

City of Hercules

111 Civic Drive
Hercules, CA 94547



Meeting Agenda

Tuesday, February 14, 2023

7:00 PM

In Person in Council Chamber or

Zoom ID: 819 7875 1779

Zoom Passcode: 559396

Zoom Phone Number: 1-669-900-6833

City Council

Mayor Alex Walker-Griffin

Vice Mayor Dan Romero

Council Member Dion Bailey

Council Member Chris Kelley

Council Member Tiffany Grimsley

Dante Hall, City Manager

Patrick Tang, City Attorney

Eibleis Melendez, Acting City Clerk

See last pages of agenda for information regarding meeting procedures
To view webcast of meetings, live or on demand, go to the City's website at www.ci.hercules.ca.us

I. CLOSED SESSION- CALL TO ORDER - ROLL CALL

NO CLOSED SESSION

II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS

NONE

III. CONVENE INTO CLOSED SESSION

The Hercules City Council will meet in Closed Session regarding the following:

NO CLOSED SESSION

IV. REGULAR MEETING – CALL TO ORDER - ROLL CALL [7:00 P.M.]

V. A. REPORT ON ACTION TAKEN IN CLOSED SESSION-

NO CLOSED SESSION

**B. CONSIDER AND TAKE ACTION ON ANY REQUEST FROM A COUNCIL MEMBER
TO PARTICIPATE IN A MEETING REMOTELY DUE TO JUST CAUSE OR EMERGENCY
CIRCUMSTANCES PURSUANT OF AB2449**

VI. PLEDGE OF ALLEGIANCE

VII. MOMENT OF SILENCE

VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS

1. [22-450](#) BLACK AND AFRICAN AMERICAN HISTORY MONTH
PROCLAMATION

Attachments: [Black and African American History Month Proclamation](#)

2. [22-449](#) POLICE OFFICER OF THE YEAR PROCLAMATION

Attachments: [Proclamation - Police Officer of the Year](#)

IX. AGENDA ADDITIONS/DELETIONS

X. PUBLIC COMMUNICATIONS

This time is reserved for members of the public to address issues not included in the agenda. In accordance with the Brown Act, Council will refer to staff any matters brought before them at this time, and those matters may be placed on a future agenda.

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XI. PUBLIC HEARINGS- NONE

XII. CONSENT CALENDAR

1. [22-446](#) **Meeting Minutes For the Special Meeting on January 17th and the Regular Meeting on January 24th 2023**

Attachments: [Meeting Minutes for the Special Meeting on January 17th, 2023](#)
[Meeting Minutes for the Regular Meeting on January 24th, 2023](#)

2. [22-448](#) **Investment Report for the Quarter Ending December 31, 2022**
Recommendation: Accept the Investment Report for the Quarter Ending December 31, 2022.

Attachments: [Staff Report - Investment Quarterly Report Ending 12.31.2022](#)
[Attach 1 -Quarterly investment Report](#)

3. [22-456](#) **Consider and Approve a Request from the Hercules Historical Society (HHS) for an Amendment to Extend the Trailer Acquisition and Lease Agreement**
Recommendation: Adopt a Resolution authorizing the City Manager to execute an amendment to the Trailer Acquisition and Lease Agreement between the City of Hercules and the Hercules Historical Society (HHS), to continue the lease for an additional five (5) years with an option for a five (5) year extension.

Attachments: [Staff Report - Historical Society trailer lease extension](#)
[Attach 1- 2013 Staff Report Historical Society Trailer Lease](#)
[Attach 2 - Trailer lease extension February 14, 2018](#)
[Attach 3 - FIRST AMENDMENT TO TRAILER ACQUISITION](#)
[Attach 4 -RESOLUTION amending the Agreement between City of Hercules and Hercules Hi](#)

XIII. DISCUSSION AND/OR ACTION ITEMS

1. [22-451](#) **Update on the Parks System Master Plan**
Recommendation: Receive an update from staff and the City's consultant, MIG, on the progress of the Parks Master Plan.

Attachments: [Staff Report - Parks System Master Plan Update](#)
 [Attach 1- Parks and Recreation Facilities Master Plan Progress Summary](#)
 [Presentation- Parks and Recreation Facilities Master Plan](#)

2. [22-447](#) **Acceptance of the FY 21-22 Annual Comprehensive Financial Report and other regulatory financial reports**
Recommendation: Receive the Fiscal Year (FY) 21-22 Annual Comprehensive Financial Report (ACFR) and Accept the Audited Financial Statements.

Attachments: [Staff Report - FY 21-22 Annual Audit](#)
 [Attach 1 - 2022 Hercules ACFR](#)
 [Attach 2 - 2022 Hercules Wastewater](#)
 [Attach 3 - 2022 Hercules Measure B](#)
 [Attach 4 - 2022 Hercules Measure C](#)
 [Attach 5 - 2022 Hercules GANN](#)
 [Presentation - 2022 Hercules AU-C260](#)

3. [22-440](#) **FY 22-23 Midyear Budget Review and Miscellaneous Midyear Budget Appropriation and Adjustments**
Recommendation: Receive a report on the FY 22-23 midyear budget review and adopt a Resolution approving various midyear budget appropriations and adjustments, as summarized and detailed in attachment 2 and 3, respectively.

Attachments: [Staff Report - FY 22-23 Mid-Year Budget Update](#)
 [Attach 1 - Resolution](#)
 [Attach 2 - Proposed Budget Amendment](#)
 [Attach 3 - Budget Request Detail](#)
 [Attach 4 - General Fund Summary](#)
 [Attach 5 - Non-General Fund Summary](#)
 [Presentation- FY 22-23 Midyear Review](#)

4. [22-452](#) **Initiation of FY 2023/24 Landscape and Lighting Assessment District Proceedings, Completion of Capital Replacement Analysis, Preparation of 5-Year Financial Projections, and Authorization to Execute Agreement in the amount of \$34,380 with Francisco and Associates including an Appropriation of \$9,930 to complete said Analysis and Projection.**

Recommendation: It is recommended by City staff that City Council: 1) Adopt a Resolution initiating the Fiscal Year (FY) 2023/24 Landscaping and Lighting Assessment District proceedings and directing the filing of the Engineer's Reports for Landscaping and Lighting Assessment District No. 83-2, Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1, Hercules Village Landscaping and Lighting Assessment District No. 2002-2, Baywood Landscaping and Lighting Assessment District No. 2004-1, and Bayside Landscaping and Lighting Assessment District No. 2005-1 ("LLAD" or collectively "LLADs") pursuant to the Landscaping and Lighting Act of 1972, and 2) Adopt a Resolution authorizing the City Manager to execute an agreement with Francisco & Associates for FY 2023/24 LLAD Administration, completion of Capital Replacement Analysis, and preparation of a 5-Year Financial Projection in the amount of \$34,380 including an appropriation of \$9,930 for the completion of said Analysis and Projection.

Attachments: [Staff Report - LLADs F&A Contract and Resolution of Initiation](#)
 [Attach 1 - LLADs \(Resolution of Initiation\) 23-](#)
 [Attach 2 - LLADs \(F&A Contract Approval\) 23-](#)
 [Attach 3 - 23-008-CM Francisco and Associates Professional Services Agreement F&A sign](#)

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**XV. CITY COUNCIL/CITY MANAGER/CITY ATTORNEY ANNOUNCEMENTS,
COMMITTEE, SUB-COMMITTEE AND INTERGOVERNMENTAL COMMITTEE REPORTS
AND FUTURE AGENDA ITEMS**

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- 1. Regional Committees**
- 2. City Council Committees and Subcommittees**
- 3. Commission Liaisons**

XVI. ADJOURNMENT

The next Regular Meeting of the City Council will be held on Tuesday, February 28, 2023 at 7:00p.m. in the Council Chambers.

Agendas are posted in accordance with Government Code Section 54954.2(a) or Section 54956. Members of the public can view electronic agendas and staff reports by accessing the City website at www.ci.hercules.ca.us and can receive e-mail notification of agenda and staff report postings by signing up to receive an e-notice from the City's homepage. Agendas and staff reports may also be obtained by contacting the City Clerk at (510) 799-8208

(Posted: February 9, 2023)

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5. CONSENT CALENDAR: All matters listed under Consent Calendar are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a member of the Council or a member of the public prior to the time the City Council votes on the motion to adopt.

6. LEGAL CHALLENGES: If you challenge a decision of the City Council in court, you may be limited to raising only those issues you or someone else raised at the meeting or in written correspondence delivered at, or prior to, the meeting. Actions challenging City Council decisions shall be subject to the time limitations contained in Code of Civil Procedure Section 1094.6.

