



City of Highland

Larry McCallon, Member
District 5

Jimmy Saldana, Member
District 2

Finance/Personnel Subcommittee Meeting Agenda

February 17, 2026 at 4:00 PM
City Hall Upright Conference Room
27215 Base Line, Highland, CA 92346

Staff

Carlos Zamano, City Manager
Lawrence Mainez, Community Development Director
Leticia Nava-Cruz, Director of Administrative Services/City Treasurer
Lissette Nock, Deputy City Clerk
Michelle Gomez, Assistant Director of Administrative Services
Octavio Duran Jr., Public Works Director/City Engineer

Mission Statement

Highland is dedicated to the betterment of the individual, the family, the neighborhood and the community. The City Council and the staff of Highland are dedicated to providing the quality of public facilities and services that its citizens are willing to fund and will do so as efficiently as possible.

In compliance with the Brown Act, any writings or documents provided to a majority of the legislative body regarding any item on this agenda, that are not exempt from disclosure under the California Public Records Act, will be made available for public inspection at City Hall, 27215 Base Line Highland, CA 92346, during normal business hours. Such documents will also be made available on the City's website at www.highlandca.gov.

In compliance with the Americans with Disabilities Act (ADA), if you need special assistance, please contact the City Clerk's office at (909) 864-6861, ext. 226, at least 72 hours prior to the meeting for any requests for reasonable accommodations, including interpreters.

Levine Act: Pursuant to Government Code Section 84308, any party to a City proceeding must disclose on the record any campaign contributions made to a member of the City Council (or commission) in excess of \$500 in the past 12 months. This disclosure requirement includes contributions by the party's agent and aggregated contributions from persons or entities related to the party. Please make the disclosure as soon as possible, but no later than the beginning of the proceeding.

Call to Order

Roll Call

Public Comment

Limited to items on this agenda only. To address the Finance/Personnel Subcommittee, please complete a speaker form located at the entrance prior to the beginning of the meeting. For those wishing to make public comments by email, please submit your comments by 3:00 p.m. on February 17, 2026, to publiccomment@highlandca.gov. Please identify the agenda item number in the subject line. Emailed comments will be distributed to the Subcommittee and retained as part of the public record; however, submissions will not be read out loud during the meeting.

Business Items

1. Minutes - January 28, 2026 Finance/Personnel Subcommittee Meeting

Approve the Minutes as submitted.

2. Single Audit Report on Federal Award Programs for Fiscal Year Ended June 30, 2025

Review and approve item be brought forward to the City Council to receive and file the Single Audit Report on Federal Award Programs for Fiscal Year Ended June 30, 2025.

3. Amendment to Title 5, Chapter 5.04, Section 5.04.160 of the City of Highland Municipal Code (Business License)

Review and approve item be brought forward to the City Council to:

1. Introduce and conduct a 1st and 2nd reading and subsequently adopt Ordinance No. _____ amending section 5.04.160 (License Fee-Payment Due Dates) of the Highland Municipal Code amending the term and collection of the fee for new business licenses; and
2. Making a finding of exemption under the California Environmental Quality Act.

4. Community Park Athletic Field Lighting Maintenance

1. Approve a budget adjustment of \$75,000 from the Fiscal Year 2026/2027 "Development Impact Fee" (DIF) fund balance to be expended from the current Fiscal Year 2025/2026 DIF Fund (Acct# 007.8330.6040);
2. Approve the proposal from Musco Sports Lighting, LLC in the amount of \$43,768 to purchase and install 164 Musco 1,500-watt Z lamps through the Sourcewell Cooperative Purchasing Program Contract #041123-MSL for maintenance purposes;
3. Authorize the City Manager to sign purchase agreements related to community park lighting maintenance not to exceed \$75,000; and
4. Approve Musco Sports Lighting, LLC as the sole source for procurement and installation of the proposed lights and associated equipment.

5. A Resolution of the City Council of The City of Highland, California, Amending a Policy Regarding Expense Reimbursement and Use of Public Resources

Review and approve item to be brought forward to the full City Council to adopt a Resolution amending the City's policy regarding expense reimbursement and the use of public resources.

Adjourn

Certification

I, Alondra Muñoz, City Clerk, or my designee, hereby certify that the foregoing agenda was posted on our website at www.highlandca.gov and in the following designated areas: Highland Branch Library (7863 Central Avenue), Fire Station No. 1 (26974 Base Line), and City Hall (27215 Base Line) at least twenty-four (24) hours prior to the meeting per Government Code Section 54956.



