

INTRODUCTION

- *Summary of Total City Revenue and Expenditures*
- *Mission Statement and City Council Priorities (Goals)*
- *City of Hesperia History*

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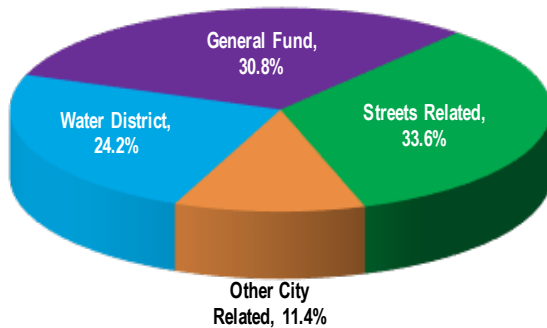
INTRODUCTION

Summary of Total City Revenue and Expenditures

This is the adopted Fiscal Year (FY) 2022-23 Budget document for the City of Hesperia and no changes were made between the proposed and adopted budget. The following information summarizes and highlights the planned major changes in the FY 2022-23 Budget:

Resources	2021-22	2022-23	Change From 2021-22	
	Budget	Budget	Amount	Percent
Revenue	\$ 131,534,779	\$ 144,010,399	\$ 12,475,620	9%
Budgeted Reserves	5,951,412	13,088,386	7,136,974	120%
Total Resources	137,486,191	157,098,785	19,612,594	14%
Expenditures	\$ 130,777,772	\$ 133,605,549	\$ 2,827,777	2%
Difference	\$ 6,708,419	\$ 23,493,236		

Revenue:



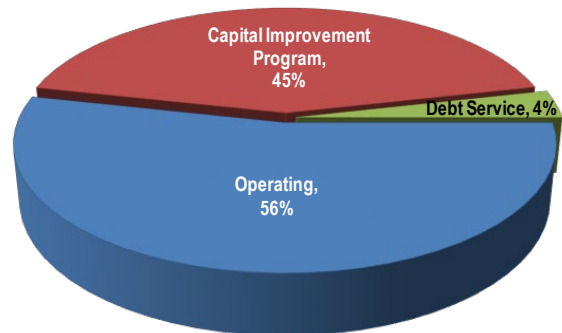
A comparison between FY 2021-22 Budget of \$131.5 million and FY 2022-23 Budget of \$144.0 million indicates that overall revenue is anticipated to increase by 9% (\$12.5 million).

Overall resources are anticipated to increase by 14%. While the following will summarize the major changes, for a detailed discussion, refer to Section C – Revenue Summaries and Section I – Fund Balance Summary.

The General Fund revenue is increasing by 13% or \$5.1 million. This increase is mainly from sales tax and development-related activity.

Due to an increase in water availability charges, along with the final approved annual rate increase, the Water District revenue is anticipated to increase by 11% or \$3.4 million over the FY 2021-22 Budget.

Expenditures:



The FY 2022-23 Budget proposes expenditures of \$133.6 million, which is a 2% increase over the FY 2021-22 Budget of \$130.8 million.

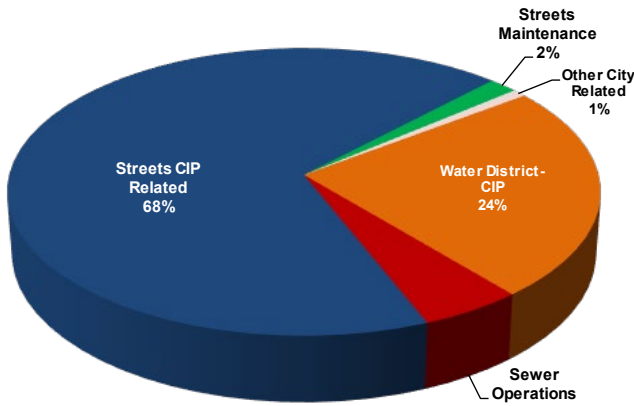
The primary reason for the increase in expenditures is related to the operating budget, which is anticipated to increase by 14%. This is primarily due to salary cost of living adjustments (COLA), staffing level increases, expected CalPERS' pension costs increase, and an increase to the law enforcement.