PROCLAMATION
RECOGNIZING FEBRUARY 2023 AS
BLACK AND AFRICAN AMERICAN HISTORY MONTH
IN THE CITY OF HERCULES

WHEREAS, National African American History Month had its origins in 1915 when historian and author Dr. Carter G. Woodson founded the Association for the Study of Negro Life and History. Through this organization Dr. Woodson initiated the first Negro History Week in February 1926. Dr. Woodson selected the week in February that included the birthdays of Abraham Lincoln and Frederick Douglass, two key figures in the history of African Americans; and

WHEREAS, African Americans have contributed to the rich fabric and diversity of America and have significantly furthered the advancement of civil rights, law, medicine, technology, business, food, music, literature, education, sports, entertainment, journalism and the arts; and

WHEREAS, in 1619, the first documented enslaved Africans arrived at the English colonies at Old Point Comfort, Virginia, on the English ships *White Lion* and *Treasurer*, and these individuals were sold in exchange for provisions, while others were transported to Jamestown, where they were sold; and

WHEREAS, between 1863 and 1865, hundreds of Black men fought in the American Civil War and died as enlisted men in the United States Colored Troops, seeking life, liberty, and the pursuit of happiness as a free people; and

WHEREAS, after 1865, and the ratification of the Thirteenth, Fourteenth, and Fifteenth Amendments to the United States Constitution, the complete freedom and civil rights granted to previously enslaved men, women, and children was subverted by brutal Jim Crow laws, preventing their ability to live as fully free citizens and pursue life, liberty and happiness as guaranteed to white citizens; and

WHEREAS, between 1954 and 1968, African American activists, in particular women, spearheaded the Civil Rights Movement, fought for social justice, constitutional rights, organized sit-ins, workshops, boycotts, and grassroots campaigns; and

WHEREAS, attacks on the Fourteenth and Fifteenth Amendments continue to persist in the 21st century for African Americans, and the City of Hercules devotes its resources to fulfilling the promises of the Emancipation Proclamation and the U.S. Constitution; and

WHEREAS, today, African Americans continue to make gains in public office, education, and professional fields, and as entrepreneurs, as well as fight for an inclusive vision of liberty, justice, and equality for all; and

WHEREAS, the City of Hercules will join with the nation in celebrating the 97th National Black History Month by celebrating, honoring and valuing Black lives, the essential contributions, sacrifices, and accomplishments African Americans have made to the United States as part of American history.

NOW, THEREFORE, I, Alex Walker-Griffin, Mayor of the City of Hercules, on behalf of the entire City Council do hereby recognize February 2023 as Black History Month in our City of Hercules, and I call this observance to the attention of all our citizens.

In witness whereof, I hereunto set my hand and cause the seal of the City of Hercules to be affixed this Fourteenth Day of February 2023.

Alex Walker-Griffin, Mayor

PROCLAMATION

COMMENDING AND EXPRESSING SPECIAL RECOGNITION TO OFFICER KARSON KAUFFROATH OF THE HERCULES POLICE DEPARTMENT AS THE 2022 POLICE OFFICER OF THE YEAR

WHEREAS, Karson Kauffroath was raised in Sacramento and the adjacent City of Wilton California, and graduated from Liberty Ranch High School in Galt in 2012, where he participated on the wrestling team all four years of high school; and

WHEREAS, after graduating from high school, Karson Kauffroath immediately enlisted into the United States Marine Corps where he was sent to 13 weeks of recruit training followed by 10 weeks of infantry training at Camp Pendleton in San Diego, California; and

WHEREAS, in May of 2013, Karson Kauffroath was deployed to Asia where he spent six-months overseas before returning to his duty station of Camp Pendleton in November of 2013. He spent the next full year at Camp Pendleton before his second overseas deployment to Asia in November 2014. He returned from his second deployment in May of 2015 where he finished his 4-year commitment to the United States Marine Corps; and

WHEREAS, upon his honorable discharge from the Marine Corps, Karson Kauffroath returned home to Wilton, California and enrolled into Cosumnes River Community College in Sacramento while looking for employment in the law enforcement profession. In February of 2018, Karson Kauffroath was hired by the California Department of Corrections and Rehabilitation and was sent to the Correctional Academy. Upon graduating from the academy, he was assigned to the Correctional Medical Facility in Vacaville, California; and

WHEREAS, Officer Kauffroath decided to continue his law enforcement career and was hired as a full time police officer trainee with the Hercules Police Department in April 2019 where he was sponsored through the Contra Costa County Sheriff's Academy and graduated in November 2019; and

WHEREAS, in 2021, Officer Kauffroath participated in an extensive examination process and was selected to represent the Hercules Police Department as a Recruit Training Officer at the 194th Contra Costa County Sheriff's Basic Police Academy in January 2022. Upon completion of this assignment, Officer Karson Kauffroath received a letter of commendation from the Chief of Police after receiving praise from multiple Contra Costa County Sheriff's personnel; and

WHEREAS, Officer Kauffroath was selected to be one of two Active Shooter Instructors for the Hercules Police Department and attended an Active Shooter Instructor course in Rancho Cucamonga; and

WHEREAS, Officer Kauffroath has been selected to be a member of the Hercules Police Department's Special Response Team and recognized by his supervisors as an excellent team member and mentor; and

WHEREAS, in a secret ballot of his peers Officer Kauffroath was selected for Officer of the Year for 2022.

NOW THEREFORE, BE IT PROCLAIMED, that I, Alexander Walker-Griffin, Mayor of the City of Hercules, on behalf of the entire City Council and the Hercules community, do hereby commend and express appreciation to Officer Karson Kauffroath for his dedication to the law enforcement profession and the community he proudly serves.

In witness whereof, I hereunto set my hand and cause the Seal of the City of Hercules to be affixed on this February 14th, 2023.

Alexander Walker-Griffin, Mayor



City of Hercules

111 Civic Drive
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Meeting Minutes

City Council

Mayor Alex Walker-Griffin
Vice Mayor Dan Romero
Council Member Dion Bailey
Council Member Chris Kelley
Council Member Tiffany Grimsley

Dante Hall, City Manager
Patrick Tang, City Attorney
Eiblis Melendez, Acting City Clerk

Tuesday, January 17, 2023

6:30 PM

SPECIAL MEETING In- Person in Council Chambers or

Zoom ID: 895 2081 9860

Zoom Passcode: 106516

Zoom Phone Number: 1-669-444-9171

I. CLOSED SESSION – CALL TO ORDER- ROLL CALL

II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS

III. CONVENE INTO CLOSED SESSION- The Hercules City Council will meet in Closed Session regarding the following:

IV. SPECIAL MEETING - CONVENE TO OPEN SESSION- ROLL CALL [7:00 p.m]

Present: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

V. A. REPORT ON ACTION TAKEN IN CLOSED SESSION-

NONE

B. CONSIDER AND TAKE ACTION ON ANY REQUEST FROM A COUNCIL MEMBER TO PARTICIPATE IN A MEETING REMOTELY DUE TO JUST CAUSE OR EMERGENCY CIRCUMSTANCES PURSUANT TO AB 2449.

VI. PLEDGE OF ALLEGIANCE

Mayor Walker-Griffin Lead the Pledge of Allegiance

VII. MOMENT OF SILENCE- NONE

NONE

VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS

NONE

IX. AGENDA ADDITIONS/DELETIONS

City Manager Hall had no additions or deletions

X. PUBLIC COMMUNICATIONS

NONE

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XI. PUBLIC HEARINGS- NONE

NONE

XIII. DISCUSSION AND/OR ACTION ITEMS

[22-420](#)

Resolution of the Hercules City Council Confirming the Proclamation of a Local Emergency Issued by the Director of Emergency Services on January 10, 2023

RECOMMENDATION: Receive report, discuss, and take action to adopt the Resolution Proclaiming the Existence of a Local Emergency.

Attachments: [Staff Report - Council Resolution Local Emergency](#)
[Proclamation of Local Emergency](#)
[Att. 2-Council Resolution affirming proclamation of a local emergency](#)

City Manager Hall Presented
Council Members provided comment

[22-414](#)

Sustainability Initiatives

RECOMMENDATION:: Receive a report on potential sustainability initiatives, ask questions, and provide direction on any initiatives the City Council would like to pursue further.

Attachments: [Staff Report: Sustainability Initiatives - CC 011723](#)
[Presentation: Sustainability Initiatives CC 011723](#)

Tim Rood presented the report on potential Sustainability Initiatives the City could start. Pausing in the presentation to discuss each initiative. Council Members provided comment and City Manager Hall and Tim Rood provided follow up answers or clarification to the following topics: Sustainability Task Force, CCE's and Electric Vehicle Charging Stations. No motions were made, the discussion was completely informational. Per Council request Tim Rood will come back with more information on the topics listed above.

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XVI. ADJOURNMENT

8:40 P.M.

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In the interests of conducting an orderly and efficient meeting, speakers will be limited to three (3) minutes. Anyone may also submit written comments at any time before or during the meeting.

5. CONSENT CALENDAR: All matters listed under Consent Calendar are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a member of the Council or a member of the public prior to the time the City Council votes on the motion to adopt.