Staff Report

to the Finance/Personnel Subcommittee

Agenda
Item
No.1.

Date: February 17, 2026
From: Carlos Zamano, City Manager
Reviewed By: Alondra Muñoz, City Clerk
Prepared By: Lissette Nock, Deputy City Clerk
Subject: Minutes - January 28, 2026 Finance/Personnel Subcommittee Meeting

Recommendation:

Approve the Minutes as submitted.

Fiscal Impact:

None

Public Notice:

The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

Background:

The Finance/Personnel Subcommittee is required to maintain an official record of its proceedings. Minutes serve as the permanent record of actions taken by the Finance/Personnel Subcommittee and provide transparency to the public regarding the business conducted at each meeting. In accordance with standard practice, the draft minutes from the January 28, 2026 Finance/Personnel Subcommittee Meeting have been prepared and are submitted for the Finance/Personnel Subcommittee's review and approval.

Attachments:

1. Minutes - January 28, 2026 Finance/Personnel Subcommittee Meeting

Call to Order

The Finance/Personnel Subcommittee special meeting was called to order at 3:00 p.m. in the Upright Conference Room, 27215 Base Line, Highland, California.

Roll Call

Present: McCallon, Saldana
Absent: None

Public Comment

None.

Business Items

1. Minutes - January 13, 2026 Finance/Personnel Subcommittee Meeting
Approved the Minutes as submitted.
2. Review and Direction of Claim Settlement Authority and Thresholds and Claim Rejection Process
 1. Reviewed and provided direction regarding revisions to claim settlement authority and thresholds, including repealing and replacing Ordinance No. 174 to reflect the City Manager is authorized to allow, deny, compromise or settle any tort liability claim or action that is filed against the City, its officers or employees provided that as to payment amount to be paid pursuant to such allowance, compromise, or settlement does not exceed Five Thousand Dollars (\$5,000). A duly authorized subcommittee of the City Council in conjunction with the City Manager is authorized to settle tort liability claims or actions against the City in an amount not to exceed Twenty Thousand Dollars (\$20,000). All settlements recommended by the City Manager or Subcommittee of the City Council of a tort liability claim or action in excess of Twenty Thousand Dollars (\$20,000) shall first be approved by the City Council.; and
 2. Directed to keep the claim rejection process as is.
3. Highland Memorial Park Plaque Replacement
 1. Approved the purchase of a replacement at Highland Memorial Park in the amount of \$2,392.50; and
 2. Approved the following budget adjustment: transfer \$2,392.50 from 001-2100 (Unreserved/Undesignated Fund balance) to be expended from 001-6000-4250.

Adjourn

Submitted By:

Approved By:

Alondra Muñoz, City Clerk

Subcommittee Member



Staff Report

to the Finance/Personnel Subcommittee

Agenda
Item
No.2.

Date: February 17, 2026
From: Carlos Zamano, City Manager
Reviewed By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Prepared By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Subject: Single Audit Report on Federal Award Programs for Fiscal Year Ended June 30, 2025

Recommendation:

Review and approve item be brought forward to the City Council to receive and file the Single Audit Report on Federal Award Programs for Fiscal Year Ended June 30, 2025.

Fiscal Impact:

None-reports only.

Public Notice:

The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

Background:

The Single Audit Report (SAR) is usually presented to the City Council at the same time as the annual audit. Due to the government shut-down, the guidelines for the SAR on federal awards were delayed, therefore, delaying the report.

The purpose of the SAR is to provide assurance to the federal government that recipients of federal funds comply with directives regarding the management and use of these funds by having an independent auditor report on such compliance. It only applies to state, local government, and nonprofit recipients that expend \$750,000 or more of such assistance in one year. Highland's federal expenditures for fiscal year 2024-2025 were \$7,662,704.

There were no internal control findings, no material weaknesses identified, no significant deficiencies identified that are not considered to be a material weakness nor any instances of noncompliance. As a result, the report received an unmodified (clean) opinion, which is the best opinion that can be received.

