

REVENUE

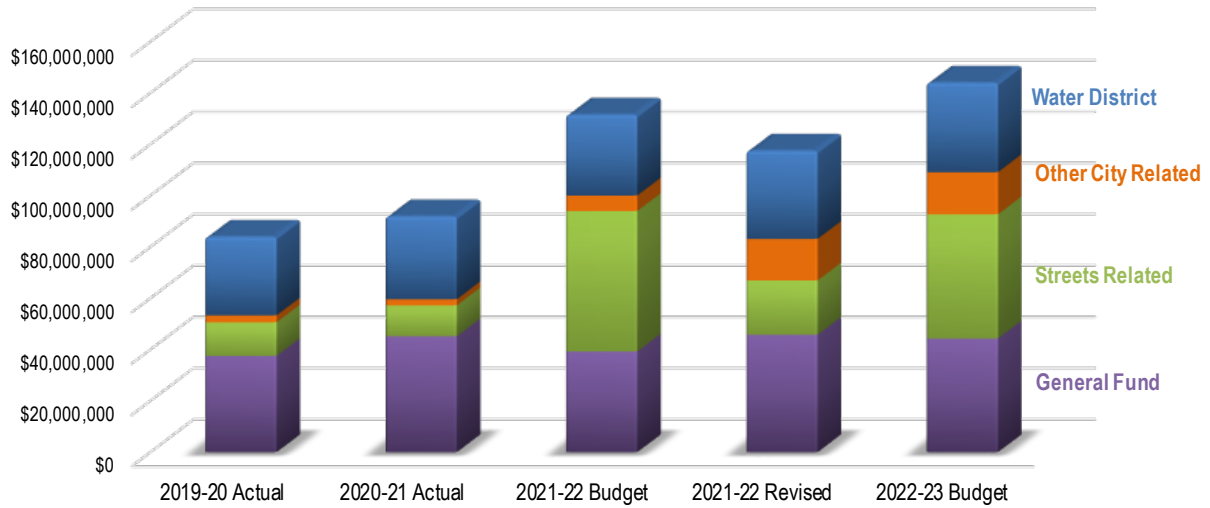
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REVENUE

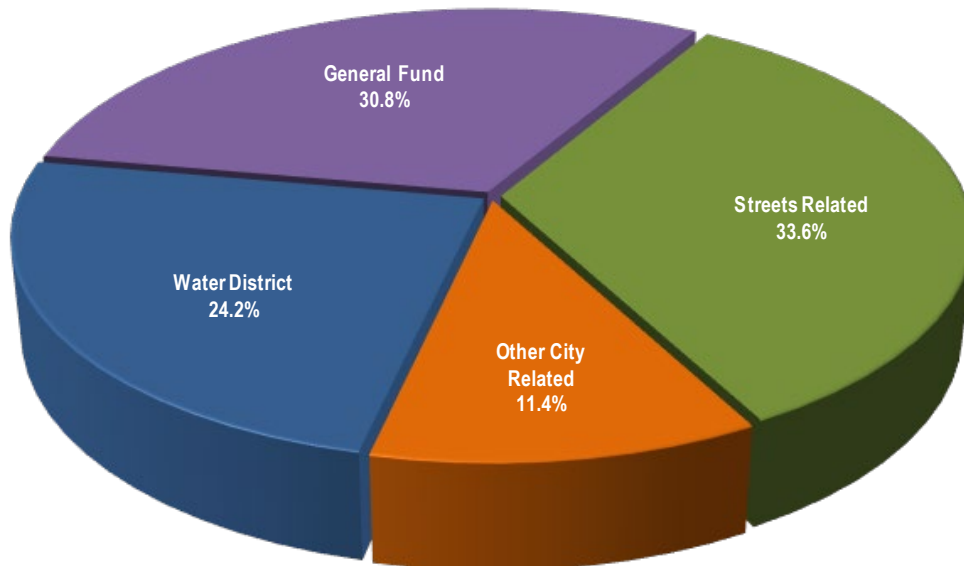
City of Hesperia

Total City Revenue Trend



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	Change From 2021-22 Budget
General Fund	\$37,543,746	\$ 45,175,917	\$ 39,242,430	\$ 45,774,607	\$ 44,295,907	13%
Streets Related	13,076,536	12,050,522	54,743,909	21,180,852	48,422,742	-12%
Other City Related	2,684,087	2,377,830	6,051,263	16,152,031	16,403,318	171%
Total City Funds	53,304,369	59,604,269	100,037,602	83,107,490	109,121,967	9%
Water District	30,632,935	32,299,402	31,497,177	34,405,706	34,888,432	11%
Total All Funds	\$83,937,304	\$ 91,903,671	\$131,534,779	\$117,513,196	\$144,010,399	9%

2022-23 Budget Total City Revenue



REVENUE

Summary and Highlights

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. City policy and practice is to have a 'structurally' balanced budget, not using one-time revenue (i.e. bond proceeds and etc.) to pay for on-going expenditures. The City achieves this by not including bond proceeds, etc., as revenue. The total FY 2022-23 Budget of \$144.0 million projects a revenue increase of \$12.5 million, or 9%, compared to the total FY 2021-22 Budget, and an increase of \$26.5 million, or 23% over the FY 2021-22 Revised. The FY 2022-23 Budget increase compared to the FY 2021-22 Revised is due to anticipated increases in project-related revenues.

The increase in the FY 2022-23 Budget compared to the prior year's budget is due to an increase in Other City Related funds from Federal grant funding from the American Rescue Plan and increase in General Fund revenues largely from sales tax and development-related revenues. Water District revenues are also expected to experience revenue growth. These increases were offset, in part, due to a reduction in Streets Related revenues due to the timing of reimbursements in grant and cooperative agreement funding through the San Bernardino County Transportation Authority (SBCTA), and Development Impact Fees (DIF) collections for several Capital Improvement Program (CIP) projects.

General Fund – General Fund revenue is for normal operations of, and services provided by the City that are not specifically accounted for in other funds. The FY 2022-23 Budget is projecting revenues to increase to \$44.3 million compared to the FY 2021-22 Budget of \$39.2 million. The following summarizes the projected increase/decrease of five major General Fund revenues from the FY 2021-22 Budget to the FY 2022-23 Budget:

- Sales and Use Tax revenue is projecting a 24% or nearly \$2.7 million increase, to \$14.0 million.
- Development Related revenue is anticipated to increase by \$0.9 million or 34%, to \$3.4 million.
- Vehicle License Fee revenue is expecting growth by \$0.6 million or 6%, to \$10.5 million.
- Leased Water Rights revenue is projected to decrease by \$0.4 million or 18%, to \$1.8 million.