For a complete discussion of budget-to-budget changes, refer to the following sections: D. Expenditure Summary and F. Department & Program Expenditures.

INTRODUCTION

Budgeted Reserves:

Much like a savings account, Budgeted Reserves are excess resources saved from prior fiscal years.



The FY 2022-23 Budget contains the use of reserves totaling \$13,088,386 million, of which, \$758,795 will be utilized by operating funds (Streets Maintenance and Sewer Operations). The remaining \$12.3 million of reserve usage will be used to primarily fund projects.

The following table details the use of reserves:

Balanced Budget Policy

The \$13,088,386 of Budgeted Reserves is comprised of the following:

Operating Funds Use of Reserves

Streets Maintenance	\$ 229,898
Sewer Operations	528,897
Subtotal Operating Funds Use of Reserve	758,795

Other Funds Use of Reserves

Streets Capital Improvement Projects Funds (Measure I, Gas Tax Swap, DIF-Streets, DIF-Storm Drain, Gas Tax RMRA, LTF)	\$ 8,932,479
Other City Related (AB 3229, Beverage Recycling, CDBG-NSP, & DIF Public Service)	110,912
Water District - Sewer Capital	3,286,200

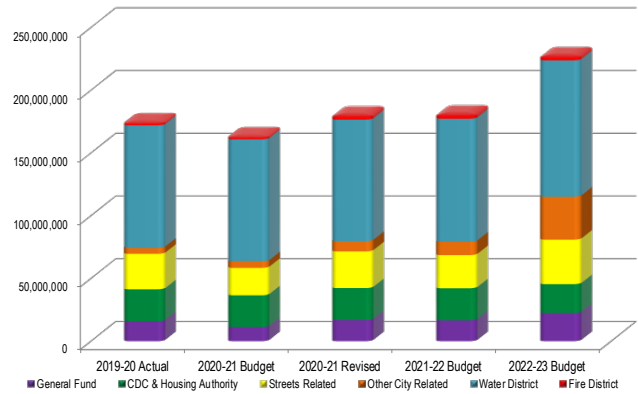
Subtotal Other Funds Use of Reserve **12,329,591**

Total Budgeted Reserves **\$ 13,088,386**

Cash Reserve Policy:

The cash reserve policy for the General Fund requires that a minimum of two (2) months of the annual expenditures be held in cash. The FY 2022-23 General Fund Budget includes 3.9 months of cash reserve, which equates to approximately \$14.5 million. Cash reserves is a calculation of the ratio of cash and cash equivalents to the total individual fund annual expenditures. The specific purpose of the reserves is to provide funding to meet operational appropriation requirements in the event that the City experiences shortfalls in the level of anticipated revenues or unanticipated expenses.

Fund Balance:



After accounting for all proposed resources and expenditures, the FY 2022-23 Fund Balance will be approximately \$226.9 million, which is an increase of 26% or \$46.5 million from the FY 2021-22 Budget of \$180.4 million.

Fund Balance	2021-22 Budget	2022-23 Budget	Amount Difference	Percent Change
General Fund	\$ 16,548,709	\$ 22,279,934	\$ 5,731,225	35%
CDC & Housing Authority	25,627,846	23,135,844	(2,492,002)	-10%
Streets Related	26,394,399	35,464,992	9,070,593	34%
Other City Related	10,678,726	34,296,725	23,617,999	221%
Water District	98,064,740	108,614,901	10,550,161	11%
Fire District	3,075,811	3,127,257	51,446	2%
Ending Fund Balance	\$ 180,390,231	\$ 226,919,653	\$ 46,529,422	26%

Balanced Budget:

A balanced budget uses operational revenue to fund operational expenditures, which means that one-time revenue is reserved for one-time costs, such as purchasing a large piece of equipment.