Attachments:

1. Single Audit Report on Federal Award Programs for Fiscal Year Ended June 30, 2025.

Attachment 1
Single Audit Report 2024/2025

CITY OF HIGHLAND

**Single Audit Report on
Federal Award Programs**

June 30, 2025

CITY OF HIGHLAND
SINGLE AUDIT REPORT ON FEDERAL AWARD PROGRAMS
Year Ended June 30, 2025

TABLE OF CONTENTS

	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11

**Independent Auditor’s Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

City Council
City of Highland
Highland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Highland (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 20, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Van Lant + Fankhanel, LLP

November 20, 2025

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule
of Expenditures of Federal Awards Required by Uniform Guidance**

City Council
City of Highland
Highland, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Highland’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2025. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Highland, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Highland and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the City of Highland, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 20, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Van Lant + Fankhaed, LLP

February 5, 2026

CITY OF HIGHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Program Identification Number	Program Expend- itures	Provided to Sub- Recipients
<i>Department of Housing and Urban Development</i>				
CDBG - Entitlement Grants Cluster				
Passed through the County of San Bernardino:				
Community Development Block Grant	14.218	HIGH-24-1-15 Z/1355	\$ 117,496	\$ -
Community Development Block Grant	14.218	HIGH 24-1-05 A/1219	22,703	22,703
Community Development Block Grant	14.218	HIGH 24-2-05 D/2620	13,200	13,200
Community Development Block Grant	14.218	HIGH 24-2-05 Z/2443	13,542	13,542
Community Development Block Grant	14.218	HIGH 24-1-03K/0302	323,122	-
Community Development Block Grant	14.218	HIGH 23-1-03K/0280	258,005	-
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-1-05W/0200	3,035	3,035
COVID-19 - Community Development Block Grant	14.218	HIGH 19CV-2-05W/0202	45,470	45,470
<i>Total Department of Housing and Urban Development Programs</i>			<u>796,573</u>	<u>97,950</u>
<i>Environmental Protection Agency</i>				
Passed through the California Department of Transportation:				
Climate Pollution Reduction Grant	66.046	CRPL 5449 (042)	628,181	-
<i>Total Environmental Protection Agency</i>			<u>628,181</u>	<u>-</u>
<i>Department of the Treasury</i>				
Direct Recipient				
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	-	5,915,862 *	-
<i>Total Department of Treasury Programs</i>			<u>5,915,862</u>	<u>-</u>
<i>Department of Homeland Security</i>				
Passed through the San Bernardino Co. Fire Protection District:				
Homeland Security Grant Program	97.067	DHS-20-GPD-067-00-01	14,873	-
<i>Total Department of Homeland Security Programs</i>			<u>14,873</u>	<u>-</u>
<i>Department of Transportation</i>				
Passed through the California Department of Transportation:				
Highway Planning and Construction Cluster				
Passed through the California Department of Transportation:				
Highway Planning and Construction	20.205	BRLSN 5449 (034)	47,605	-
Highway Planning and Construction	20.205	BR-NBIL 5449 (505)	132,796	-
Highway Planning and Construction	20.205	HSIPL 5449 (040)	110,092	-
Total Highway Planning and Construction Cluster			<u>290,493</u>	<u>-</u>
<i>Total Department of Transportation Programs</i>			<u>290,493</u>	<u>-</u>
<i>Department of Commerce</i>				
Economic Development Cluster				
Passed through the San Manuel Band of Mission Indians:				
Economic Development Assistance	11.300	EDA 07-01-07415	16,722	-
<i>Total Department of Commerce Programs</i>			<u>16,722</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 7,662,704</u>	<u>\$ 97,950</u>

* = Major Program

CITY OF HIGHLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2025

1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Highland (the City) under programs of the federal government as well as federal financial assistance passed through other government agencies for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial statements of the City. The City's reporting entity is defined in Note 1 of the notes to the City's financial statements.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting for governmental funds and the accrual basis for proprietary funds, which is described in Note 1 of the notes to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented when available. The City has elected not to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

3) Relationship to Other Reports

Amounts reported in the accompanying Schedule agree to the amounts reported within the City's Annual Comprehensive Financial Report and Federal Financial Report.

4) Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

5) Subrecipient Expenditures

During the fiscal year ended June 30, 2025, the City made payments to subrecipients which consisted of the following:

Highland Senior Center	\$ 22,703
Central Little League	13,200
YMCA	13,542
Highland Grocery	3,035
Highland Ready Made Food	<u>45,470</u>
Total Subrecipients	<u>\$ 97,950</u>

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	No
Significant Deficiencies Identified not Considered to be Material Weaknesses?	None Reported
Type of Auditor’s Report Issued on Compliance for Major Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance With Uniform Guidance?	No

Identification of Major Programs:

ALN Numbers	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Recovery Funds

Dollar Threshold used to Distinguish Between Type A And Type B Programs:	\$ <u>750,000</u>
---	-------------------

Auditee Qualified as Low-Risk Auditee?	Yes
--	-----

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

CITY OF HIGHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2025

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with *Uniform Guidance*.