Streets & Transportation Related Funds – This group is made up of 13 street and transportation related funds budgeted in FY 2022-23. Each of these funds receives revenue that is restricted for specific streets and transportation uses. The major highlights are as follows:

- Measure I 2010 Renewal revenue is expected to remain unchanged at \$3.6 million compared to FY 2021-22, as indicated by the SBCTA.
- Local Transportation Fund (LTF) revenue is anticipated to remain at \$0.9 million compared to the FY 2021-22 Budget. Although Victor Valley Transportation Authority's (VVTA) operating costs are expected to continue to increase, the COVID-19 CARES Act funding received by VVTA to fund their operations, is expected to provide a 'one-time' increase to LTF for the City in FY 2022-23. The expectation is that the City will no longer receive LTF funds after FY 2022-23 as these funds will be completely utilized by VVTA operations.
- Gas Tax RMRA revenue is State funded and took effect November 2017. This revenue is utilized to repair and maintain roads, freeways, and bridges. 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 2022-23 Budget is anticipated at \$2.2 million, a 16% increase over the FY 2020-21 Budget and 10% greater than the FY 2021-22 Revised.
- Developer Impact Fees (DIF) for Streets and Storm Drainage revenues are forecasted to increase 5%, from the FY 2021-22 Budget. This revenue source can change significantly from year-to-year due to the timing of the payment of fees as developers pay the fees upon completion of construction. This recent drastic increase in this revenue source, is largely due to an expected total of \$12.0 million related to the Silverwood/Tapestry project. The first \$6.0 million payment to DIF 2018-Streets is expected to be received by June 30, 2022, while the remaining \$6.0 million payment to DIF 2018-Streets is expected in FY 2022-23.

REVENUE

Summary and Highlights (Continued)

Streets & Transportation Related Funds (Continued)

▪ Developer Impact Fees (DIF) for Streets and Storm Drainage (Continued)

The FY 2022-23 Budget also assumes 240 single family residential permits (SFR's) revenue is received upfront, whereas DIF is received at the end of the project, which is the reason revenue is expected from 200 SFR along with 116 multi-family residential permits (MFR's), 1,226,589 square feet of industrial, and 135,896 square feet of commercial. For the FY 2022-23 Budget, the DIF revenue projections were prepared utilizing a combination of the new DIF fee rates that took effect July 16, 2018 and the few commercial projects remaining under the previous DIF fee rates. Projects initiated on or after April 2, 2022 will be subject to the revised DIF fees approved by the City Council.

Other City Funds – This group is comprised of 19 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 \$1.5 million, which is 54% less than the FY 2021-22 Budget of \$3.3 million. The principal reason for this decrease for FY 2022-23 is due to the \$1.0 million of CDBG CARES Act funds that were budgeted in FY 2021-22. Upon review of the CDBG CARES Act requirements, the City determined to not participate in the program; thereby not budgeting the grant in the FY 2022-23 Budget. Additionally, the FY 2022-23 Budget reflects a decrease in CDBG entitlement revenue, which are reimbursements from HUD pursuant to the City's CDBG program.
- Developer Impact Fees (DIF) for the various non-street related DIF revenues is expecting a substantial increase of 15% over the FY 2021-22 Budget. This increase in DIF related revenue is due, in part, to an increase in the number and size of new development projects. 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 \$2.7 million during FY 2022-23.

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 as well as 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, is expected to increase about \$3.4 million when compared to the FY 2021-22 Budget of \$21.5 million. The Water Sales revenues of the District are projected to remain relatively unchanged from the FY 2021-22 Budget and expected to decrease 1% or \$0.2 million from FY 2021-22 Revised. The consistency from budget-to-budget is based upon the final annual water rate changes in December 2021 from the approved water rate structure, which comprises of six (6) months, through December 2022, of comparative budget-to-budget increases. Water Availability revenue is expected to increase \$1.9 million for the FY 2022-23 Budget over the FY 2021-22 Budget as a result of the approved utility rate changes for water services. The approved water rate structure, in part, shifts the District from a variable revenue collection model to a more fixed revenue collection model to promote financial stability.
- Water Capital is expected to increase 54% from the FY 2021-22 Budget, which reflects an increase in the anticipated number of residential and commercial developments connecting to the water system.
- The 5% increase in Sewer Operating similarly reflects an expanding customer base and the final sewer rate increase.
- Sewer Capital revenue is showing an expected 1% decrease from FY 2021-22 Revised and a 170% increase from the FY 2021-22 Budget, due to the timing and the number of anticipated apartment projects, tract homes, and commercial projects that are expected to be completed during FY 2022-23.
- Revenue from Reclaimed Water Operations is expected to be collected by the end of FY 2021-22 from the Hesperia Golf Course and the Township area. FY 2022-23 Budget anticipates increased revenue from five (5) additional customers connecting to the reclaimed water system.