Capital Improvement Program (CIP) Summary:

The total allocation for all Capital Projects in all funds in FY 2022-23 is \$54.1 million. These projects include streets, storm drainage, facilities, water, and sewer projects. For an in depth review of all CIP projects, refer to Section G – CIP.

Capital Improvement Program (CIP) Projects

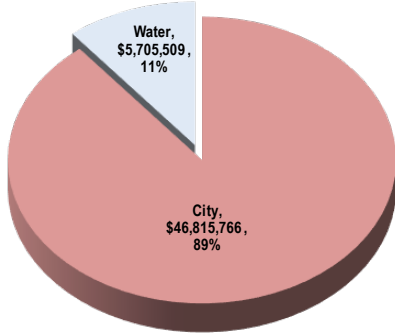
Streets Projects	
2022-23 Street Improvements	\$ 2,528,100
Traffic Signal Projects	1,000,000
Ranchero Road Related Projects	38,580,945
Carryover Streets Related Projects	1,353,900
Total Streets Related Projects	43,462,945
Storm Drainage Projects	2,642,149
Facilities Projects	328,000
Water Projects	3,825,000
Sewer Projects	3,845,000

Total CIP Projects **\$ 54,103,094**

INTRODUCTION

Debt Service:

The Debt Service obligation for the City of Hesperia and the Hesperia Water District total \$4.9 million for FY 2022-23. This represents a slight decrease of \$17,500 from the FY 2021-22 Debt Service budget of \$4,895,611. It should be noted that the City's debt service obligation is 89%, while the Water District is 11% of the total obligation.



The following is a synopsis of the FY 2022-23 obligation costs:

City Total \$4.7 million

- 2012 Water Rights Lease Revenue Bonds - \$1.4 million
- 2013 Civic Plaza Refunding - \$0.9 million
- 2014 DIF Loan from General Fund - \$85,000
- Rancho Rd Interchange Loan from SBCTA - \$2.3 million

Water Total \$0.2 million

- 2016 State Revolving Fund (SRF) Loan - \$0.2 million

Positions, Salaries, and Benefits:

In total, the FY 2022-23 Budgeted salaries and benefits are expected to increase by 18%, or \$3.6 million from the FY 2021-22 Budget. This increase can be attributed to the 4.5% cost of living adjustment (COLA) for both the represented and non-represented employees, benefit changes, and 12% staffing increase.

The FY 2022-23 Budget proposes 192.85 full-time equivalent (FTE) City employees. Refer to Section E – City Position Summaries for a complete discussion of position changes, as well as the status of the individual CalPERS plans.

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INTRODUCTION



CITY OF HESPERIA MISSION STATEMENT

Hesperia is dedicated to enhancing our safe, friendly community, while blending a rural lifestyle with progress and responsible growth.

CITY COUNCIL PRIORITIES (GOALS)

To adhere to the City's Mission Statement, the City Council has adopted the following six goals.

1. Public Safety – Ensure adequate public safety resources are available for our citizens, families, children, businesses, and visitors.
 - Refer to the Police Department (page F - 93) budget, as well as the Code Enforcement Program (page F - 42) and the Animal Control Program (page F - 46) budget for discussion of the Public Safety goal.
2. Financial Health – Hesperia will assure its financial health by continuing to provide structurally balanced budgets for its operating funds.
 - The City Manager Department (page F - 6) and Management Services Department, particularly the Finance Division, (page F - 14) budget discusses the Financial Health goal.
3. Future Development – Actively manage growth to ensure cohesive development including Industrial, Commercial, Residential, Freeway, Main Street and Rancho Corridors.
 - The Economic Development Department (page F - 22) focuses on business attraction component of this goal, while the Development Service Department, particularly the Community Development Division (page F - 35 & F - 38), focus on the development component of the goal.
4. Future Vision – Agree on a 'vision' of what Hesperia should be in 5, 15, and 25 years (revisit the 'vision' no sooner than once every 5 years).
 - This goal discussion can be found in the City Council narrative found on page F - 1.

