contrast to the FY 2020-21 Budget amount reflecting a 90% increase from the FY 2018-19 Actual, and 71% higher than the FY 2017-18 Actual. The primary reasons for the substantial increase in the most recent fiscal years are the SB-1 Transportation Funding Act and a State General Fund loan repayment from prior year's borrowings of transportation funds, which will end after Fiscal Year 2019-20. Beginning in July of FY 2020-21, the BOE will increase the annual fuel tax revenues by the amount of the California Consumer Price Index.

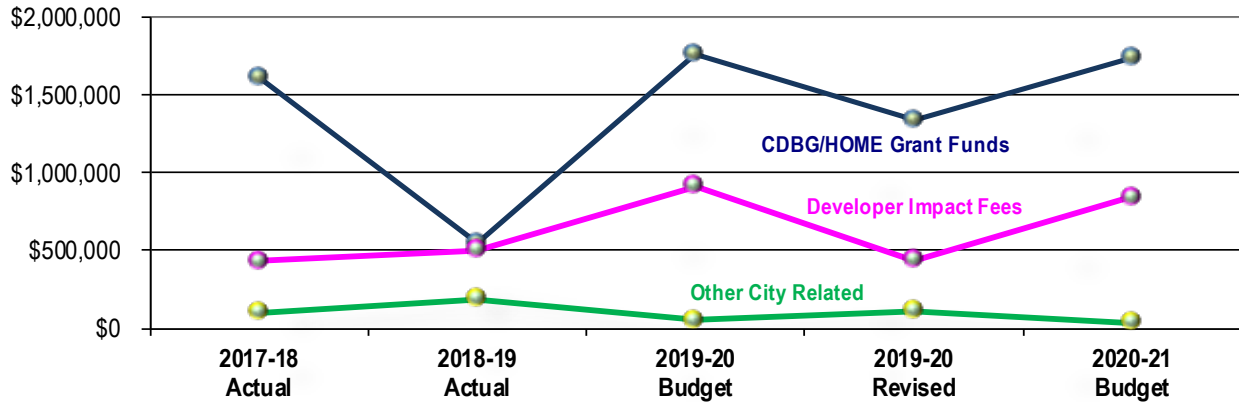
Local Transportation Fund (LTF) – This is funded by the County 1/4 cent sales tax. The primary use of this revenue is transportation related, including supporting the operations of Victor Valley Transit Authority (VVTA) along with appropriate street maintenance and improvements. The FY 2020-21 Budget of \$0.6 million is 33% less than the FY 2019-20 Revised and 32% less than FY 2019-20 Budget. However, the FY 2020-21 Budget is \$0.5 million greater than FY 2018-19 Actual, which reflected a change of when the City recognizes LTF revenue. In FY 2018-19, City staff were directed by SBCTA to skip recording revenue for a fiscal year to get into sync with an SBCTA change from FY 2015-16, as VVTA has access to the funds until the fiscal year end.

Developer Impact Fees (DIFs) – Of the twelve DIF funds, four are restricted to street-related improvements, the DIF-Streets, DIF-Storm Drainage, DIF 2018-Streets, and DIF 2018-Drainage Facilities. The DIF 2018-Streets and DIF 2018-Storm Drainage funds were implemented in July 2018 with the City Council approval of updated DIF fees. These are locally controlled revenues and reflect the City's current trend in residential permitting. These four DIF's are projected to increase 1% from the FY 2019-20 Budget and are expected to increase 31% over the FY 2019-20 Revised Budget. This decrease in the revised budget amount is due to anticipated development not occurring in the time frame previously expected. An anticipated 165 residential permits will pay these DIF fees along with 152 multi-family residential permits and 94,335 square feet of commercial in FY 2020-21.

Other Streets Related Funds – This group is comprised of two funds in the FY 2020-21 budget, the City Streets CIP and Public Works Street Maintenance fund, each with special use restrictions related to streets and transportation. The notable fund within this category typically is the City Streets CIP, which tracks grant funded and other reimbursable projects. This revenue source is expected to increase from the FY 2019-20 Budget of \$6.4 million to a projected FY 2020-21 Budget of \$9.5 million due to projects such as the Ranchero Road Corridor Improvements, E Avenue Street Improvements, and the Park and Ride Facility.