6. LEGAL CHALLENGES: If you challenge a decision of the City Council in court, you may be limited to raising only those issues you or someone else raised at the meeting or in written correspondence delivered at, or prior to, the meeting. Actions challenging City Council decisions shall be subject to the time limitations contained in Code of Civil Procedure Section 1094.6.



City of Hercules

111 Civic Drive
Hercules, CA 94547

Meeting Minutes

City Council

Mayor Alex Walker-Griffin
Vice Mayor Dan Romero
Council Member Dion Bailey
Council Member Chris Kelley
Council Member Tiffany Grimsley

Dante Hall, City Manager
Patrick Tang, City Attorney
Eiblis Melendez, Acting City Clerk

Tuesday, January 24, 2023

6:30 PM

In-Person in Council Chambers or

Zoom ID: 844 4190 4880

Zoom Passcode: 817288

Zoom Phone Number: 1-669-444-9171

I. CLOSED SESSION – CALL TO ORDER-ROLL CALL[6:30 P.M]

Present: 4 - Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

Absent: 1 - Mayor A. Walker-Griffin

1A CONSIDER AND TAKE ACTION ON ANY REQUEST FROM A COUNCIL MEMBER TO PARTICIPATE IN A MEETING REMOTELY DUE TO JUST CAUSE OR EMERGENCY CIRCUMSTANCES PURSUANT TO AB2449

1B SPECIAL MEETING- CLOSED SESSION

II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS

NONE

III. CONVENE INTO CLOSED SESSION

The Hercules City Council will meet in Closed Session regarding the following:

1. [22-437](#) Pursuant to Government Code Section 54956.8, Conference with Real Property Negotiators: Property Address: 1991 Railroad Ave, Hercules, CA 94547; Real Property Negotiator: Dante Hall, City Manager
Meeting went into Recess- Approximately 6:33pm

Meeting Reconvened: 7pm

IV. REGULAR MEETING – RECONVENE TO OPEN SESSION-ROLL CALL [7:00 P.M.]

Present: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

V. REPORT ON ACTION TAKEN IN CLOSED SESSION

City Attorney, Patrick Tang, Reported on actions in closed session. No final or reportable action at this time.

VI. PLEDGE OF ALLEGIANCE

Council Member Romero lead the Pledge of Allegiance

VII. MOMENT OF SILENCE

Mayor Walker-Griffin requested a moment of silence for the tragic events that took place in Monterey Park(LA County) and Half Moon Bay.

VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS**1. [22-432](#) Raven SR Project Presentation**

Attachments: [Presentation-Raven SR - Hercules City Council 01.24.2023](#)

Matt Murdock, CEO and founder, of Raven SR presented. Questions and Comments from Council Members followed the presentation.

IX. AGENDA ADDITIONS/DELETIONS

Postponement of two Items:
Consent Calendar Item #3 22-422 Lot Line Adjustment for Sycamore Crossing
Discussion and /or Action Item #1 22-429 Sycamore Crossing Developer Update
Developer is sick and would like to present in person. He is proposing to come to the February 14th, City Council Meeting.

X. PUBLIC COMMUNICATIONS

NONE

This time is reserved for members of the public to address issues not included in the agenda. In accordance with the Brown Act, Council will refer to staff any matters brought before them at this time, and those matters may be placed on a future agenda.

Individuals wishing to address the City Council are asked to complete a form indicating the name and address of the speaker and the general topic to be addressed. Speakers must make their comments from the podium and will be allowed 3 minutes to discuss their concerns. All public comments are recorded and become part of the public record. A limit of 30 minutes will be devoted to taking public comment at this point in the agenda. If any speakers remain at the conclusion of the initial 30 minute period, time will be reserved at the conclusion of the meeting to take the remaining comments.

XI. PUBLIC HEARINGS

NONE

XII. CONSENT CALENDAR

MOTION: A motion was made by Council Member Kelley, to approve items on the Consent Calendar with the exception of item #3 which is being removed, seconded by Council Member Grimsley, to adopt this . The motion carried by the following vote:

Aye: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

Aye: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

1. [22-438](#) Meeting Minutes for January 10th, 2023

Attachments: [Meeting Minutes for January 10th, 2023](#)

APPROVED

2. [22-434](#) Annual Update Regarding the Following Matters:
1) Anti-Nepotism and Anti-Cronyism Ordinance;
2) Hercules Ethics Policy.
Recommendation: Accept report; provide direction to staff if any.

Attachments: [2023 Staff Report - Nepotism Ethics Update Council](#)

[Attach 1 - Nepotism Cronyism Ordinance](#)

[Attach 2 - 13-051 Hercules Ethics Policy](#)

APPROVED

3. [22-422](#) Lot Line Adjustment 22-02 for Sycamore Crossing for Lots 1and 2 of Parcel Map MS 476-97(APN's 404-020-094 & 404-020-095)
Recommendation: Adopt a Resolution approving Lot Line Adjustment 22-02 for Sycamore Crossing to facilitate development of the approved hotel.

Attachments: [Staff Report-Sycamore Crossing Hotel LLA 22-02](#)

[Attach 1 - Resolution for City Council- Sycamore Crossing Hotel LLA 22-02](#)

[Attach 2 - Legal Description](#)

[Attach 3 - LLA Mapping Exhibit](#)

Item was deleted and postponed. Please refer back to Agenda item IX, Agenda Additions /Deletions, for more information.

4. [22-423](#) Amendments to Hercules Municipal Code (Table 13-6.1, Table 13-15.1, Section 13-35.320, and Section 10-2.904) pursuant to the Department of Housing and Community Development's review of Hercules ADU Ordinance, newly enacted ADU legislation, and SB 9 guidance. Recommendation: That the City Council -Approve final adoption of amended Ordinance

Attachments: [Staff Report- ADU & SB9](#)

[Attach 1 - Draft Ordinance- ADU & SB 9-012423](#)

[Attach 2 - HCD Review of Hercules ADU Ordinance](#)

[Attach 3 - HCD SB 9 Fact Sheet](#)

[Attach 4 - SB 897 Text](#)

[Attach 5 - AB 2221 Text](#)

APPROVED

5. [22-424](#) Amendments to Hercules Municipal Code (Table 13-6.1, 13-7.1, 13-12.1 and 13-15.1 and deletion of Sec. 13-35.260) pursuant to Senate Bill 234 the Keeping Kids Close to Home Act and amendments to Hercules Municipal Code (Table 13-6.1, 13-12.1, 13-15.1, and 13-18.1) pursuant to Assembly Bill No. 2162. Recommendation: That the City Council- Approve final adoption of amended Ordinance.

Attachments: [Staff Report- Child Care and Supportive Housing](#)

[Attach 1 - Draft Ordinance- Childcare & Supportive Housing](#)

[Attach 2 - Senate Bill 234](#)

[Attach 3 - Assembly Bill 2162](#)

APPROVED

6. [22-426](#) Ordinance to Amend Hercules Municipal Code Title 9, Chapters 1-18, Adopting by Reference the New California Code of Regulations Title 24, 2022 Edition of the California Building Standards Code with amendments developed by City of Hercules, Contra Costa County and the Rodeo-Hercules Fire Protection District. Recommendation: That the City Council- Approve final adoption of amended Ordinance

Attachments: [Staff Report - Building Code 2022](#)
[Attach 1 - Building Code 2022 Ordinance](#)
[Attach 2 - County Ordinance No. 2022-35 Adoption of 2022 Building Code](#)
[Attach 3 - County Findings - Ord. No. 2022-35](#)
[Attach 4 - All-Electric Ordinance No. 539](#)
[Attach 5 - RHFD Ordinance 2022-01](#)
[Attach 6 - Staff Report - RHFD Supporting Findings](#)

APPROVED

XIII. DISCUSSION AND/OR ACTION ITEMS

1. [22-429](#) Sycamore Crossing Developer Update: Lewis Management Corporation and Hercules Hospitality LLC will present an update to the City Council regarding implementation of the approved development plan, with the hotel component as the first phase.
Recommendation: Receive a report from project developers on project development and ask any questions.

Attachments: [Staff Report- Sycamore Crossing Developer Presentation-Sycamore Crossing Presentation PPT V2 Jan 2023](#)

Item was deleted and postponed. Please refer back to Agenda item IX, Agenda Additions /Deletions, for more information.

2. [22-428](#) Hercules Hub - Project Update, Contract Amendment No. 1 in the amount of \$115,579 for Gray-Bowen-Scott to prepare a Federal-State Partnership for Intercity Rail Grant and Appropriation of \$115,579 from the Capital Reserve Fund to fully fund said Amendment, Resolution of Support for a Transit and Intercity Rail Capital Program Grant, and Designation of \$3M of Capital Reserve Funding for the Project
Recommendation- It is recommended the City Council receive an update on the Hercules Hub and adopt resolutions:
 1. Approving Amendment No.1 to Gray-Bowen-Scott's contract in the amount of \$115,579 to prepare a Federal-State Partnership for Intercity Rail Grant for a total, not to exceed contract amount of \$590,332 and an appropriation of \$115,579 from the Capital Reserve Fund to fully fund said amendment; and
 2. Approving a resolution of support for the filing of a joint Transit and Intercity Rail Capital Program Grant with the Capitol Corridor Joint Powers Authority (CCJPA) as the lead agency; and
 3. Designating \$3M of Capital Reserve Funding as the City's local match for future grants to fully fund the Hercules Hub Project.