CITY COUNCIL PRIORITIES (GOALS) - Continued

5. Organizational Health – Establish and maintain a healthy and efficient organization to provide City services.
 - The City Manager Department (page F - 5) and Human Resources/Risk Management Division within the Management Services Department (page F - 17), ensure that this goal is ascertained.
6. Capital Improvement – Create Capital Improvement Funding after Redevelopment's elimination.
 - The Development Services Department beginning on page F - 34, as a whole, oversee capital improvement. Furthermore, refer to the Capital Improvement Program (CIP) section, which starts on page G - 3 for a complete discussion of the planned projects.

INTRODUCTION

City of Hesperia History Fiscal Year 2022-23



The history of Hesperia is the history of the American West, as reflected by its name, which is reported to be Greek for “Star of the West”. It is probable that the Native Americans were the first to settle in the area, with the first white man to pass through thought to be a Spaniard called Father Francisco Garces.

During the period of 1826-27, a guide by the name of Jedediah Smith pioneered the Mormon Trail, a route that extended across the desert from what today is Needles, a city at the California and Arizona border. As the trail wound westward toward its terminus at Mission San Gabriel, the Mormon Trail passed through Hesperia and was the route that General John Fremont and Kit Carson took in 1842, when they lead an Army party exploring the west. Fremont's journal specifically tells of the camp at the headwaters of the Mojave River, of the hundreds of Joshua trees everywhere, and of the “disappearing waters” where the river flows underground.

By 1845, the Mormon Trail was a well-established east-west crossing, with records reflecting that as many as 300 to 500 people per year traveled the trail; numbers that only increased as California became a part of the United States.

In 1847, the Atchison, Topeka and Santa Fe Railroad ran the first tracks through the area, and upon completion of the depot in 1885, the area was officially named "Hesperia". Also in 1885, a gentleman named Joseph Widney acquired the township of Hesperia, and shortly thereafter, he formed the Hesperia Land and Water Company for the purpose of creating a town.

Having laid out the Town, Hesperia Land and Water Company moved quickly to establish water rights with the County of San Bernardino, and this initial water appropriation was, ironically, in an amount sufficient to service a population of 56,500 people; only slightly less than the present day population of Hesperia.

During the time between 1870 and 1882, the agricultural crops of early ranchers (Mrs. C.B. Shaw, Mrs. Fleming and Mr. Sefton) received growing interest. The Shaw ranch employed 60 men and harvested 180 acres of grapes, which were tray-dried and shipped as raisins. It was Sefton, however, that brought the most fame to Hesperia with the wine created from his grapes being shipped throughout California and to the east coast.

Aside from grape production, Hesperia's first real industry was established around 1890, when an enterprising businessman saw commercial possibilities in the large Juniper bushes that dotted the Hesperia landscape. Contracting with Los Angeles bakers, he began supplying them with wood as fuel for their bakery kilns, shipping 7 to 10 carloads of Juniper cuttings to Los Angeles daily. Unfortunately, the juniper industry in Hesperia was short-lived, as oil became the principal fuel for baker's kilns in the early 1900's.

During the early 1900's, cross-country automobile travel brought visitors directly through Hesperia, the last major stopping point for automotive needs prior to crossing the dreaded Cajon Pass, with its narrow hairpin turns and steep roads. Unfortunately for local business, Highway ("Route 66") was realigned to the west of Hesperia in 1924.

As it is today, Hesperia became known in the 1950's for its affordable land (lots usually sold in increments of \$50 each), which attracted many investors, and the average dreamer wanting to invest in land. It wasn't until 1988, when voters approved incorporation and the City of Hesperia was born. The first City Council consisted of founding fathers Percy Bakker, George Beardsley, Bruce Kitchen, Howard Roth, and Val Shearer.

Having celebrated twenty years as a City, Hesperia has faced many challenges such as flooding, deteriorating streets, and a small tax base. But throughout the “growing pains” of early cityhood, the residents have continued to show a strong civic pride and community involvement that makes it unique in the High Desert. It is, in fact, during times of adversity that they demonstrate the spirit that carried their forefathers across the Mojave Desert to the place they call home.

Historical references supplied by Myra McGinnis.

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