REVENUE

CDBG, Developer Impact Fee, and Other City Related Funds



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	% Change From 2019-20 Budget
CDBG-Entitlement	\$ 703,744	\$ 454,857	\$ 1,689,197	\$ 1,124,823	\$ 1,698,927	1%
CDBG Program Income	8,044	1,661	0	4,414	0	n/a
CDBG Loan Repayment	72,400	14,950	0	39,726	0	n/a
CDBG Local Account	737,530	0	0	0	0	n/a
HOME Grant	53,147	11,978	8,000	62,986	5,900	-26%
CDBG Revolving Loan	4,304	7,560	7,600	6,880	4,600	-39%
CDBG Neighborhood Stabilization Program	33,609	55,562	53,400	104,021	29,000	-46%
CDBG Miscellaneous Reimbursement	0	0	0	375	0	n/a
CDBG Interest Income	389	0	0	0	0	n/a
CDBG/HOME Funds	1,613,167	546,568	1,758,197	1,343,225	1,738,427	-1%
Developer Impact - Fire	211,840	196,556	365,246	56,892	170,694	-53%
Developer Impact - Police	62,997	58,477	108,656	11,031	45,910	-58%
Developer Impact - Public Services	156,605	133,823	263,597	24,389	119,511	-55%
Combined 2018 DIFs	0	114,210	177,366	347,330	509,284	187%
Developer Impact Fees (DIF)	431,442	503,066	914,865	439,642	845,399	-8%
AB3229 Supplemental Law	201,713	216,907	141,700	229,977	182,000	28%
Other City Related Funds	103,523	188,142	50,100	110,301	35,190	-30%
Total City Other Funds	\$ 2,349,845	\$ 1,454,683	\$ 2,864,862	\$ 2,123,145	\$ 2,801,016	-2%

Overall, this group of 17 funds is projecting an 11% increase in FY 2020-21 Budget over the FY 2019-20 Budget and 35% greater than actually collected during FY 2017-18. This is essentially the result of an increase in reimbursements from Housing and Urban Development. CDBG/HOME funds revenue comprises 66% of the group's total FY 2020-21 Budget with AB3229 Supplemental Law revenue 6% of the total. Other City Related Funds make up about 1% of the total revenues. The non-streets Developer Impact Funds include the remaining 27%.

CDBG/HOME – These grants are received from U.S. Department of Housing and Urban Development (HUD) and the State, for the purpose of improving areas of the City and providing housing assistance for low income families. The FY 2020-21 Budget (without factoring NSP) is expected to increase 22% over the FY 2019-20 Budget and 88% greater than the FY 2019-20 Revised. These revenues are derived from drawing down on the grants, after incurring the expenditures. The increase in the FY 2020-21 Budget over the FY 2019-20 Budget, is due to the continuation of the balance of projects in FY 2019-20 that will be spent in FY 2020-21 along with the projects planned for FY 2020-21.

REVENUE

CDBG, Developer Impact Fee and Other City Related Funds (Continued)

CDBG-Neighborhood Stabilization Program (NSP) – This is a grant received from Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP), for the purpose of buying, rehabilitating, and reselling abandoned/foreclosed homes within the City. The FY 2019-20 Revised reflects revenue from the sale of property that was not included in the FY 2019-20 Budget. No sale of property revenue is included in the FY 2020-21 Budget, which is 46% less than the FY 2019-20 Budget largely due to interest income from investment activity.

Developer Impact Fees – These non-street related Developer Impact Fees (DIFs) are made up of the Fire, Police, and Public Services DIF funds along with the DIF 2018 fees for Fire Suppression, City Hall Facilities, Animal Control, Records Storage, and Police Facilities that were implemented in July 2018. The revenue for the FY 2020-21 Budget is projecting a 92% increase over the FY 2019-20 Revised and 8% over the Fiscal Year 2019-20 Budget. The revenue for this group of funds is received at the end of the building process and must be paid before occupancy.

Other City Related Funds – The four funds in this group include: the Environmental Programs grant fund, the Disaster Preparedness grant fund, the 2012 Water Rights Debt Service fund, and the City Debt Service fund. Each of these funds has restrictions limiting how its money can be spent. The largest funds in this revenue group are the 2012 Water Rights fund and the 2013 Refunding Lease Revenue Bonds, with revenues of \$17,770 and \$14,870 in interest each respectively.

Community Development Commission

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2019-20</u>	<u>2020-21</u>	<u>%Change</u> <u>From</u> <u>2019-20</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>	<u>Budget</u>
Rents & Leases	\$ 32,500	\$ 15,000	\$ 0	\$ 0	\$ 0	n/a
Reimbursements/Other Agencies	0	21,694	20,000	0	0	-100%
Miscellaneous Revenue	0	0	0	15,030	0	n/a
All Other Revenue	14,864	0	14,863	21,583	0	-100%
Total Community Development Commission Revenue	\$ 47,364	\$ 36,694	\$ 34,863	\$ 36,613	\$ 0	-100%

The functions of the Community Development Commission will be absorbed into the General Fund beginning FY 2020-21.