CITY OF HIGHLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no auditor's findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no auditor's findings to be reported in accordance with the *Uniform Guidance*.



Staff Report

to the Finance/Personnel Subcommittee

Agenda
Item
No.3.

Date: February 17, 2026
From: Carlos Zamano, City Manager
Reviewed By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Prepared By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Subject: Amendment to Title 5, Chapter 5.04, Section 5.04.160 of the City of Highland Municipal Code (Business License)

Recommendation:

Review and approve item be brought forward to the City Council to:

1. Introduce and conduct a 1st and 2nd reading and subsequently adopt Ordinance No.____ amending section 5.04.160 (License Fee-Payment Due Dates) of the Highland Municipal Code amending the term and collection of the fee for new business licenses; and
2. Making a finding of exemption under the California Environmental Quality Act.

Fiscal Impact:

None.

Public Notice:

The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

Background:

The City previously adopted an ordinance establishing a uniform business license period of January 1 through December 31 for all licenses. As part of that transition, a proration schedule was created to align existing licenses with the new renewal cycle. At that time, proration was also applied to new business licenses. However, this was an oversight. Regardless of when a new business applies, the administrative workload required of staff is the same.

The proposed ordinance amends the municipal code to clarify that new business license applications will not be prorated. New businesses will pay the full license fee upon application and will thereafter renew on the standard January 1 through December 31 schedule, consistent with all other business licenses. In addition, the City's current fee study no longer includes daily, weekly, or monthly license fees, so the proposed ordinance removes references to these types of license fees.

Attachments:

1. Proposed Ordinance

Attachment 1
Proposed Ordinance

ORDINANCE NO. XXXX

**AN ORDINANCE OF CITY OF HIGHLAND, CALIFORNIA,
AMENDING SECTION 5.04.160 (LICENSE FEE - PAYMENT DUE
DATES) OF CHAPTER 5.04 (BUSINESS LICENSES GENERALLY)
OF TITLE 5 (BUSINESS LICENSES AND REGULATIONS) OF THE
HIGHLAND MUNICIPAL CODE AMENDING THE TERM AND
COLLECTION OF THE FEE FOR NEW BUSINESS LICENSES AND
MAKING A FINDING OF EXEMPTION UNDER THE CALIFORNIA
ENVIRONMENTAL QUALITY ACT**

WHEREAS, the City of Highland (“City”) requires all persons who conduct any business in the City to obtain a business license and pay the appropriate license fee; and

WHEREAS, business licenses must be renewed, and appropriate license fees must be paid, annually; and

WHEREAS, the City’s current fee study does not include licenses fees for periods of time less than one year; and

WHEREAS, City staff resources used to process business licenses are the same regardless of the time of the year a business applies for a new business license; and

WHEREAS, the City desires to update its business license fee requirements to be consistent with the City’s current fee study and to accurately reflect the consistent cost of processing business license applications throughout the year.

THE CITY COUNCIL OF THE CITY OF HIGHLAND DOES ORDAIN AS FOLLOWS:

Section 1. Recitals. The City Council hereby finds that all of the facts set forth in the Recitals above are true and correct.

Section 2. The City Council hereby amends Section 5.04.160 (License fee-Payment due dates) of Chapter 5.04 (Business Licenses Generally) of Title 5 (Business Licenses and Regulations) of the Highland Municipal Code in its entirety to read as follows:

“5.04.160 License fee - Payment due dates.

A. Annual Fees for Existing Business. For existing businesses, annual business license fees set forth in this Chapter shall be due and payable to the city on January 1 of each year. All licenses, unless otherwise provided in this chapter, shall be issued for an annual period.

B. Annual Fees for New Businesses. Annual business license fees for new businesses shall be due and payable on the date the business is established. New businesses must pay the full annual fee for the first year the new business is established regardless of the date the business is established. Thereafter, fees shall be due and payable on January 1 of each year.”

Section 4. Environmental Review. The City Council finds that this Ordinance is not subject to the California Environmental Quality Act (“CEQA”). The adoption of this ordinance is not a project within the meaning of the CEQA Guidelines Section 15378(b)(5) and 15061(b)(3) as it has no potential for physical effects on the environment because it is an organizational or administrative activity of the City that involves amending the fees for payment of business license fees. Pursuant to CEQA Guidelines Section 15378(b)(5), organizational or administrative activities of governments that will not result in any physical changes in the environment, is not defined as a “project” under CEQA. Therefore, approval of the fees and/or charges is not a “project” for purposes of CEQA, pursuant to CEQA Guidelines Section 15378(b)(5); and, even if considered a “project” under CEQA, is exempt from CEQA review pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that approval of the fees and/or charges may have a significant effect on the environment.