REVENUE

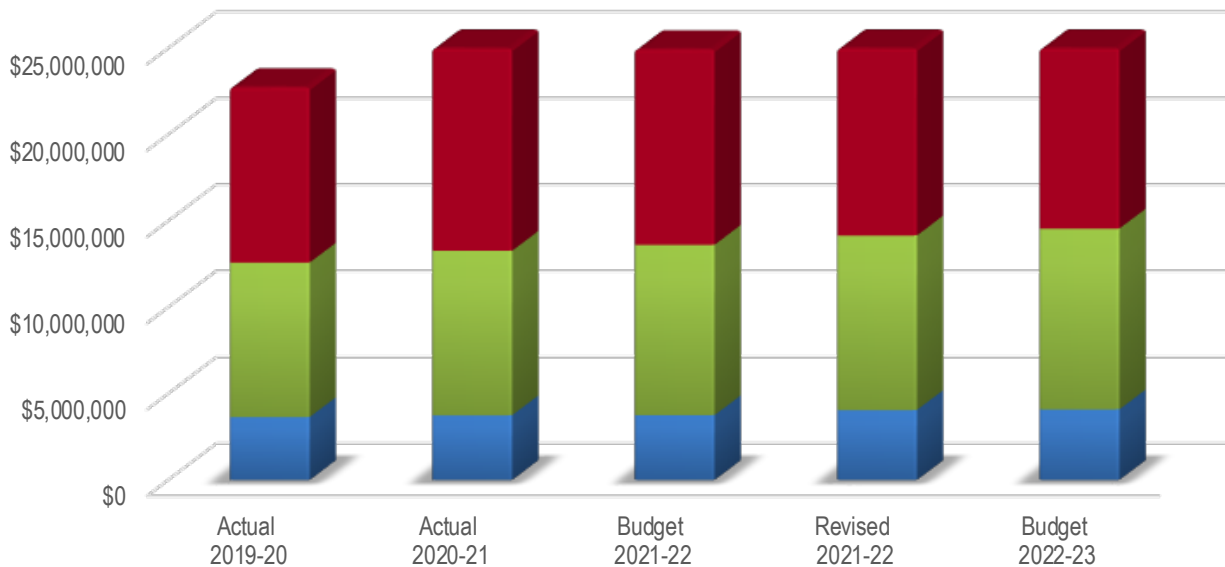
General Fund Summary of Major Revenues

	2019-20	2020-21	2021-22	2021-22	2022-23	% Change From 2021-22
<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	\$10,161,833	\$12,836,667	\$ 11,333,000	\$ 14,300,000	\$ 13,900,000	23%
Vehicle License Fees	8,943,147	9,523,591	9,856,916	10,109,878	10,463,724	6%
Franchise Fees	3,642,764	3,751,220	3,757,723	4,051,457	4,090,296	9%
Total Top Three Revenues	\$22,747,744	\$26,111,478	\$ 24,947,639	\$ 28,461,335	\$ 28,454,020	14%
General & Administrative						
Recovery	2,697,338	2,807,356	2,768,055	2,768,056	3,085,930	11%
Leased Water Rights	2,150,344	2,014,038	2,219,295	1,878,445	2,063,685	-7%
Secured Property Tax	930,769	981,915	989,036	1,008,076	1,033,459	4%
Transient Occupancy Tax	1,389,038	1,798,649	1,300,000	1,500,000	1,500,000	15%
Commercial Cannabis Tax	290,022	701,099	700,000	526,000	481,000	-31%
Business License	483,281	443,845	530,789	728,000	783,600	48%
Development Related Revenues:						
Planning	227,775	337,225	209,747	669,864	358,773	71%
Building & Safety	1,962,784	2,787,366	1,886,167	2,799,585	2,352,208	25%
Engineering	490,381	1,168,512	456,220	1,344,750	667,700	46%
Total Develop. Rel. Revenues	2,680,940	4,293,103	2,552,134	4,814,199	3,378,681	32%
Sub-Total Top 12 Revenue						
Sources	33,369,476	39,151,483	36,006,948	41,684,111	40,780,375	13%
Coronavirus Relief Funds	0	2,408,224	0	0	0	n/a
All Other General Fund						
Revenues	4,174,270	3,616,210	3,235,482	4,090,496	3,515,532	9%
Total General Fund Revenues	\$37,543,746	\$45,175,917	\$ 39,242,430	\$ 45,774,607	\$ 44,295,907	13%

Total General Fund revenue is expected to increase from the FY 2021-22 Budget of \$39.2 million to \$44.3 million for the FY 2022-23 Budget, for a \$5.1 million or 13% growth. This increase is primarily due to expected increases in Sales and Use tax, Vehicle License fees, and Franchise fees. Development related revenues through Building and Safety and Engineering are also expected to increase in the FY 2022-23 Budget. The General Fund FY 2021-22 Revised revenue rose \$6.6 million, or 16.6%, from the FY 2021-22 Budget.

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Top Three Revenues



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	% Change From 2021-22 Budget
Sales and Use Tax	\$10,161,833	\$12,836,667	\$11,333,000	\$14,300,000	\$13,900,000	23%
Vehicle License Fees	8,943,147	9,523,591	9,856,916	10,109,878	10,463,724	6%
Franchise Fees	3,642,764	3,751,220	3,757,723	4,051,457	4,090,296	9%
Total Top Three General Fund Revenues	\$22,747,744	\$26,111,478	\$24,947,639	\$28,461,335	\$28,454,020	14%

The General Fund's top three revenues are: Sales and Use Tax, Vehicle License Fees (VLF), and Franchise Fees. The top three revenues have comprised 61% of the 2019-20 Actual to 64% of the 2022-23 Budget, which represents a very stable revenue base for the General Fund. From the FY 2019-20 Actual to the 2022-23 Budget, the total General Fund revenue has grown by \$6.8 million, or 18%; during the same period, the *Top Three Revenues* have grown by \$5.7 million, or 25%.

Sales and Use Tax – Sales Tax is currently 7.75% in the City of Hesperia. 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 2022-23 Budget estimate for Sales and Use Tax revenue is \$13.9 million, a 23% increase from the FY 2021-22 Budget of \$11.3 million. The rise in this revenue source is due to increased sale prices in several industry groups, such as, fuel, restaurants and hotels, and general consumer goods.

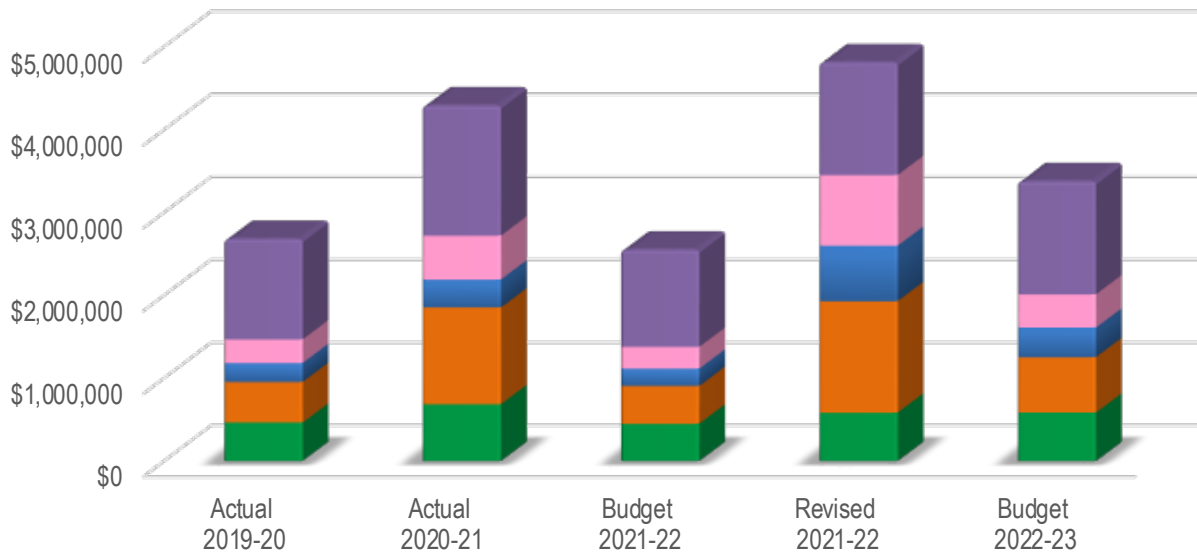
Vehicle License Fee (VLF) – The growth of the City's Vehicle License Fees has been tied to the City's growth of assessed valuation. The County Assessor will provide notification on July 1, 2022, through a press release, the FY 2022-23 assessed valuation. Based on past trends, it is estimated that the FY 2022-23 assessed valuation will be a 4.0% increase. Currently, the combined FY 2022-23 Budget for VLF revenues estimate is \$10.5 million, an increase of approximately \$0.4 million, or 4%, from the 2020-21 Revised Budget. The \$10.5 million budget is \$1.5 million or 17% above the FY 2019-20 Actual.

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Top Three Revenue Comparison (Continued)

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 right-of-way. The fees range from two to ten percent (2% - 10%) of their gross receipts. The Fiscal Year (FY) 2022-23 Budget estimates revenue of \$4.1 million, which is 1% higher than the FY 2021-22 Revised and 9% higher than the FY 2021-22 Budget. With the FY 2022-23 Budget, this revenue source is 9% of the General Fund budget, compared to 8% of the General Fund for FY 2020-21 Actual, and 10% of the General Fund for the FY 2018-19 Actual.