Attachments: [Staff Report-Hercules Hub Update](#)
[Attach 1A - Resolution GBS Amendment No.1](#)
[Attach 1B - Resolution GBS Amendment No.1 Scope & Fee](#)
[Attach 2 - Resolution of Support TIRCP](#)
[Attach 3 - Resolution Designating Funding](#)
[Presentation- Hercules Hub-City Council Pres V2](#)

Representatives from Gray-Bowen-Scott presented both in person and on Zoom. Council Members and Mike Roberts provided comment

MOTION: A motion was made by Council Member Kelley, seconded by Vice Mayor Romero, to adopt Resolution 23-003, 1A and 1B, Discussion/Action Item. A second motion was made by Council Member Bailey, seconded by Council Member Grimsley to pass the second Resolution(support of TIRCP)23-004. A third motion was made by Council Member Bailey, seconded by Council Member Kelley to pass the third Resolution(Designating Funding)23-005. The motion carried by the following vote:

Aye: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

3. [22-427](#) Award of an Annual Janitorial Services Contract to Kleen-Tech in the Amount of \$150,504 per Year for City Facilities
Recommendation: Award of an Annual Janitorial Services Contract to Kleen-Tech in the Amount of \$150,504 per Year for City Facilities

Attachments: [Staff Report -Janitorial Contract Award](#)
[Attach 1 - Resolution - Janitorial Contract Award](#)
[Attach 2 - Kleen Tech Letter](#)
[Attach 3- Scope of Services](#)

Public Works Director, Mike Roberts, presented. Council Members provided comment.

MOTION: A motion was made by Council Member Kelley, seconded by Council Member Bailey, to adopt Resolution 23-006. The motion carried by the following vote:

Aye: 5 - Mayor A. Walker-Griffin, Vice Mayor D. Romero, Council Member D. Bailey, Council Member C. Kelley, and Council Member T. Grimsley

4. [22-431](#) First Senior Health Fair Discussion: The City Council will receive information on the first Senior Health Fair.
Recommendation:
That the City Council will receive information on our Senior Health Fair

Attachments: [Staff Report- Senior Health Fair](#)
[Attach 1. Flyer-Spring into wellness fair-2023](#)
[Attach 2. Vendor Application- Spring into wellness fair- 2023](#)

Recreation Director, Christopher Roke, presented. Council Members

provided comment. No action was taken.

5. [22-436](#) 2023 Council Appointments on Regional Committees and Council Subcommittees
Recommendation: Appointment of members of the City Council by the Mayor to both Regional Committees and Council Subcommittees

Attachments: [Staff Report - 2023 Council Appointments to Regional Committees](#)
[Attach 1. 2023 Regional Committees and Council Subcommittees](#)

City Manager, Dante Hall, presented this item. Council Members were asked to review and provide any comments or questions regarding Committee appointments. Council Members agreed on their 2023 appointments. No action was taken.

XIV. PUBLIC COMMUNICATIONS

NONE

This time is reserved for members of the public who were unavailable to attend the Public Communications period during Section X of the meeting, or were unable to speak due to lack of time. The public speaker requirements specified in Section X of this Agenda apply to this Section.

XV. CITY COUNCIL/CITY MANAGER/CITY ATTORNEY ANNOUNCEMENTS, COMMITTEE, SUB-COMMITTEE AND INTERGOVERNMENTAL COMMITTEE REPORTS AND FUTURE AGENDA ITEMS

Recreation Director, Christopher Roke, promoted Park and Recreation travel program. Council Members reported back on events and programs they recently attended. Council Member Romero requested that a letter of thanks be drafted to Mayor Matt Bates, who is retiring after more than 60 years of service. No future agenda items were recommended from Council. Public Comment was submitted late via Zoom.

This is the time for brief announcements on issues of interest to the community. In accordance with the provisions of the Brown Act, matters which do not appear on this agenda but require City Council discussion may be either (a) referred to staff or other resources for factual information or (b) placed on a future meeting agenda.

XVI. ADJOURNMENT-8:41p.m.



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: Accept the Investment Report for the Quarter Ending December 31, 2022

RECOMMENDED ACTION

Accept the Investment Report for the Quarter Ending December 31, 2022.

EXECUTIVE SUMMARY

Pursuant to California Government Code section 53646 and the City's Investment Policy, a quarterly report and certification shall be provided to the City Council, City Manager, and City Auditor. The Quarterly Investment Report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par value and dollar amounts invested in all securities. The certification must provide assurances that investments were made consistent with the City's Investment Policy and that the City will meet its expenditure obligations for the next six months. The Quarterly Investment Report for the quarter ending December 31, 2022, is provided as Attachment 1.

BACKGROUND AND ANALYSIS

To comply with state law and city policy, the City is required to present quarterly investment reports detailing the City's investment portfolio to the City Council, City Manager, and City Auditor. The Council's authority to invest or reinvest funds or sell or exchange securities is delegated to the City's Finance Director, who also serves as City Treasurer. Pursuant to the Investment Policy, the City Treasurer may delegate some of their fiduciary responsibility to an outside investment management firm. An investment manager's fiduciary responsibility is a legal requirement related to registration with the Securities and Exchange Commission under the Investment Advisor Act of 1940. Due to the specialized services and expertise required to assist the City in the varied investment options available, the City has used the Local Investment Agency Fund (LAIF) and PARS experienced investment managers.

This report presents the City's investment portfolio for the quarter ending December 31, 2022. It has been prepared to comply with regulations contained in California Government Code Section 53646 and City's Investment Policy. The report includes all cash and investments managed by the City. It also includes City-related investments held by bond trustees for debt service obligations as well as money held in the irrevocable trust with PARS for pension and other post-employment benefits (OPEB). The report provides information on the investment type, issuer, maturity date, cost, and current market value for each security.

The City utilizes the Local Agency Investment Fund (LAIF) as a money market fund administered by the State Treasurer. LAIF has many governmental agency participants and holds securities through its administrator. LAIF provides local agencies a way to invest cash held in treasury pool that may be withdrawn as needed on a same-day basis to meet the agency's cash flow needs while realizing interest generated by the Pooled Money Investment Account (PMIA). Moreover, the Investments held by Bond Trustees are administered in accordance with individual bond indentures.

As of December 31, 2022, the overall pooled investment portfolio average yield (before adjustments for changes in market value) was 1.65%, which is lower than the rate for two-year U.S. Treasury Note at 4.41% and LAIF average monthly rate of 2.173%. The market value of the pooled portfolio was \$1,015,771 or 1.3% lower than the book value. As the City does not intend to sell its pooled investment portfolio securities prior to maturity, this will have no effect on yield.

Investment Type	Market Value	Amount Over/(Under) Cost	Average Yield
Petty Cash	\$2,005	-	0.00%
Cash in Bank	7,458,289	-	0.89%
Local Agency Investment Fund (LAIF)	52,111,981	(\$988,234)	2.17%
Irrevocable Trust (Pension)	2,032,486	-	3.58%
Irrevocable Trust (OPEB)	2,532,103	-	3.58%
Investments with Bond Trustees	11,885,982	(27,538)	1.59%
Total Portfolio	\$76,022,846	(\$1,015,772)	1.65%

68.93% of the total Investment Portfolio was deposited with LAIF as of December 31, 2022. LAIF has 66.67% of its investments in U.S. Treasuries and agency notes, 6.26% in CDs and bank notes, and 26.77% in other types of investments. Additional economic summaries and specific information related to each of the investment advisors and LAIF are included in the Investment Portfolio Summary Report included in attachment 1.

The City invests its idle cash from all operating funds on a pooled basis to maximize returns. Earnings are allocated to each fund based on the average cash balance. The timing of revenue collections, such as property tax, business licenses, and franchise tax, affects the quarterly investment income during the year. There is adequate cash to meet expected obligations over the next six months.

Governmental Accounting Standards Board (GASB) Statement 40 requires the City to recognize the fair market value of its investments at the end of each fiscal year. The market values of investments included in this report are obtained from the State Controller's office for LAIF and from the City's registered investment managers and bond trustees for all other investments. These market valuations are subject to daily changes. The difference between market value and historical costs, known as Unrealized Investment Gains and Losses, are temporary in nature and are not cash related transactions. Since it is the City's general intention to hold its investments until maturity, when they would be redeemed at par value, any unrealized gain or loss is only reported at the end of the fiscal year in the City's Comprehensive Annual Financial Report.