Section 5. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this ordinance be declared unconstitutional or invalid for any reason, such declaration shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have passed this and each section, subsection, phrase or clause thereof irrespective of the fact that any one or more sections, subsections, phrase or clauses be declared unconstitutional on their face or as applied.

Section 6. Effective Date. This Ordinance shall be effective thirty (30) days after its adoption by the City Council of the City of Highland.

Section 7. Publication. The City Clerk is hereby ordered and directed to certify the passage of this Ordinance by the City Council of the City of Highland, California and cause the same to be published in accordance with State law.

Section 8. Actions to effectuate. The City Manager is hereby authorized and directed to take other actions on behalf of City, which are not expressly and specifically reserved for the City Council, to implement and effectuate this ordinance.

The Ordinance was introduced at a regular meeting of the City Council on the _____ day of _____, 2026, and adopted at a regular meeting of the Council held on the _____ day of _____, 2026, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED AND ADOPTED this _____ day of _____, 2026.

Penny Lilburn
Mayor

ATTEST:

Alondra Muñoz
City Clerk



Staff Report

to the Finance/Personnel Subcommittee

Agenda
Item
No.4.

Date: February 17, 2026
From: Carlos Zamano, City Manager
Reviewed By: Octavio Duran, Public Works Director/City Engineer
Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Maricela Marroquin, City Attorney
Prepared By: Jim Richardson, Public Works Manager
Subject: Community Park Athletic Field Lighting Maintenance

Recommendation:

1. Approve a budget adjustment of \$75,000 from the Fiscal Year 2026/2027 "Development Impact Fee" (DIF) fund balance to be expended from the current Fiscal Year 2025/2026 DIF Fund (Acct# 007.8330.6040);
2. Approve the proposal from Musco Sports Lighting, LLC in the amount of \$43,768 to purchase and install 164 Musco 1,500-watt Z lamps through the Sourcewell Cooperative Purchasing Program Contract #041123-MSL for maintenance purposes;
3. Authorize the City Manager to sign purchase agreements related to community park lighting maintenance not to exceed \$75,000; and
4. Approve Musco Sports Lighting, LLC as the sole source for procurement and installation of the proposed lights and associated equipment.

Fiscal Impact:

The City's Adopted Budget for 2025-2027 includes \$75,000 for Community Park Athletic Field Lighting Maintenance in FY26/27. Staff is recommending a budget adjustment to transfer funds to the current FY 25/26 to begin the project sooner.

Public Notice:

The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

Background:

The City of Highland has maintained the athletic field's lighting system at Community Park since its original installation in 2004. The lighting system utilizes Musco Sports Lighting fixtures and components that illuminate four ball fields and athletic fields used by various community groups, including Little League. The City last completed a full re-lamping of these fixtures in 2019, shortly before park closures associated with the Covid-19 pandemic. The City has budgeted for a full lamp replacement in the 2026–2027 fiscal year. However, the operating hours on the existing lamps have exceeded their performance rating of 3,000 hours, which

necessitates re-lamping all fixtures sooner than anticipated. This will ensure there are no disruptions to the upcoming Little League season and other sports reservations.

The sports field lighting system utilizes Musco Sports Lighting components which require genuine Musco replacement parts to maintain compatibility, performance, and warranty compliance. One main component is the Control-Link application, which allows for the control and programming of lights by Musco staff, City staff, and longterm sports user groups for field reservations. The lamps required for the City's athletic field lighting, Musco Z-Lamps, are proprietary products engineered for specific Musco systems and operating characteristics. These lamps are manufactured and specified uniquely for Musco's operating system and are not interchangeable with non-Musco lamps. For consistency, efficiency, and integration with the existing Musco Sports Lighting system throughout the park, staff recommends sole sourcing of Musco Sports Lighting, LLC lamps for this project as allowed per Public Contract Code Section 3400(c).