General Fund Development Revenue



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	% Change From 2021-22 Budget
Building Permit Fees	\$1,211,558	\$1,571,751	\$1,173,764	\$1,361,665	\$1,365,503	16%
Building Plan Check Fees	286,009	529,491	261,572	853,000	400,000	53%
Planning	227,775	337,225	209,747	669,864	358,773	71%
Engineering	490,381	1,168,512	456,220	1,344,750	667,700	46%
Other Development Revenues	465,217	686,124	450,831	584,920	586,705	30%
Sub-Total Development	\$2,680,940	\$4,293,103	\$2,552,134	\$4,814,199	\$3,378,681	32%

Related Revenues

Overall, Development Related revenue is projected to increase 32% over the FY 2021-22 Budget and increase 26% over the FY 2019-20 Actual. Development related revenue comprises 8% of the General Fund FY 2022-23 Budget estimates.

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 represents 3% of the General Fund FY 2022-23 Budget revenue. The FY 2022-23 Budget is expected to increase 16% from the FY 2021-22 Budget, as revenue projections estimate that 240 single-family residential (SFR) building permits will be issued during FY 2022-23 in addition to 116 multi-family units. In comparison to the FY 2021-22 Budget, commercial activity in the FY 2022-23 Budget is expected to increase as the budget anticipates a total of 1,747,680 square feet in eleven (11) new commercial and industrial projects.

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General Fund Development Revenue (Continued)

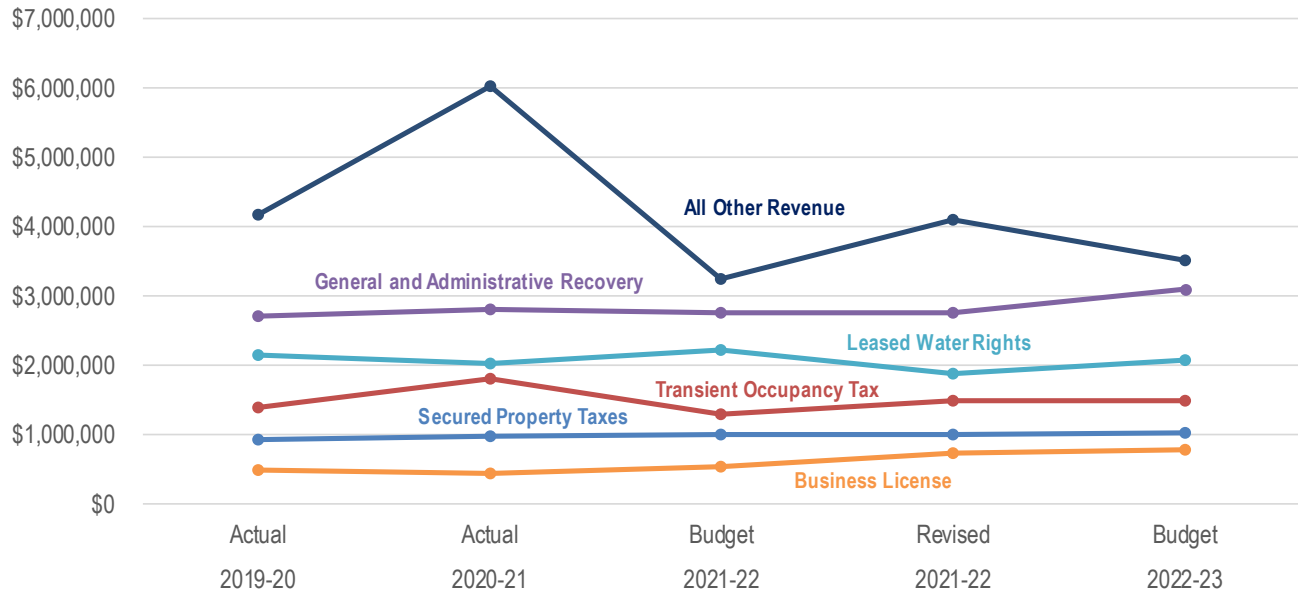
Building Plan Check Fees – The purpose of these fees is to offset the cost of verifying that the proposed structures comply with existing building codes and zoning requirements. Plan Checks are typically performed on residential development activity such as single-family residential, new stock home plans, commercial buildings, and various other miscellaneous permits. The FY 2022-23 Budget of \$400,000 is a 53% increase from the FY 2021-22 Budget of \$261,572, but a 53% decrease from FY 2021-22 Revised. This decrease from FY 2021-22 Revised is due to building plan check fees for two (2) large industrial projects. The FY 2022-23 Budget estimate is based on residential development activity including 75 SFR's, eight (8) new stock home plans, six (6) commercial projects, along with various other miscellaneous projects.

Planning related revenues for the FY 2022-23 Budget is anticipated 71% higher than the FY 2021-22 Budget. This budget to budget increase reflects an increase in the square footage of commercial projects requiring review. A total of 20 site plan reviews are expected to be conducted in FY 2022-23 compared to 18 site plan reviews conducted in FY 2021-22.

Engineering related revenues for the FY 2022-23 Budget are projected to increase 46% over the FY 2021-22 Budget and a 50% decrease compared to FY 2021-22 Revised. The FY 2022-23 Budget is based on the issuance of 240 single family permits, 116 apartments, and 1,362,485 square feet of commercial and industrial.

Other Development Revenues – This classification captures the remaining development revenues into one group. The largest component of this revenue source is the fee assessed on development collections to recover the costs of automating City systems. As a group, these revenues are about 1% of the total General Fund FY 2022-23 Budget. For the FY 2022-23 Budget, these revenues are expected to increase 30% over the FY 2021-22 Budget due to the aforementioned anticipated development activity.

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Other General Fund Revenues



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	% Change From 2021-22 Budget
Business License	\$ 483,281	\$ 443,845	\$ 530,789	\$ 728,000	\$ 783,600	48%
Secured Property Taxes	930,769	981,915	989,036	1,008,076	1,033,459	4%
Transient Occupancy Tax	1,389,038	1,798,649	1,300,000	1,500,000	1,500,000	15%
Commercial Cannabis Tax	290,022	701,099	700,000	526,000	481,000	-31%
Leased Water Rights	2,150,344	2,014,038	2,219,295	1,878,445	2,063,685	-7%
General & Administrative Recovery	2,697,338	2,807,356	2,768,055	2,768,056	3,085,930	11%
All Other General Fund Revenue	4,174,270	6,024,434	3,235,482	4,090,496	3,515,532	9%
Total Other General Fund	\$ 12,115,062	\$ 14,771,336	\$ 11,742,657	\$ 12,499,073	\$ 12,463,206	6%

Overall, this group of revenues is anticipated to increase 6% over the FY 2021-22 Budget and experienced relatively no change compared to FY 2021-22 Revised. The increase in the budget-to-budget comparison is largely due to the General & Administrative recovery, business licenses, and transient occupancy taxes net of decreases in leased water rights and commercial cannabis tax revenues. This group, *Other General Fund Revenues*, comprises approximately 28% of the total General Fund FY 2022-23 Budgeted revenue estimates.