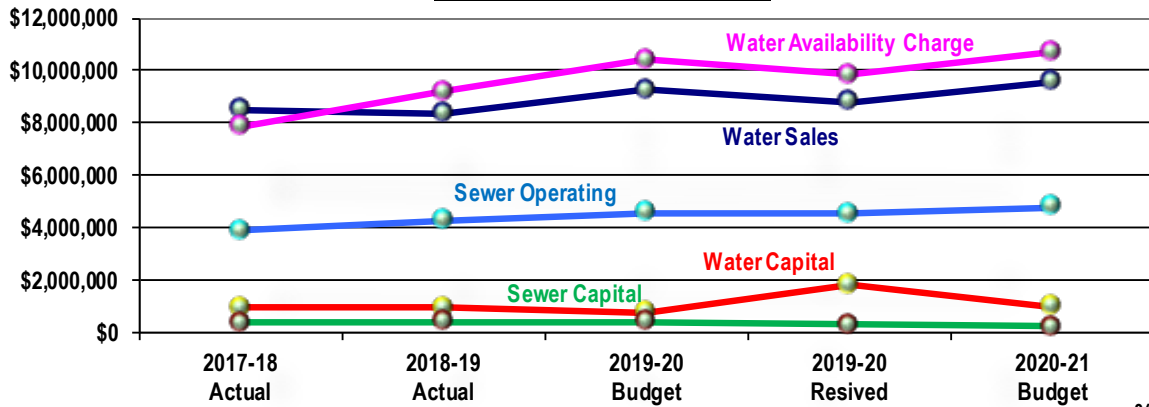
Hesperia Housing Authority

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2019-20</u>	<u>2020-21</u>	<u>%Change</u> <u>From</u> <u>2019-20</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>	<u>Budget</u>
Housing Authority - Interest	\$ 79,970	\$ 97,273	\$ 91,475	\$ 83,764	\$ 76,619	-16%
Rents & Leases	16,380	0	0	0	0	n/a
Loan Repayments	86,500	89,677	88,246	118,464	89,133	1%
Proceeds from Land Sales	0	233,821	0	0	0	n/a
All Other Revenue	23,454	39,169	39,000	38,335	25,140	-36%
Total Housing Authority Revenue	\$206,304	\$459,940	\$218,721	\$240,563	\$190,892	-13%

The FY 2020-21 Budget for the Hesperia Housing Authority is \$190,892. The FY 2020-21 Budget is 13% less than the prior year's budget and 21% lower than the FY 2019-20 Revised due to anticipated loan repayments and lower interest rates resulting in decreased interest revenue. The budget for FY 2020-21 is \$269,048 less than the FY 2018-19 Actual due largely to land sale revenue. Sales of rental property have eliminated rental income.

REVENUE

Water District Revenue Trend



	2017-18 Actual	2018-19 Actual	2019-20 Budget	2019-20 Revised	2020-21 Budget	%Change From 2019-20 Budget
Water Sales/Residential	\$7,163,388	\$7,059,462	\$7,839,326	\$7,305,798	\$7,963,320	2%
Water Sales/Business	436,081	428,423	439,204	485,355	529,037	20%
Water Sales/Public Building	583,048	559,110	601,204	610,784	665,755	11%
Water Sales/Irrigation	275,209	248,636	269,980	231,467	252,299	-7%
Water Sales/Construction	56,265	71,821	97,696	164,324	179,113	83%
Water Sales/Industrial	61	0	0	0	0	n/a
Sub-total Water Sales	\$8,514,052	\$8,367,452	\$9,247,410	\$8,797,728	\$9,589,524	4%
Water Availability Charge	7,862,522	9,192,568	10,395,590	9,823,017	10,707,089	3%
Total Water Sales	16,376,574	17,560,020	19,643,000	18,620,745	20,296,613	3%
Water Capital	965,385	976,249	800,000	1,805,230	1,000,000	25%
Sewer Operating	3,914,730	4,276,012	4,560,324	4,530,202	4,782,636	5%
Sewer Capital	383,405	415,142	438,000	308,160	249,540	-43%
Reclaimed Water Operations	0	0	0	0	300,000	n/a
All Other District Revenue	4,438,302	1,545,253	1,430,152	1,625,275	1,641,595	15%
Total Water District Revenue Before Grants	26,078,396	24,772,676	26,871,476	26,889,612	28,270,384	5%
Prop 84 Drought Relief Grant	1,799,604	0	0	0	199,537	n/a
Prop 1 Grant	142,136	1,689,083	2,300,000	721,560	675,760	-71%
Total Water District Revenue	\$28,020,136	\$26,461,759	\$29,171,476	\$27,611,172	\$29,145,681	0%