To facilitate the purchase, staff is proposing to use an existing national contract through cooperative purchasing programs as allowed by the City's Municipal Code Section 2.40.110(C). Musco Sports Lighting, LLC has a contract with Sourcewell that was competitively bid and meets our local and state purchasing guidelines. The City has used Sourcewell in the past. Musco Sports Lighting, LLC provided a proposal in the amount of \$43,768 which includes the purchase and installation of the equipment, along with a warranty. Although the purchase amount is within the City Manager's authorization, staff is requesting the Finance/Personnel Subcommittee increase the authorization to \$75,000 to capture any unforeseen conditions during the re-lamping effort.

Attachments:

1. Proposal

Quote

Date: February 9, 2026
Expiration date: April 9, 2026
To: Erik Arous

Project: Community Park
Highland, CA

Musco Project Number: SVC-541464, P#14068981

Sourcewell

Master Project: 199030, Contract Number: 041123-MSL, Expiration: 06/16/2027

Category: Sports lighting with related supplies and services

All purchase orders should note the following:
Sourcewell purchase – contract number: 041123-MSL

Quotation Price

The fee for services rendered including labor, lift, and material.....	\$43,768.00**.
Material cost	\$15,580.00 Plus applicable sales tax
Taxes on material @7.75%	\$1,208.00
Labor and lift	\$26,980.00

****IMPORTANT:** This quote does include prevailing wage rates.

Scope of Service

Musco proposes the following service:

- Re-lamp (56) Musco 1,500-watt fixtures on the NE Baseball (Replace lamps, Clean lenses and reflectors, Old lamp disposal)
- Re-lamp (26) Musco 1,500-watt fixtures on the NW Baseball (Replace lamps, Clean lenses and reflectors, Old lamp disposal)
- Re-lamp (56) Musco 1,500-watt fixtures on the SE Baseball (Replace lamps, Clean lenses and reflectors, Old lamp disposal)
- Re-lamp (26) Musco 1,500-watt fixtures on the SW Baseball (Replace lamps, Clean lenses and reflectors, Old lamp disposal)
- Musco Tech to troubleshoot the two cell towers why they are not working.

In connection with the Services, Musco will provide basic materials consisting of (164) Musco 1,500-watt Z lamps. If additional time or materials are needed to complete the Project, Musco will obtain Customer's consent before proceeding.

Please Note: Replacement parts needed for repairs to Musco fixtures will be charged at an additional price: Please initial

Ballasts - \$379.00 each * Capacitors - \$95.00 each * Fuses - \$6.00 each * Additional Lamps - \$95.00 each

Notes

- Irrigation must be turned off 3-4 days before Musco is scheduled to be on site. If it is not turned off prior to the day the Tech is on-site there will be an additional charge for a return trip.
- Reasonable access to all poles with construction-sized lift if required.
- Ground protection (plywood) and assistance to move, if needed, provided by owner.
- Pricing and lead times are effective for 60 days only.
- Prices are subject to change if the order is not released within 30 days from the date of the purchase.

Environmental Compliance Notice

HID lamps contain mercury (Hg), a hazardous substance that is regulated by state and/or federal law, and must be managed according to disposal laws. HID lamps removed from service contain mercury and will have transport arranged for delivery to a recycling facility.

Payment Terms

Final payment terms are subject to approval by Musco credit department. Final payment shall not be withheld by Buyer on account of delays beyond the control of Musco. Freight Charges have been included in the above prices. Sales tax is NOT included as part of this quote.

Licenses and Permits

MUSCO, a non-union organization, requires the customer to arrange and secure all licenses, permits and/or applicable labor contracts with local authorities. MUSCO shall not be held responsible for local union labor and any permits, if required.



Nonliability

Before Musco enters the Property to set up its equipment under this Agreement, Customer must notify Musco of any landscaping or surface areas that are to be avoided by Musco in setting up its equipment. Absent Musco's negligence or willful misconduct, Musco is not, at any time or to any extent, liable, responsible or in any way accountable for any loss, injury, death or damage to persons or property, from any cause that at any time may be suffered or sustained by Customer, or by any person on or about the Property arising out of the entry or activities on the Property by Musco, or any person or persons permitted on the Property by Musco.

If you have any questions regarding the quotation, please call me at the number listed below.

Sincerely,

Troy Shilling

Troy Shilling
Service and Parts Sales Representative
Musco Sports Lighting, LLC
100 1st Avenue West – PO Box 808
Oskaloosa, IA 52577, USA
Phone: 800 825-6020 Ext 2085
E-mail: troy.shilling@musco.com



Staff Report

to the Finance/Personnel Subcommittee

Agenda
Item
No.5.