Business License – This license is paid by each business operating within the City. The FY 2022-23 Budget estimate of \$783,600 is 48% higher than the FY 2021-22 Budget estimate of \$530,789 and is a projected increase of 8% from the FY 2021-22 Revised estimate of \$728,000. The projected growth in this revenue source is due to the business license fee increase from March 2021 being in effect for an entire fiscal year.

Secured Property Tax – Property owners pay a basic tax of 1% of their property's valuation to the County annually. Historically, the City's General Fund receives approximately 1.5 cents of every property tax dollar paid by owners. Since the County annexation of the former Fire District, the City retains a portion of the former District's property tax share.

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 visitors 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 source will increase by 15%, or \$0.2 million compared to the FY 2021-22 Budget and is \$0.1 million greater than the FY 2019-20 Actual.

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Other General Fund Revenues (Continued)

Commercial Cannabis Tax – Through the approval of a local ballot measure in 2018, the City adopted an ordinance for the imposition of a permanent tax of 4% of gross receipts from business operations on all commercial cannabis businesses. The number of commercial cannabis businesses allowed to operate within the City are limited to an authorized zone. The FY 2022-23 Budget of \$481,000, is a 31% decrease from the FY 2020-21 Actual due to a decrease in gross receipts reported on the monthly remittances.

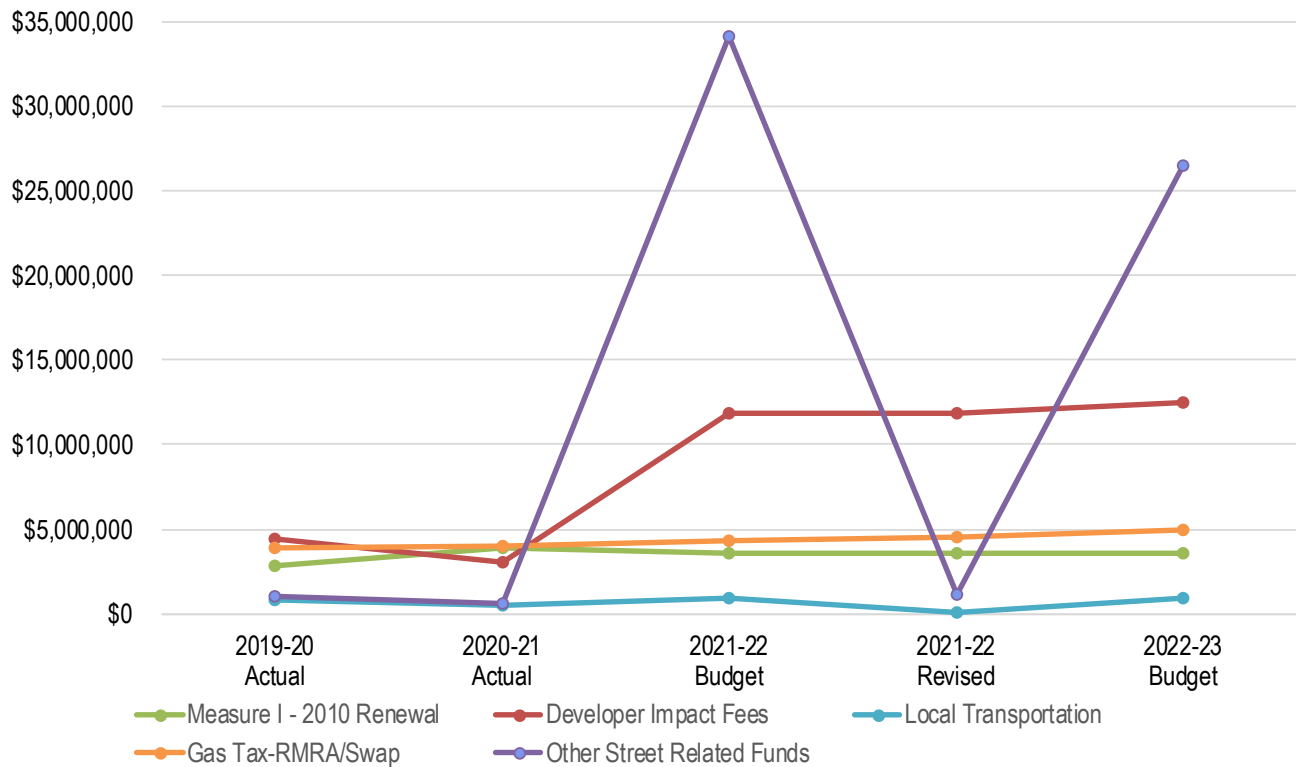
Leased Water Rights – The City owns 6,736 acre feet of water rights (base annual production) which, after mandated ramp downs, leaves leasable water rights (55% free production allowance) at 3,705 acre feet. The General Fund leases its water rights at 90% of the Mojave Water Agency's rates which have increased over time based upon market demand. The FY 2022-23 lease rate is \$557 per acre foot compared to \$507 per acre foot in FY 2021-22 Revised. The budget-to-budget decrease is due to the revision of the lease water rate from \$599 to \$557 from the Mojave Basin Water Master.

General & Administrative Recovery – This General Fund revenue reflects the indirect costs for General Fund staff providing administrative services to the Water and Sewer Funds. The General & Administrative Recovery is based upon the prior fiscal year operating budget as approved by the adopted fee study. The FY 2022-23 Budget of \$3.1 million is 11% greater than the FY 2021-22 Budget. When compared to the FY 2020-21 Actual, the FY 2022-23 Budget is \$0.3 million or 10% higher.

All Other General Fund Revenue – The numerous other general fund revenue accounts that makes up this group are anticipating total collections of \$3.5 million in FY 2022-23. The FY 2022-23 Budget is \$0.6 million or 14% less than FY 2021-22 Revised and is \$2.5 million, or 42% less than FY 2020-21 Actual.

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Streets and Transportation Related Funds



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	% Change From 2021-22 Budget
Measure I - 2010 Renewal	\$ 2,838,702	\$ 3,880,182	\$ 3,588,247	\$ 3,596,588	\$ 3,598,916	0%
Gas Tax	1,433,762	1,492,636	1,551,911	1,698,292	1,854,203	19%
Gas Tax-RMRA	1,687,272	1,835,128	1,885,558	1,992,511	2,193,113	16%
Gas Tax Swap	798,583	670,999	851,256	815,890	947,632	11%
Local Transportation	834,960	551,725	879,515	88,004	877,402	0%
Sub-Total Streets Funds	7,593,279	8,430,670	8,756,487	8,191,285	9,471,266	8%
Developer Impact Fees	4,472,566	3,036,326	11,894,604	11,850,798	12,475,153	5%
Other Street Related Funds	1,010,691	583,526	34,092,818	1,138,769	26,476,323	-22%
Total Streets & Transportation Related Funds	\$13,076,536	\$12,050,522	\$54,743,909	\$21,180,852	\$48,422,742	-12%

Overall, this group of 13 funds estimates revenues at \$48.4 million and is anticipated to decrease 12% from the FY 2021-22 Budget of \$54.7 million. This is largely a result of the timing of receiving grants and cooperative funding associated with the Rancho Road project.