Of the total cash and investments reported above, only the portions held in the City's General Fund (approximately \$23.3 million, or 30%) and Internal Service Funds (approximately \$1.6 million, or 2%) are unrestricted, although a portion of these amounts may be committed for existing obligations or designated for specific purposes. The remaining \$52.1 million, or 68%, of the City's cash and investments are restricted for specific uses, in accordance with federal, state, or local agency rules and regulations.

FISCAL IMPACT OF RECOMMENDATION

This is an information report with no fiscal impact.

ATTACHMENTS:

1. Quarterly Investment Report



Investment Report

For Quarter Ended December 31, 2022

City of Hercules, California





CITY OF HERCULES
FINANCE DEPARTMENT
111 CIVIC DRIVE
HERCULES, CALIFORNIA 94547-1771
PHONE: 510-799-8200

February 14, 2023

Honorable Mayor and City Council:

I verified that this investment portfolio, as of December 31, 2022, conforms with all state laws and City's investment policy. The City's expenditures requirements for the next months are covered by anticipated revenues from City operations and liquidity from cash on deposit.

As of December 31, 2022, the City has sufficient funds to meet its expenditure requirements for the next six months.

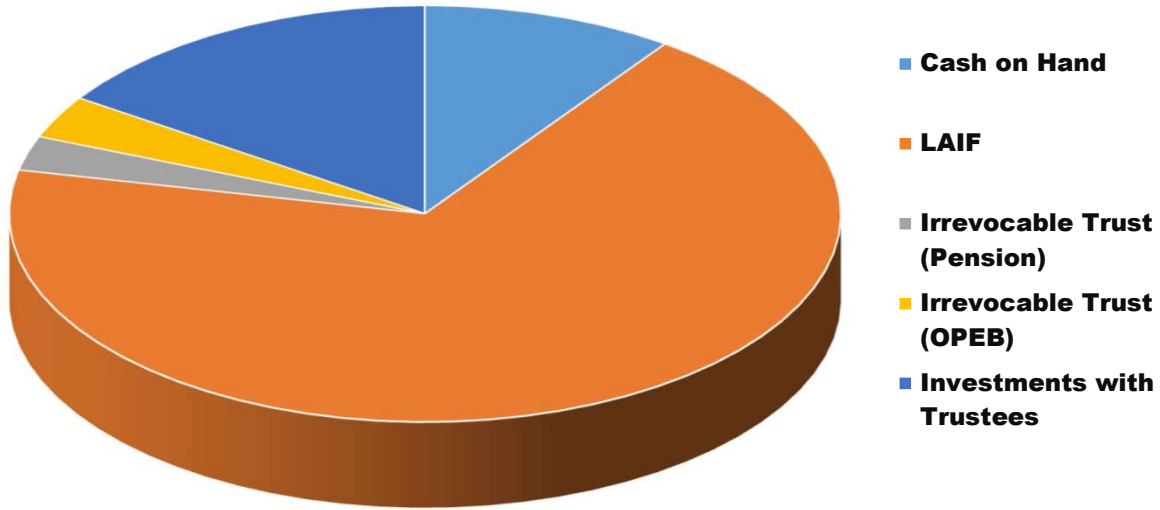
Sincerely,



Edwin Gato
Finance Director/City Treasurer

City of Hercules, California
Investment Portfolio Summary Report
For the Quarter Ended December 31, 2022

Investments by Type



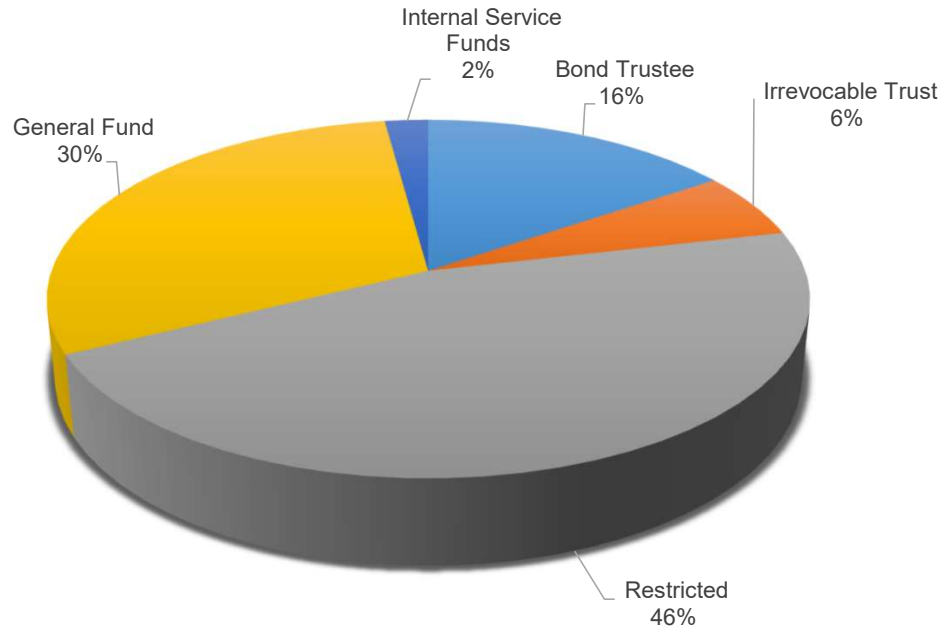
	Book Value	% of Total	Average Yield	Market Value
Cash on Hand	\$2,005			\$2,005
Cash on Deposit	7,458,289			7,458,289
Total Cash on Hand	7,460,294	9.68%	0.89%	7,460,294
Local Agency Investment Fund (LAIF)	53,100,215	68.93%	2.17%	52,111,981
Irrevocable Trust (Pension)	2,032,486	2.64%	3.58%	2,032,486
Irrevocable Trust (OPEB)	2,532,103	3.29%	3.58%	2,532,103
Investments with Bond Trustees	11,913,519	15.46%	1.59%	11,885,982
Total Portfolio	\$77,038,617	100.00%	1.65%	\$76,022,846
Amount over (under) Market Value vs. Book Value				(\$1,015,771)
% of Portfolio				-1.3185%

City of Hercules
Detail for Investment Portfolio Summary Report
For the Quarter Ended December 31, 2022

DESCRIPTION	BOOK VALUE	RATE	YIELD	PURCHASE DATE	MATURITY DATE	LIFE TO MATURITY	(DAYS) REMAINING LIFE	PAR VALUE	MARKET VALUE
CASH ON HAND									
PETTY CASH	2,005.00	0.00%	0.00%					2,005.00	\$2,005.00
CASH IN BANK									
MECHANICS BANK - GENERAL CHECKING	6,754,232.78	0.00%	0.00%					6,754,232.78	6,754,232.78
MECHANICS BANK - HERCULES RDA	520,980.02	0.00%	0.00%					520,980.02	520,980.02
MECHANICS BANK - PD ASSET SEIZURE	162,896.91	0.00%	0.00%					162,896.91	162,896.91
CalITRUST	20,179.39	3.57%	3.57%	9/1/2022	12/31/2022	121	-	20,179.39	20,179.39
TOTAL AND AVERAGES	7,458,289.10	0.89%	0.89%			121	-	7,458,289.10	7,458,289.10
LOCAL AGENCY INVESTMENT FUND (LAIF)									
LAIF	53,100,214.94	2.17%	2.17%	9/1/2022	12/31/2022	121	-	53,100,214.94	52,111,980.54
IRREVOCABLE TRUST (PENSION/OPEB)									
US BANK MUTUAL (PARS-OPEB)	2,532,102.65	3.58%	3.58%	9/1/2022	12/31/2022	121	-	2,532,102.65	2,532,102.65
US BANK MUTUAL (PARS-PENSION)	2,032,486.38	3.58%	3.58%	9/1/2022	12/31/2022	121	-	2,032,486.38	2,032,486.38
TOTAL AND AVERAGES	4,564,589.03	3.58%	3.58%			121	-	4,564,589.03	4,564,589.03
INVESTMENTS WITH BOND TRUSTEES									
GE CAPITAL CORPORATION	4,489.31	3.03%	3.03%	9/1/2022	12/31/2022	121	-	4,489.31	4,489.31
WEBSTER BANK (STERLING NATIONAL BANK ESCROW)	117,546.16	0.24%	0.24%	9/1/2022	12/31/2022	121	-	117,546.16	117,546.16
THE BANK OF NEW YORK (BNY) JM 05 1 RESERVE FUND	55,797.47	0.00%	0.00%	9/1/2022	12/31/2022	121	-	55,797.47	55,797.47
THE BANK OF NEW YORK (BNY) MELLON TRUST HERCULES PFA WW INTEREST ACCT 21 A	2,887.50	0.00%	0.00%	9/1/2022	12/31/2022	121	-	2,887.50	2,887.50
THE BANK OF NEW YORK (BNY) MELLON TRUST HERCULES PFA WW ACQUISITION FD 21 A	8,325,000.00	0.00%	0.00%	9/1/2022	12/31/2022	121	-	8,325,000.00	8,325,000.00
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 REVENUE FUND)	481,628.25	3.94%	3.94%	9/1/2022	12/31/2022	121	-	481,628.25	454,090.74
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 DEBT SERV PRIN ACCT)	135,913.88	3.97%	3.97%	9/1/2022	12/31/2022	121	-	135,913.88	135,913.88
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 DEBT SERV INT ACCT)	361,737.19	3.97%	3.97%	9/1/2022	12/31/2022	121	-	361,737.19	361,737.19
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES PFA 09 RESERVE FD)	920,215.00	3.97%	3.97%	9/1/2022	12/31/2022	121	-	920,215.00	920,215.00
THE BANK OF NEW YORK (BNY) MELLON TRUST (HERCULES 2020 INT FD)	4,567.80	0.00%	0.00%	9/1/2022	12/31/2022	121	-	4,567.80	4,567.80
THE BANK OF NEW YORK (BNY) MELLON TRUST (SA HERCULES 2022 A B DEBT SERVICE)	1,470,238.27	0.00%	0.00%	9/1/2022	12/31/2022	121	-	1,470,238.27	1,470,238.27
THE BANK OF NEW YORK (BNY) MELLON TRUST (sa HERCULES 2022 A B INTEREST ACCT)	33,498.59	0.00%	0.00%	9/1/2022	12/31/2022	121	-	33,498.59	33,498.59
TOTAL AND AVERAGES	11,913,519.42	1.59%	1.59%			121	-	11,913,519.42	11,885,981.91
TOTAL INVESTMENT REPORT	77,038,617.49	1.65%	1.65%			121	-	\$77,038,617.49	\$76,022,845.58