Date: February 17, 2026
From: Carlos Zamano, City Manager
Reviewed By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Prepared By: Tish Nava-Cruz, Director of Administrative Services/City Treasurer
Subject: A Resolution of the City Council of The City of Highland, California, Amending a Policy Regarding Expense Reimbursement and Use of Public Resources

Recommendation:

Review and approve item to be brought forward to the full City Council to adopt a Resolution amending the City's policy regarding expense reimbursement and the use of public resources.

Fiscal Impact:

None.

Public Notice:

The agenda for this item was posted at the three locations per Resolution No. 2011-047 and on the City's website.

Background:

The proposed resolution updates the City's existing policy governing expense reimbursement and the use of public resources to ensure continued compliance with state law, enhance transparency, and clarify allowable and prohibited uses of City funds and assets. The amendments are intended to strengthen fiscal accountability, provide clearer guidance to elected officials and staff, and reflect best practices for public agency governance.

The City of Highland maintains a policy addressing the reimbursement of expenses incurred by elected officials and employees, as well as the appropriate use of public resources. Over time, changes in legal standards, auditing best practices, and operational needs have created the need to review and update this policy.

California law requires that public funds be used solely for public purposes and that reimbursement policies be adopted in a transparent manner. Periodic updates to City policies help ensure compliance with applicable laws, reduce the risk of misuse of public resources, and provide clear expectations for all City representatives. The last update was in 2006.

Attachments:

1. Proposed Resolution No. 2026-_____

Attachment 1
Proposed Resolution 2026-____

RESOLUTION NO. 2026-___

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND,
CALIFORNIA, ESTABLISHING A POLICY REGARDING EXPENSE
REIMBURSEMENT AND USE OF PUBLIC RESOURCES**

WHEREAS, the City Council of the City of Highland finds and resolves as follows:

SECTION 1. FINDINGS

A. The City of Highland and the Highland City Council take stewardship over the use of limited public resources seriously;

B. Public resources shall be used for travel and reimbursement of expenses of public officials only when there is a substantial and demonstrable benefit to the City;

C. The benefits to the City of reimbursing actual and necessary expenses include, but are not limited to:

1. Communicating the City's concerns and priorities with state and federal officials;
2. Participating in regional, state, and national organizations whose activities benefit or affect the City;
3. Attending educational and training programs designed to improve officials' skills, knowledge, and effectiveness; and
4. Promoting public service, morale, and recognition of service to the City;

D. Legislative, intergovernmental, and regional business is frequently conducted over meals, and such settings may provide the most effective opportunity for focused and uninterrupted discussion of City policy concerns, provided all expenditures comply with applicable local, state, and federal law;

E. This policy provides guidance to elected and appointed officials (collectively referred to as "public officials"), as well as City management staff and employees as determined appropriate by the City Manager, regarding the appropriate use of City resources and the standards by which such expenditures will be evaluated;

F. This policy is intended to satisfy the requirements of Government Code Sections 53232.2 and 53233.3;

G. This policy supplements the definition of "actual and necessary expenses" under applicable state laws governing the use of public resources;

H. This policy supplements the definition of "ordinary, necessary, and reasonable expenses" for purposes of federal and state income tax laws;

I. This policy applies to all reimbursement requests, cash advances, and charges made to a City credit card or other City line of credit; and

J. The City Council finds that aligning reimbursement limits with federal per diem standards reflects prevailing practices among neighboring jurisdictions and regional public agencies and promotes fiscal responsibility while recognizing geographic cost variations.

SECTION 2. STATEMENT OF POLICY

A. Authorized Expenses

City funds, equipment, supplies, and staff time shall be used only for authorized City business. Expenses incurred by public officials in connection with the following activities generally constitute authorized expenses, provided all requirements of this policy are met:

1. Serving the needs of City residents, businesses, and visitors;
2. Communicating with constituents in compliance with applicable laws;
3. Communicating with representatives of regional, state, and federal governments regarding City policies and priorities;
4. Attending educational or training programs designed to improve officials' skills, knowledge, or effectiveness;
5. Participating in regional, state, and national organizations whose activities benefit or affect the City;
6. Recognizing service to the City, including awards or events of nominal value;
7. Attending City, community, regional, or intergovernmental events;
8. Gathering information related to City projects, issues, or priorities in other jurisdictions; and
9. Implementing City-initiated strategies to attract or retain businesses.