Water District – Overall, the FY 2020-21 Budget anticipates that District revenue will be nearly neutral to the FY 2019-20 Budget, but a 6% increase over the FY 2019-20 Revised. The increase in Water District revenue between the FY 2019-20 Revised and the FY 2020-21 Budget is attributable to increases in water sales and water availability charges offset by decreases in water capital. Additionally, the FY 2020-21 Budget is 10% or \$2.7 million greater than the FY 2018-19 Actual, reflecting increased revenues from the rate structure approved by the Board of Directors in November 2017. Even with the rate changes, Hesperia rates are still among the lowest in the area.

Water Sales – Water Customers pay for the water use registered by their meter. The FY 2020-21 Budget projects a 4% increase over the FY 2019-20 Budget and a 9% gain over FY 2019-20 Revised. This increase over the FY 2019-20 Revised is based upon an anticipated increase in consumption and the restructured water rates. The FY 2020-21 Budget is also \$1.2 million, or 15% greater than FY 2018-19 Actual due in part to the previous decrease in use by the District's customers as a result of increased rainfall during FY 2018-19, along with the approved water rate structure.

REVENUE

Water District Revenue Trend (Continued)

Water Availability Charge – This standard charge on a customer's bill is based on the size of the water meter at the service address. The meters range in size from 5/8 inch to 8 inches. The FY 2020-21 Budget expects a 3% rise over the FY 2019-20 Budget, 9% above the FY 2019-20 Revised, and 36% more than Fiscal Year 2017-18 Actual collections. This large gain can be attributed to the recently restructured water rates.

Water Capital – This is the connection fee for new water meter installations based on the set-up of new services. The FY 2020-21 Budget of \$1.0 million is based on 165 anticipated ¾" SFR's and various 2" meters, 4" meter, and 1" meters for projects mentioned in previous sections. In addition, 164 apartments are planned during FY 2020-21. The FY 2020-21 budget is 25% greater than the FY 2019-20 Budget but 45% less than the FY 2019-20 Revised which anticipates 35 more residential meters to be sold before year-end. Currently, 113 ¾" meters (for homes), four 1" business meters (AM/PM Gas Station, Shell Gas Station, Hesperia Plaza, and Southland Pipe Corporation), three 1.5" business meters (Hesperia Plaza, Mama Carpino's, and Beyond Gas Station), two 2" business meter (Aldi and Laverne Elementary Prep Academy), one 2" irrigation meter (Southland Pipe Corporation), one 3" multi-family meter (Olive Tree Apartments), and two 4" multi-family meter (La Casitas Apartments) have been sold during FY 2019-20.

Sewer Operating – Sewer services are primarily available along the Main Street corridor and the western portion of the City and comprises about 16% of the District's water customers. Sewer Billing is the primary revenue of this group. Sewer Billing revenue is expected to reach just over \$4.7 million in the FY 2020-21 Budget, an increase of \$0.2 million over the FY 2019-20 Revised and \$0.2 million over the \$4.6 million FY 2019-20 Budget. This is a reflection of the utility rate increase and the anticipated development activity in the FY 2020-21 Budget.

Sewer Capital – Like Water Capital, this revenue group reflects development activity within the City. The majority occurs on the western side of the City where more sewer lines are concentrated. The FY 2020-21 Budget is anticipating a 43% decrease from the FY 2019-20 Budget and 19% below the FY 2019-20 Revised. Projected development activity connecting to sewer includes 152 apartments, 85 tract homes, one medical building, and one gas station.

Reclaimed Water Operations – Reclaimed water revenues are generated from both connection fees and water sales from the City's reclaimed water system. Beginning in FY 2020-21, revenues are anticipated to be received for customers connecting to and using reclaimed water. The Hesperia Golf Course is expected to be the first customer to utilize the system.

All Other District Revenue – This group of revenues comprise the remaining Water District Operating and Capital revenue (about 6% of total District revenue) of which property tax revenue (\$0.3 million), water meter fees (\$0.2 million), and reconnection fees (\$0.2 million) comprise the majority. This category of revenues is projecting a 15% increase over the FY 2019-20 Budget primarily due to increases in tax and interest income revenues. The 63% decrease from the FY 2017-18 Actual is essentially due to the one-time proceeds received from the sale of Eagle Plaza.