City of Hercules, California
Investment Portfolio Summary Report
For the Quarter Ended December 31, 2022

Cash by Fund



<u>Cash Description</u>	<u>Book Value</u>	<u>% of Total</u>
Bond Trustee	\$11,913,519	15%
Irrevocable Trust	4,564,589	6%
Restricted	35,630,483	46%
General Fund	23,288,036	30%
Internal Service Funds	1,641,990	2%
Total, Book Value	\$77,038,617	100%

Restricted:

Wastewater	19,120,654
Successor Housing	4,888,599
ARPA	3,077,889
Development Impact Fees	1,956,554
Landscape & Lighting	1,485,589
Gas Tax & Measure J "Street"	912,383
General Plan Update	880,218
Solid Waste	845,429
Capital Projects	741,650
Agency Fund	538,368
Successor Agency	520,980
BART (Park & Ride)	303,865
Asset Seizure	162,897
Other	195,408
	<u>35,630,483</u>



PMIA/LAIF Performance Report as of 12/31/2022



PMIA Average Monthly Effective Yields⁽¹⁾

December	2.173
November	2.007
October	1.772

Quarterly Performance Quarter Ended 12/31/22

LAIF Apportionment Rate ⁽²⁾ :	2.07
LAIF Earnings Ratio ⁽²⁾ :	0.00005680946709337
LAIF Fair Value Factor ⁽¹⁾ :	0.981389258
PMIA Daily ⁽¹⁾ :	2.29
PMIA Quarter to Date ⁽¹⁾ :	1.98
PMIA Average Life ⁽¹⁾ :	287

Pooled Money Investment Account Monthly Portfolio Composition ⁽¹⁾ 12/31/22 \$199.6 billion

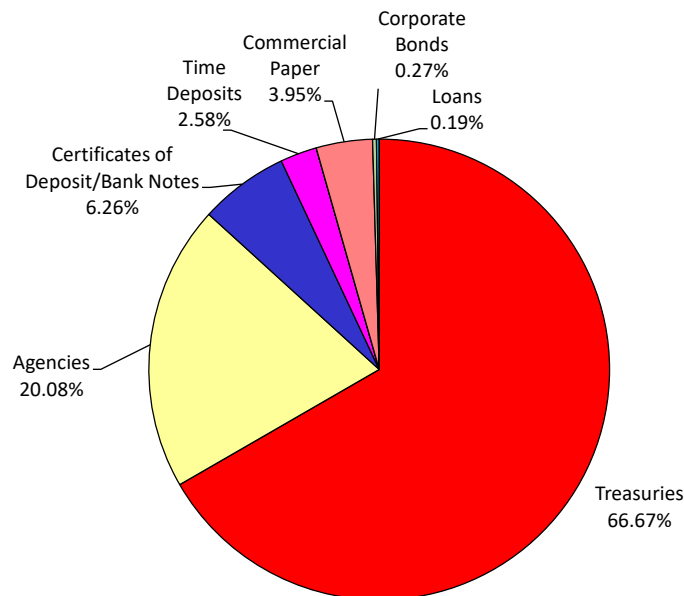


Chart does not include \$3,466,000.00 in mortgages, which equates to 0.002%. Percentages may not total 100% due to rounding.

Daily rates are now available here. [View PMIA Daily Rates](#)

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1) and interest earned on the Wildfire Fund loan pursuant to Public Utility Code 3288 (a).

Source:

⁽¹⁾ State of California, Office of the Treasurer

⁽²⁾ State of California, Office of the Controller

City of Hercules
As of December 31, 2022

Presented By
Andrew Brown, CFA

Selected Period Performance

Hercules OPEB

Period Ending: 12/31/2022

	Quarter to Date (3 Months)	1 Year	3 Years	5 Years	10 Years	Inception to Date 06/01/2010
Cash Equivalents	.85	1.48	.62	1.13	.67	.54
<i>Lipper Money Market Funds Index</i>	.87	1.51	.63	1.10	.63	.50
Total Fixed Income	1.76	-12.21	-2.25	.12	1.17	2.19
<i>Bloomberg US Aggregate Bd Index</i>	1.87	-13.01	-2.71	.02	1.06	2.00
Total Equities	8.37	-18.25	4.57	6.02	9.54	10.01
Large Cap Funds	6.60	-19.88	6.73	8.30	11.84	11.73
<i>S&P 500 Composite Index</i>	7.56	-18.11	7.66	9.42	12.56	12.73
Mid Cap Funds	9.16	-17.18	5.85	6.97	9.67	10.41
<i>Russell Midcap Index</i>	9.18	-17.32	5.88	7.10	10.96	11.48
Small Cap Funds	8.43	-14.87	4.41	6.29	11.27	11.82
<i>Russell 2000 Index</i>	6.23	-20.44	3.10	4.13	9.01	9.56
International Equities	14.55	-15.56	.29	1.13	3.63	4.76
<i>MSCI EAFE Index</i>	17.34	-14.45	.87	1.54	4.67	5.66
<i>MSCI EM Free Index</i>	9.70	-20.09	-2.69	-1.40	1.44	2.70
REIT Funds	4.80	-25.86	-.60	3.44		
<i>Wilshire REIT Index</i>	4.05	-26.81	-.49	3.35	6.31	8.34
Total Managed Portfolio	3.58	-13.32	.32	2.20	5.36	6.29

Performance Inception: 6/1/2010

The OPEB plan was invested in account 6746019207, PARS Balanced HighMark Plus, from June 1, 2010 to December 31, 2017. The Plan was then subsequently invested in account 6746050104, PARS Moderately Conservative HighMark Plus, from January 1, 2018 and onwards. Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

Asset Allocation – OPEB Plan As of December 31, 2022

Current Asset Allocation		Investment Vehicle	
Equity	Range: 20%-40%		28.14%
Large Cap Core	COFYX	Columbia Contrarian Core Inst3	2.88%
	VGIAX	Vanguard Growth & Income Adm	5.39%
Large Cap Value	DODGX	Dodge & Cox Stock Fund	2.57%
	IVE	iShares S&P 500 Value ETF	1.20%
Large Cap Growth	HNACX	Harbor Capital Appreciation Retirement	1.68%
	PRUFX	T. Rowe Price Growth Stock Fund I	1.68%
Mid Cap Core	IWR	iShares Russell Mid-Cap ETF	2.74%
Small Cap Value	UBVFX	Undiscovered Managers Behavioral Val R6	2.13%
Small Cap Growth	VBK	Vanguard Small-Cap Growth ETF	2.14%
International Core	DFALX	DFA Large Cap International I	1.79%
International Value	DODFX	Dodge & Cox International Stock Fund	0.56%
International Growth	MGRDX	MFS® International Growth R6	0.56%
Emerging Markets	HHHFX	Hartford Schroders Emerging Mkts Eq F	1.80%
Real Estate	VNQ	Vanguard Real Estate ETF	1.04%
Fixed Income	Range: 50%-80%		67.12%
Short-Term	VFSUX	Vanguard Short-Term Investment-Grade Adm	13.43%
Intermediate-Term	DBLFX	DoubleLine Core Fixed Income I	17.42%
	PTTRX	PIMCO Total Return Instl Fund	17.72%
	PTQX	Prudential Total Return Bond Q	17.54%
High Yield	PHIYX	PIMCO High Yield Instl	1.01%
Cash	Range: 0%-20%		4.74%
	FGZXX	First American Government Oblig Z	4.74%
TOTAL			100.00%