B. Expenses Requiring Prior City Council Approval

1. International travel; and
2. Any other expense specifically requiring City Council approval by law or policy.

C. Personal Expenses Not Reimbursable

The City shall not reimburse the following expenses:

1. The personal portion of any trip;
2. Political or charitable contributions;
3. Family or companion expenses, including partners, children, or pets;
4. Entertainment expenses not directly related to City business;
5. Personal automobile expenses other than mileage, tolls, or parking;
6. Personal losses incurred while on City business; and
7. Personal alcohol or bar expenses.

Questions regarding the propriety of an expense shall be resolved by the approving authority prior to incurring the expense.

D. Cost Control Guidelines

To conserve City resources, officials shall make reasonable efforts to minimize costs and use the most economical options consistent with scheduling needs and official duties. Whenever practicable, expenses shall be prepaid using a City check or City credit card.

1. Transportation

a. General Standard

The most economical and time-efficient mode of transportation shall be used, considering total cost, travel time, and business needs.

b. Air Travel

Economy-class airfare shall be used unless circumstances warrant otherwise. Government or negotiated group rates shall be utilized when available.

c. Automobile Mileage

Mileage reimbursement shall be paid at the Internal Revenue Service standard mileage rate in effect at the time of travel. Toll and parking expenses are reimbursable with receipts.

d. Rental Vehicles

Rental vehicles shall be used only when cost-effective. Government rates shall be used when available. City officials, whenever possible, should use the City Rental Car account.

e. Taxis, Rideshare, and Shuttles

Reasonable fares, including customary gratuities, are reimbursable when cost-effective or necessary for efficiency.

2. Lodging

a. Lodging expenses shall be reimbursed when overnight travel is reasonably required for City business.

b. Lodging reimbursement shall not exceed the applicable federal lodging per diem rate for the travel location, unless approved in advance by the City Manager or City Council, as applicable.

c. Conference or meeting group rates shall be used when available.

3. Meals and Incidental Expenses

a. Meal and incidental expenses shall be actual, necessary, moderate, and consistent with community standards and prevailing costs in the area traveled.

b. Reimbursement shall not exceed the applicable daily per diem rate for meals and incidentals established by the U.S. General Services Administration (GSA), <https://www.gsa.gov/travel> as in effect at the time and location of travel.

c. Per diem rates represent maximum reimbursement limits, not allowances. Officials shall be reimbursed only for actual expenses incurred and supported by itemized receipts not to exceed the daily maximum, not to exceed the maximum per stay. Gratuity is allowed up to 15% in addition to the maximum daily reimbursement.

d. For partial travel days, reimbursement shall be prorated in accordance with GSA guidelines.

e. Meals provided by the City, included in conference fees, lodging, or transportation costs, or otherwise provided at no cost are not reimbursable.

f. Personal alcohol or bar expenses shall not be reimbursed.

g. Per diem limits shall automatically adjust as federal rates are updated, without further action by the City Council.

4. Communications and Technology

Reasonable and necessary telephone, cellular, fax, internet, and data expenses incurred for City business are reimbursable with documentation.

5. Parking and Miscellaneous Expenses

Actual parking costs, baggage handling fees, and reasonable gratuities are reimbursable. Expenses reimbursed by another agency are not reimbursable by the City.

6. Cash Advances

Cash advances may be issued upon written request and approval. Any unused funds shall be returned, and receipts submitted, within five (5) business days of return.

7. Credit Card Use

City credit cards shall be used only for authorized City expenses. Personal use is strictly prohibited. Receipts shall be submitted within five (5) business days of use.

8. Expense Reports

Expense reports shall be submitted within thirty (30) calendar days of the expense, accompanied by itemized receipts and sufficient documentation demonstrating compliance with this policy.

9. Verification and Public Reporting

All expenses are subject to verification. Elected officials shall report on meetings attended at City expense at a subsequent City Council meeting.

10. Compliance With Laws

All expenses are subject to the Political Reform Act, Public Records Act, and other applicable laws.

11. Violations

Violation of this policy may result in loss of reimbursement privileges, restitution, reporting as taxable income, civil penalties, criminal prosecution and/or other allowable penalties.

12. City Employees – FLSA and Travel Time

Employee compensation and travel time shall comply with the Fair Labor Standards Act and applicable City personnel policies.

SECTION 3. SEVERABILITY

If any provision of this Resolution is held invalid or unconstitutional, such decision shall not affect the validity of the remaining provisions, which shall remain in full force and effect.

PASSED, APPROVED AND ADOPTED this 10th day of March, 2026.

Penny Lilburn, Mayor

Attest:

Alondra Muñoz, City Clerk