Measure I Renewal – This revenue is funded by a Countywide 1/2 cent sales tax, as the 2010 Renewal approved by the County voters that went into effect in April 2010. The City receives its portion, which is restricted for street related purpose expenditures which will maintain or enhance the capacity of the streets. Measure I Renewal reflects no significant change from the Fiscal Year 2021-22 Budget and no change from the Fiscal Year 2021-22 Revised, which is due to the expectation that Sales tax activity will remain relatively consistent based upon estimates received from San Bernardino County Transit Authority (SBCTA).

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Streets and Transportation Related Funds (Continued)

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 2022-23 Budget of \$1.9 million will increase \$0.3 million or 19% from the FY 2021-22 Budget and a 9% increase from the FY 2021-22 Revised.

Gas Tax RMRA – This source of revenue is generated from a tax on fuel that took effect November 2017 during Fiscal Year 2017-18 and is used to repair and maintain roads, freeways, and bridges. 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 2022-23 Budget is expected to be \$2.2 million. This is a 16% increase above the Fiscal Year 2021-22 Budget and 10% greater than the FY 2021-22 Revised due to increased consumption and fuel prices.

Gas Tax Swap – This source of revenue is State funded and, beginning with the FY 2011-12 Budget, legislative actions 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 2022-23 Budget expects an increase of 11% from the FY 2021-22 Budget and a 16% increase from FY 2021-22 Revised. This revenue is determined primarily through gasoline consumption and prices, as well as "true ups" under the fuel tax swap system. Under the swap, the State Board of Equalization (BOE) annually adjusts the Section 2103 rate to try to match what fuel tax revenues in the forecast year would have been under Prop 42, had the swap not occurred. Later, when the actual amount of gallons sold and taxable sales are known for a year, the BOE is required to "look back" and "true up" for any over or under collection of revenue compared to what the sales tax rate would have collected. This "true up" is factored into the rate set in subsequent year(s).

Local Transportation Fund (LTF) – This is funded by the County 1/4 cent sales tax, and 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 2022-23 Budget of \$0.9 million is expected to remain unchanged from the FY 2021-22 Budget. The \$0.9 million in 'one-time' LTF funds expected to be remitted to the City in FY 2022-23 is due to VVTA receiving CARES Act funding during FY 2020-21, which was used to offset their organizational cost. After FY 2022-23, it is anticipated that the City will no longer receive LTF as the funds will be completely utilized by VVTA for their operations.

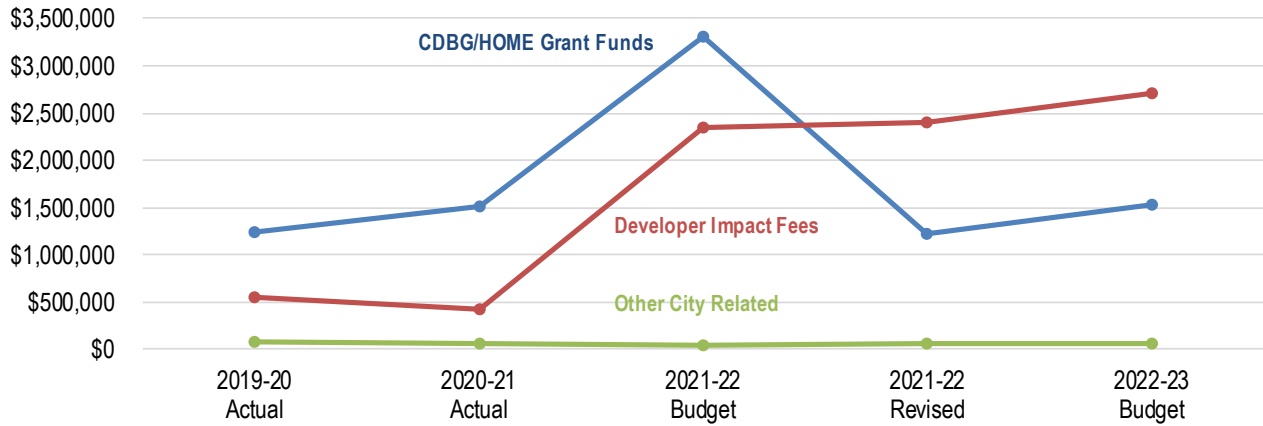
Developer Impact Fees (DIFs) – Of the thirteen DIF funds, five are restricted to street-related improvements, DIF-Streets, DIF-Storm Drainage, DIF 2018-Streets, DIF 2018-Drainage Facilities and A-04 Drainage. These are locally controlled funds and reflect the City's current trend in residential permitting. In total, DIF is projected to increase by \$0.6 million or 5% from both the FY 2021-22 Budget and the FY 2021-22 Revised Budget. The following is a discussion of the FY 2022-23 assumptions:

- The A-04 Draining DIF fee, which was approved by City Council in December 2020, is to fund infrastructure improvements and prevent flooding along the A-04 drainage line. The FY 2022-23 Budget assumes 40 single family residential (SFR) residences.
- DIF-Storm Drainage and DIF 2018-Drainage Facilities assumes 116 multi-family units, 200 SFR units, approximately 1.2 million square feet (sq ft) of industrial, and 67,000 sq ft commercial.
- DIF-Streets and DIF 2018-Streets shares the same development activity assumptions as with DIF Drainage. Additionally, the FY 2022-23 Budget assumes receiving a \$6 million installment (\$12 million total) associated with Silverwood/Tapestry project and will be used to as a funding source for the Rancho Road project. As identified in the developer agreement associated with the Silverwood/Tapestry project, the developer is to prepay \$12 million of DIF-streets; of which, \$6 million will be received by June 30, 2022 and the remaining to be received during FY 2022-23.

Other Streets Related Funds – This group is comprised of two funds, the City Streets CIP and Public Works Street Maintenance fund. The Streets Maintenance budget is comprised of anticipated interest earnings for the year. The City Streets CIP fund tracks grants and developer reimbursements for capital projects. The revenue in this fund will change each year depending on the approved projects. For a detail of the different grants and developer reimbursements by capital improvement plan (CIP) projects, please refer to Section G – CIP.