Selected Period Performance

PARS/PRSP MODERATELY CONSERVATIVE HM

Account ****050104

Period Ending: 12/31/2022

	Quarter to Date (3 Months)	1 Year	3 Years	5 Years	Inception to Date (61 Months)
Cash Equivalents	.85	1.48	.62	1.13	1.13
<i>Lipper Money Market Funds Index</i>	.87	1.51	.63	1.10	1.10
Total Fixed Income	1.76	-12.21	-2.25	.12	.23
<i>Bloomberg US Aggregate Bd Index</i>	1.87	-13.01	-2.71	.02	.11
Total Equities	8.37	-18.25	4.57	6.02	6.22
Large Cap Funds	6.60	-19.88	6.73	8.30	8.46
<i>S&P 500 Composite Index</i>	7.56	-18.11	7.66	9.42	9.50
Mid Cap Funds	9.16	-17.18	5.85	6.97	7.04
<i>Russell Midcap Index</i>	9.18	-17.32	5.88	7.10	7.17
Small Cap Funds	8.43	-14.87	4.41	6.29	6.36
<i>Russell 2000 Index</i>	6.23	-20.44	3.10	4.13	3.98
International Equities	14.55	-15.56	.29	1.13	1.57
<i>MSCI EAFE Index</i>	17.34	-14.45	.87	1.54	1.83
<i>MSCI EM Free Index</i>	9.70	-20.09	-2.69	-1.40	-.69
REIT Funds	4.80	-25.86	-.60	3.44	3.34
<i>Wilshire REIT Index</i>	4.05	-26.81	-.49	3.35	3.27
Total Managed Portfolio	3.58	-13.32	.32	2.20	2.32

Performance Inception: 12/01/2017 Initial contribution was made on November 2017.

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.

Asset Allocation – Pension As of December 31, 2022

Current Asset Allocation		Investment Vehicle	
Equity	Range: 20%-40%		28.14%
Large Cap Core	COFYX	Columbia Contrarian Core Inst3	2.88%
	VGIAX	Vanguard Growth & Income Adm	5.39%
Large Cap Value	DODGX	Dodge & Cox Stock Fund	2.57%
	IVE	iShares S&P 500 Value ETF	1.20%
Large Cap Growth	HNACX	Harbor Capital Appreciation Retirement	1.68%
	PRUFX	T. Rowe Price Growth Stock Fund I	1.68%
Mid Cap Core	IWR	iShares Russell Mid-Cap ETF	2.74%
Small Cap Value	UBVFX	Undiscovered Managers Behavioral Val R6	2.13%
Small Cap Growth	VBK	Vanguard Small-Cap Growth ETF	2.14%
International Core	DFALX	DFA Large Cap International I	1.79%
International Value	DODFX	Dodge & Cox International Stock Fund	0.56%
International Growth	MGRDX	MFS® International Growth R6	0.56%
Emerging Markets	HHHFX	Hartford Schroders Emerging Mkts Eq F	1.80%
Real Estate	VNQ	Vanguard Real Estate ETF	1.04%
Fixed Income	Range: 50%-80%		67.12%
Short-Term	VFSUX	Vanguard Short-Term Investment-Grade Adm	13.43%
Intermediate-Term	DBLFX	DoubleLine Core Fixed Income I	17.42%
	PTTRX	PIMCO Total Return Instl Fund	17.72%
	PTRQX	Prudential Total Return Bond Q	17.54%
High Yield	PHIYX	PIMCO High Yield Instl	1.01%
Cash	Range: 0%-20%		4.74%
	FGZXX	First American Government Oblig Z	4.74%
TOTAL			100.00%

CITY OF HERCULES

For Period Ending December 31, 2022

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Columbia Contrarian Core Inst3	-6.17	6.41	-18.45	-18.45	7.51	8.56	12.26
Vanguard Growth & Income Adm	-6.13	7.21	-17.11	-17.11	8.11	9.36	12.60
Dodge & Cox Stock I	-4.61	12.99	-7.22	-7.22	9.41	8.72	12.44
iShares S&P 500 Value ETF	-3.93	13.55	-5.41	-5.41	6.09	7.41	10.67
Harbor Capital Appreciation Retirement	-8.67	-1.46	-37.67	-37.67	3.69	8.05	12.84
T. Rowe Price Growth Stock I	-8.79	-2.23	-40.05	-40.05	-0.41	5.10	11.35
S&P 500 TR USD	-5.76	7.56	-18.11	-18.11	7.66	9.42	12.56
MID CAP EQUITY FUNDS							
iShares Russell Mid-Cap ETF	-5.42	9.14	-17.43	-17.43	5.71	6.95	10.78
Russell Mid Cap TR USD	-5.40	9.18	-17.32	-17.32	5.88	7.10	10.96
SMALL CAP EQUITY FUNDS							
Undiscovered Managers Behavioral Val R6	-3.86	13.77	-1.10	-1.10	11.29	7.59	11.57
Vanguard Small-Cap Growth ETF	-6.30	3.02	-28.40	-28.40	0.80	5.10	9.27
Russell 2000 TR USD	-6.49	6.23	-20.44	-20.44	3.10	4.13	9.01
INTERNATIONAL EQUITY FUNDS							
Dodge & Cox International Stock I	-1.69	16.01	-6.78	-6.78	1.85	1.25	4.81
DFA Large Cap International I	-2.05	17.21	-13.03	-13.03	1.99	2.14	4.79
Hartford Schroders Emerging Mkts Eq F	-2.62	10.50	-22.14	-22.14	-2.87	-1.06	1.85
MFS International Growth R6	-3.45	14.24	-15.02	-15.02	2.57	4.62	6.38
MSCIEAFE NR USD	0.08	17.34	-14.45	-14.45	0.87	1.54	4.67
MSCIEM NR USD	-1.41	9.70	-20.09	-20.09	-2.69	-1.40	1.44

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

CITY OF HERCULES

For Period Ending December 31, 2022

REAL ESTATE FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
Vanguard Real Estate ETF	-5.08	4.32	-26.20	-26.20	-0.43	3.66	6.41
BOND FUNDS							
PIMCO Total Return Instl	-0.31	1.77	-14.09	-14.09	-2.48	0.03	1.11
PGIM Total Return Bond R6	-0.30	2.31	-14.86	-14.86	-3.10	0.09	1.80
Vanguard Short-Term Investment-Grade Adm	0.11	1.72	-5.75	-5.75	-0.38	1.10	1.45
DoubleLine Core Fixed Income I	-0.36	1.17	-12.76	-12.76	-2.80	-0.17	1.39
Bloomberg US Agg Bond TR USD	-0.45	1.87	-13.01	-13.01	-2.71	0.02	1.06
PIMCO High Yield Instl	-0.86	4.19	-10.78	-10.78	-0.75	1.85	3.55
ICE BofA US High Yield Mstr II Index	-0.75	3.98	-11.22	-11.22	-0.23	2.12	3.98

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.



REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Mayor Walker-Griffin and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Patrick Tang, City Attorney

SUBJECT: Consider and Approve a Request from the Hercules Historical Society (HHS) for an Amendment to Extend the Trailer Acquisition and Lease Agreement

RECOMMENDATION ACTION:

Adopt a Resolution authorizing the City Manager to execute an amendment to the Trailer Acquisition and Lease Agreement between the City of Hercules and the Hercules Historical Society (HHS), to continue the lease for an additional five (5) years with an option for a five (5) year extension.

BACKGROUND:

On February 12, 2013, the City Council approved a Resolution authorizing the City Manager to execute a Trailer Acquisition and Lease Agreement Between the City of Hercules and the Hercules Historical Society (the "Agreement") for use of a surplus trailer located adjacent to City Hall, to facilitate the safe storage and display of the HHS collection of historical artifacts. See Attachment 1, February 12, 2013 Staff Report, for details.

The original Agreement was for five years, with a five year extension. The five year extension was granted via an Addendum to the Agreement effective February 14, 2018, and expires February 14, 2023. See Attachment 2.

ANALYSIS:

The HHS requests an amendment to the original Agreement for the sole purpose of extending the term of the Agreement, with no additional modifications to the terms and conditions. The proposed First Amendment, prepared by the City Attorney and approved by HHS, provides for an additional five (5) year term with the option for up to an additional five (5) years. See Attachment 3. All other terms and conditions within the original Agreement and Addendum would remain in full force for the effective life of this First Amendment.

A draft Resolution prepared by the City Attorney is provided as Attachment 4.

FISCAL IMPACT:

There is no fiscal impact to the City in approving this Amendment.

