

City of Hercules

Hercules, California

**Independent Accountants' Report on
Applying Agreed-Upon Procedures
on Measure C Utility Users Tax Rate Revenues**

For the Year Ended June 30, 2022





**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**



To the Honorable Mayor and Members of City Council
of the City of Hercules
Hercules, California

We have performed the procedures enumerated below on assisting the City of Hercules (the "City") in evaluating whether the Measure C Utility Users Tax Rate Revenues (UUT) is in accordance with the provisions of this measure for the year ended June 30, 2022. The City of Hercules' management is responsible for the receipt of Measure C - Utility Users Tax Rate Revenues and deposit of such proceeds into the City's General Fund. The City is responsible for compliance with Measure C Utility Users Tax Rate Revenues.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Measure C Utility Users Tax Rate Revenues is in accordance with the provisions of this measure. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. We agreed the actual UUT to the receipts recorded in the City's general ledger and recalculated the mathematical accuracy of the following schedules provided by the City:
 - a) FY 2021/22 - Expected UUT VS Actual UUT
 - b) FY 2021/22 - Increase in Revenues Generated by Measure C

Findings:

- a) Actual UUT agreed to receipts recorded in the City's general ledger with no exceptions. Schedule recalculated for mathematical accuracy with no exceptions.

FY 2021/22 - Expected UUT vs Actual UUT					
Type of Utility	Estimated Utility Billings (FY 20/21 Utility Billings as a Base)	Expected UUT ¹	Actual UUT	Variance	% Variance
Electricity	\$ 16,400,000	\$ 1,312,000	\$ 1,481,317	\$ 169,317	11.43%
Telephone	7,237,500	579,000	544,949	(34,051)	-6.25%
Gas	4,912,500	393,000	528,678	135,678	25.66%
Water	8,525,000	682,000	739,777	57,777	7.81%
Cable	6,787,500	543,000	533,689	(9,311)	-1.74%
Totals	\$ 43,862,500	\$ 3,509,000	\$ 3,828,410	\$ 319,410	8.34%

* Based on UUT of 8% of estimated utility billings

b) Schedule recalculated for mathematical accuracy with no exceptions.

FY 2021/22 -Increase in Revenue Generated by Measure C						
Type of Utility	Actual UUT with Measure A ¹	Estimated UUT without Measure A ²	Increase in Revenue due to Measure A	Increase/Decrease in Revenue per Staff Report ³	Variance	% Variance
Electricity	1,481,317	1,110,987	370,329	383,878	13,549	3.53%
Telephone	544,949	408,712	136,237	105,884	(30,353)	-28.67%
Gas	528,678	396,509	132,170	124,098	(8,071)	-6.50%
Water	739,777	554,833	184,944	196,503	11,559	5.88%
Cable	533,689	-	533,689	615,855	82,166	13.34%
Totals	3,828,410	2,471,041	1,357,369	1,426,218	68,849	4.83%

¹ Based on the actual UUT collected for FY 2021/2022 at a rate of 8% for the entire year.
² Based on a rate of 8% UUT on electricity, telephone, gas and water, and no UUT on cable.
³ Based on the Adopted Budget for FY 20/21 & FY 21/22.

- We traced the proceeds of the Measure C tax, as listed in procedure 1.a) schedule to the City's General Fund for use by the City, in accordance with Ordinance 475 Sec 8-8.402 Use of Tax Proceeds and Ordinance 481 Sec 8-8.402 Use of Tax Proceeds (amends ordinance 475).

Findings: Proceeds of taxes as listed in schedule presented at 1.a) were paid/deposited into the City's General Fund for use by the City, with no exceptions.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure C Utility Users Tax Rate Revenues of the City for the year ended June 30, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and the management of the City of Hercules and is not intended to be and should not be used by anyone other than these specified parties.

The PwC Group, LLP

Santa Ana, California
January 31, 2023