REVENUE

CDBG, Developer Impact Fee, and Other City Related Funds



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	% Change From 2021-22 Budget
CDBG-Entitlement	\$ 1,046,473	\$ 1,009,086	\$ 3,293,376	\$ 1,165,719	\$ 1,509,086	-54%
Other CDBG/HOME Revenue	195,064	508,753	11,391	54,062	19,534	71%
CDBG/HOME Funds	1,241,537	1,517,839	3,304,767	1,219,781	1,528,620	-54%
Developer Impact - Fire	56,909	33,201	16,528	5,351	25,181	52%
Developer Impact - Police	11,464	8,108	3,368	560	6,205	84%
Developer Impact - Public Services	25,469	23,470	8,794	1,462	16,537	88%
Combined 2018 DIFs	465,032	359,046	2,320,485	2,392,914	2,657,686	15%
Developer Impact Fees (DIF)	558,874	423,825	2,349,175	2,400,287	2,705,609	15%
AB3229 Supplemental Law	229,707	230,075	200,549	237,269	237,584	18%
American Rescue Plan Grant	0	0	0	11,725,633	11,732,891	n/a
Other City Related Funds	83,007	65,152	44,474	66,011	69,162	56%
Total City Other Funds	\$ 2,113,125	\$ 2,236,891	\$ 5,898,965	\$ 15,648,981	\$ 16,273,866	176%

Overall, this group of 18 funds is projecting a 176% increase in the FY 2022-23 Budget. This is primarily the result of \$23.4 million from the Federal Government American Rescue Plan Grant, in which \$11.7 million was received in FY 2021-22 with the remaining \$11.7 million to be received in FY 2022-23. The American Rescue Plan Grant revenue consist of 72% of the group's total FY 2022-23 Budget while non-streets Developer Impact Funds comprises 17% of the total. CDBG/HOME funds revenue make up about 9% of the total revenues with \$1.5 million.

CDBG-Entitlement – 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. These revenues are largely derived from drawing down on the grants, after incurring the expenditures. The FY 2022-23 Budget represents the projects planned for FY 2022-23 that are submitted to and approved by HUD. The budget-to-budget decrease of 54% is primarily due to the \$1.0 million in CDBG CARES Act grant funding from HUD that was included in the FY 2021-22 Budget. During FY 2021-22, it was determined that the City would not participate in the program and thereby will no longer budget the funds going forward.

Other CDBG/HOME Revenue – This revenue group is comprised of several minor CDBG/HOME-related sources. The largest of this group is related to Neighborhood Stabilization Program (NSP), which served the purpose of buying, rehabilitating, and reselling abandoned/foreclosed homes within the City. In FY 2020-21, the City sold the last remaining NSP properties. The FY 2022-23 Budget consists largely of interest income from investment activity.

REVENUE

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

Developer Impact Fees – These non-street related Developer Impact Fees (DIFs) were originally made up of the Fire, Police, and Public Services DIF funds. In July 2018, City Council approved DIF 2018 fees for Fire Suppression, City Hall Facilities, Animal Control, Records Storage, and Police Facilities. These revenues vary based upon the differing rates for Single Family Residential, Multi-Family Residential, and Commercial rate structures and is paid prior to occupancy. The FY 2022-23 Budget is a \$0.3 million increase over the FY 2021-22 Revised and a \$0.4 million increase over the FY 2021-22 Budget. This increase is due to the development activity, as well as the shift from the previous DIF fee structure to the DIF 2018 fee structure.

American Rescue Plan Grant – This grant established Coronavirus State and Local Fiscal Recovery Funds (SLFRF) as part of the Federal Government American Rescue Plan. These funds were established, in part, to address the negative impacts caused by COVID-19, replace lost revenue, and invest in water, sewer, and broadband infrastructure. The City was allocated a total of \$23.4 million in grant funding and received the first half of these grant funds of \$11.7 million in September 2021. The second installment of \$11.7 million in grant funding will be received in FY 2022-23.

Other City Related Funds – The four funds in this group include: the Environmental Programs Grant, the Disaster Preparedness Grant, the 2012 Water Rights Debt Service, and the City Debt Service fund. Each of these funds has restrictions, limiting how its money can be spent. The fund with the greatest revenue source in this revenue group is the Environmental Programs Grant, with grant revenue of \$63,525.

Community Development Commission

	2019-20	2020-21	2021-22	2021-22	2022-23	%Change From 2021-22
	Actual	Actual	Budget	Revised	Budget	Budget
Rents & Leases	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	n/a
Reimbursements/Other Agencies	0	0	0	0	0	n/a
Miscellaneous Revenue	15,030	0	0	0	0	n/a
Proceeds from Land Sale	270,000	0	0	0	0	n/a
All Other Revenue	29,727	0	0	0	0	n/a
Total Community Development Commission Revenue	\$ 314,757	\$ 0	\$ 0	\$ 0	\$ 0	n/a

The Community Development Commission contains no budgeted funds for FY 2022-23. The remaining functions of the Community Development Commission were absorbed into the General Fund beginning FY 2020-21.

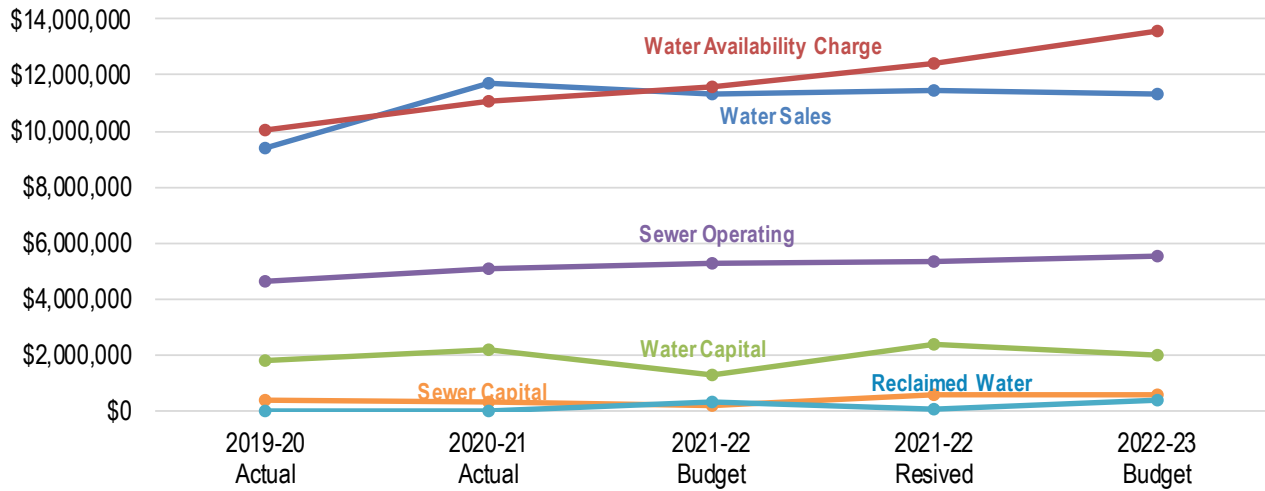
Hesperia Housing Authority

	2019-20	2020-21	2021-22	2021-22	2022-23	%Change From 2021-22
	Actual	Actual	Budget	Revised	Budget	Budget
Housing Authority - Interest	\$ 94,365	\$ 37,535	\$ 49,120	\$ 25,899	\$ 23,832	-51%
Loan Repayments	118,465	89,133	90,178	177,128	91,084	1%
Proceeds from Land Sales	0	0	0	288,000	0	n/a
All Other Revenue	34,599	12,108	13,000	5,450	6,500	-50%
Total Housing Authority Revenue	\$ 247,429	\$ 138,776	\$ 152,298	\$ 496,477	\$ 121,416	-20%

The FY 2022-23 Budget for the Hesperia Housing Authority is \$121,416. The 2022-23 Budget is 20% less than the prior year's budget due to an anticipated decrease in interest-related revenue, and 76% lower than the FY 2021-22 Revised due largely to revenue received from the sale of vacant land and a loan payoff in FY 2021-22.

REVENUE

Water District Revenue Trend



	2019-20 Actual	2020-21 Actual	2021-22 Budget	2021-22 Revised	2022-23 Budget	%Change From 2021-22 Budget
Water Sales/Residential	\$ 7,881,766	\$ 9,397,705	\$ 9,492,508	\$ 9,432,881	\$ 9,607,197	1%
Water Sales/Business	464,742	535,928	540,624	600,426	590,069	9%
Water Sales/Public Building	613,985	671,355	688,916	731,285	715,361	4%
Water Sales/Irrigation	261,549	419,515	411,000	431,789	232,907	-43%
Water Sales/Construction	160,257	666,311	180,144	276,367	169,757	-6%
Sub-total Water Sales	\$9,382,299	\$11,690,814	\$11,313,192	\$11,472,748	\$11,315,291	0%
Water Availability Charge	10,050,818	11,059,476	11,600,000	12,420,148	13,548,959	17%
Total Water Sales	19,433,117	22,750,290	22,913,192	23,892,896	24,864,250	9%
Water Capital	1,806,811	2,183,081	1,300,000	2,407,526	2,000,000	54%
Sewer Operating	4,620,762	5,100,177	5,277,514	5,335,200	5,539,344	5%
Sewer Capital	393,869	320,628	206,632	564,826	558,800	170%
Reclaimed Water Operations	0	0	300,000	60,258	377,964	26%
All Other District Revenue	1,482,258	1,745,248	1,424,839	2,145,000	1,473,074	3%
Total Water District Revenue	\$ 27,736,817	\$ 32,099,424	\$ 31,422,177	\$ 34,405,706	\$ 34,813,432	11%
Before Grants						
Prop 84 Drought Relief Grant	0	199,978	0	0	0	n/a
Prop 1 Grant	2,896,118	0	0	0	0	n/a
BOR Water Smart Grant	0	0	75,000	0	75,000	0%
Total Water District Revenue	\$30,632,935	\$32,299,402	\$31,497,177	\$34,405,706	\$34,888,432	11%

Water District – Overall, the FY 2022-23 Budget anticipates an 11% growth from the FY 2021-22 Budget and a 1% increase from the FY 2021-22 Revised. The increase in Water District revenue between the FY 2020-21 Revised and the FY 2021-22 Budget is attributable to an increase in water availability charges. Additionally, the FY 2022-23 Budget is 8% or \$2.6 million greater than the FY 2020-21 Actual, which reflects increased revenues from the revised rate structure approved by the Board of Directors in November 2017, with the final annual rate changes occurring in December 2021. Even with the rate changes, Hesperia rates are still among the lowest in the area.

REVENUE

Water District Revenue Trend (Continued)

Water Sales – Water Customers pay for the water use registered by their meter. The FY 2022-23 Budget projects revenue to remain unchanged from the FY 2021-22 Budget and a 1% decrease over the FY 2021-22 Revised. The consistency in revenue from the FY 2021-22 Budget is based upon the fifth, and final, annual water rate changes that went into effect in December 2021.

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 2022-23 Budget expects a 17% rise over the FY 2021-22 Budget, 9% above the FY 2021-22 Revised, and 35% more than FY 2019-20 Actual collections. These increases can be attributed to the recently restructured water rates. A function of the restructured water rates shifts the District from a variable revenue collection model that previously relied heavily on water sales to a more fixed revenue collection model which focuses on the replenishment of costs to ensure the availability of water to all customers. This model more accurately reflects the costs related to making water available to customers.

Water Capital – This is the connection fee for new water meter installations based on the set-up of new services. The FY 2022-23 Budget of \$2.0 million is based on 240 anticipated 3/4" SFR's and various 2" meters, 4" meter, and 1" meters for projects mentioned in previous sections. In addition, 116 apartments are planned during Fiscal Year 2022-23. The upcoming budget is 54% greater than the FY 2021-22 Budget but 17% less than the FY 2021-22 Revised. Currently, 220 3/4" meters (for homes), three 1" meters (one business meter, two irrigation meters, and one multi-family meter), one 1.5" business meter, three 2" business meters, one 2" irrigation meter, two 4" business meter, and two 6" fire sprinkler meters have been sold during FY 2021-22.

Sewer Operating – Sewer services are primarily available along the Main Street corridor and the western portion of the City and comprises about 20% of the District's water customers. Sewer Billing revenue is expected to reach \$5.5 million in the FY 2022-23 Budget, an increase of \$0.2 million from the FY 2021-22 Revised and \$0.2 million over the \$5.3 million FY 2021-22 Budget. The budget-to-budget increase reflects the 6% fixed rate increase effective December 2021 as part of the approved rate study as well as anticipated development activity in FY 2022-23.

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 2022-23 Budget is anticipating a 170% increase from the FY 2021-22 Budget and a 1% decrease from the FY 2021-22 Revised. Anticipated FY 2022-23 development activity connecting to sewer includes 116 apartments, 150 tract homes, six industrial buildings, two retail buildings, two restaurants, one commercial building, one gas station, one automotive repair, and one medical building.

Reclaimed Water Operations – Reclaimed water revenues are generated from both connection fees and water sales from the City's reclaimed water system. In April 2022, the Hesperia Golf Course and the Township area began utilizing the reclaimed water system. Revenues for these first two customers are anticipated to be received by the end of FY 2021-22. The FY 2022-23 Budget anticipates five (5) additional customers, which include Hesperia City Hall, Hesperia Civic Park, Hesperia Police Station, the High Desert Government Center (San Bernardino County Building), and 8th Avenue Paseo to begin utilizing the reclaimed water system

All Other District Revenue – This group of revenues comprise the remaining Water District Operating and Capital revenue (about 4% of total District revenue) of which property tax revenue (\$0.3 million), water meter fees (\$0.3 million), and delinquency fees (\$0.1 million) comprise the majority. This category of revenues is projecting a 3% increase from the FY 2021-22 Budget.