ATTACHMENTS:

1. February 12, 2013 Staff Report and Related Documents
2. February 14, 2018 Addendum to the Agreement with HHS
3. Proposed Amendment to the Agreement
4. Proposed Resolution Authorizing Amendment to the Agreement

AGENDA ITEM REQUEST FORM

Department: P&R

Department Director: Pedro Jimenez

Phone: 510-799-8228

Meeting Date: 2/12/2013

Final Decision Date Deadline:

SUBJECT: Trailer Acquisition & Lease Agreement between City of Hercules and Hercules Historical Society

INDICATE APPROPRIATE BODY

- ☒ City Council ☐ Public Financing Authority ☐ Finance Sub-Committee ☐ Public Safety Sub-Committee
☐ Planning Commission ☐ Community/ Library Services Commission ☐ Other _____

ITEM

- ☐ Presentation/Proclamation/Commendation
☐ Ordinance ☐ Study Session ☐ City Council Reports/Resolutions
☒ Resolution ☐ Closed Session ☐ City Manager Reports/Resolutions
☐ Contract/Agreement ☒ Consent Calendar ☐ Video/PowerPoint
☐ Grant Application/Acceptance ☐ Public Hearing

RECOMMENDED ACTION:

Adopt A Resolution Authorizing The City Manager to Execute An Acquisition & Lease Agreement between City of Hercules and Hercules Historical Society

☐ Copy of executed Resolution/Ordinance/Contract/Application required immediately upon approval.

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

[Signature] 2.7.13
 Signature / Date

Finance Department for Fiscal Impact

[Signature] 2/7/13
 Signature / Date

City Manager

[Signature] 02/07/2013
 Signature / Date

AGENDA ITEM NO:

XL2



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 12, 2013

TO: Honorable Mayor and Members of the City Council

SUBMITTED BY: Pedro Jimenez, Parks & Recreation Director

SUBJECT: Consider and Approve Request from Hercules Historical Society (HHS) for Trailer Acquisition and Lease Agreement

RECOMMENDED ACTION:

Adopt A Resolution authorizing the City Manager to execute an acquisition and lease agreement between the City of Hercules and the Hercules Historical Society

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

On January 14, 2013, the Community and Library Services Commission reviewed the Trailer Acquisition and Lease Agreement as requested by the Hercules Historical Society (HHS). After discussion, the Commission recommended that the City Council approve the Trailer Acquisition and Lease Agreement.

FISCAL IMPACT OF RECOMMENDATION:

HHS will purchase the former Affordable Housing trailer from Williams Scotsman, Inc. for \$4,881.00, saving the city \$713.61 per month (monthly lease) and the dismantling fee of approximately \$2,500 (removal of building and installation of fencing). The City agrees to purchase the liability coverage (\$875) on behalf of HHS for the first year from the date of occupancy by HHS. After one year, HHS must provide its own general liability insurance, subject to approval by the City, naming the City, its employees, officials, and volunteers as additional insured.

DISCUSSION:

The HHS has assembled a considerable collection of historical artifacts presently stored in the privately owned clubhouse of the old Hercules Powder Plant. The collection is accessible only with great difficulty and, in its present location, is vulnerable to fire, water damage, vandalism and/or theft. The City currently leases from the firm Williams Scotsman, Inc. a 12 x 60 foot temporary

building located adjacent to the northwest end of the City Hall building. The City has made it known to HHS members that this leased modular building is no longer needed for the City's use and that the cost of returning the building to Williams Scotsman, Inc. is presently prohibitive. HHS obtained a quote to purchase the trailer from Williams Scotsman, and would be willing to negotiate the purchase of the building with Williams Scotsman. If such purchase occurs, HHS agrees to provide meeting space and to maintain the building for the secure storage and possible display of its collections provided the City allows the building to remain on City property in its current location for a period not less than five (5) years with the ability to extend another five years, and to furnish the water, sewer and power services for the building.

ATTACHMENTS:

Attachment 1 – Resolution

Attachment 2 - Lease Agreement

Attachment 3 – Trailer Acquisition Quotation Williams Scotsman, Inc.

Attachment 4 – Insurance-Nonprofits' Own New Business Quotation

Financial Impact

Description: Historical Society (HHS) for Trailer Acquisition and Lease Agreement

Funding Source: N/A

Account Number:

Budget Recap:

Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change:	Yes <input type="checkbox"/>	No	<input type="checkbox"/>

RESOLUTION NO. 13-_____

AUTHORIZING THE CITY MANAGER TO EXECUTE AN ACQUISITION AND LEASE AGREEMENT BETWEEN THE CITY OF HERCULES AND THE HERCULES HISTORICAL SOCIETY

WHEREAS, the Hercules Historical Society (HHS) has assembled a considerable collection of historical artifacts presently stored in the privately owned clubhouse of the old Hercules Powder Plant. The collection is accessible only with great difficulty and, in its present location, is vulnerable to fire, water damage, vandalism and/or theft; and

WHEREAS, the City currently leases a 12' x 60' modular building at the Civic Center site from Williams Scotsman, Inc., commonly known as the Affordable Housing Program office; and

WHEREAS, the City has made it known to HHS members that this leased modular building is no longer needed for the City's use and that the cost of returning the building to Williams Scotsman, Inc. is presently prohibitive; and

WHEREAS, HHS will purchase the modular building from Williams Scotsman, Inc. for \$4,881.00, saving the city \$713.61 per month (monthly lease) and the dismantling fee of approximately \$2,500 (removal of building and installation of fencing). The City agrees to purchase liability coverage (\$875.00) on behalf of HHS for the first year from the date of occupancy by HHS; and

WHEREAS, HHS agrees to provide meeting space and to maintain the building for the secure storage and possible display of its collections provided the City allows the building to remain on City property in its current location for a period not less than five (5) years with the ability to extend another five years, and to furnish the water, sewer and power services for the building.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hercules as follows:

1. The City Council hereby authorizes the City Manager to execute an acquisition and lease agreement with the Hercules Historical Society relative to the modular building, commonly known as the Affordable Housing Program office, located adjacent to the northwest end of City Hall.
2. The City Council hereby authorizes the appropriation and/or expenditure of an amount not to exceed \$875.00 from account no. 100-4424-617.20-01 for the purchase of liability insurance for a period of one year.

The foregoing Resolution was duly and regularly adopted at a regular meeting of the City Council of the City of Hercules held on the 12th day of February, 2013 by the following vote of the Council:

ATTACHMENT 1

AYES:

NOES:

ABSTAIN:

ABSENT:

John Delgado, Mayor

ATTEST:

Doreen Mathews, City Clerk

**TRAILER ACQUISITION & LEASE AGREEMENT BETWEEN
CITY OF HERCULES, CALIFORNIA
AND
HERCULES HISTORICAL SOCIETY**

Parties to the Agreement

The Parties to this Agreement are the City of Hercules, California (hereinafter the City), with a mailing address at 111 Civic Drive, Hercules, CA 94547, and the Hercules Historical Society (hereinafter the HHS), having a mailing address at P.O. Box 5461, Hercules, CA 94547.

Recitals

WHEREAS, the HHS has assembled a considerable collection of historical artifacts presently stored in the privately owned clubhouse of the old Hercules Powder Plant, and

WHEREAS, said collection is accessible only with great difficulty and, in its present location, is vulnerable to fire, water damage, vandalism and/or theft; and

WHEREAS, the City currently leases from the firm Williams Scotsman (having a business address of 4911 Allison Parkway, Vacaville, CA 95688) a 12 x 60 foot temporary building located adjacent to the northwest end of the City Hall building; and

WHEREAS, the City has made it known to HHS members that this leased modular building is no longer needed for the City's use and that the cost of returning the building to Williams Scotsman is presently prohibitive; and

WHEREAS, HHS obtained a quotation of the cost to purchase the trailer from Williams Scotsman, and would be willing to negotiate the purchase of such building with Williams Scotsman and, if such purchase occurs, to provide meeting space and to maintain the building for the secure storage and possible display of its collections provided the City is willing to allow the building to remain on City property in its current location for a period not less than five (5) years with the ability to extend another five years, and to furnish the water, sewer and power services for the building; and

Now, therefore, the parties agree as follows:

1. Definitions

As used in this Agreement, the following terms will have the meaning set forth below:

- 1.1. “Building” means the 12 x 60 foot temporary building located adjacent to the northwest end of the Hercules City Hall currently leased to the City by Williams Scotsman.
- 1.2. “Property” means the land owned by the City directly beneath and encompassing the Building in 1.1 above.
- 1.3. “Services” means the water, sewer, and power that are not metered separately for the Building and are currently paid for by the City.
- 1.4. “Effective Date” means the date of the execution of this Agreement on behalf of the City and the HHS.

2. Grant

2.1. Subject to the purchase of the Building by the HHS from William Scottsmen, see Purchase Agreement, attached hereto as Exhibit A and incorporated by reference herein, the City hereby grants solely to the HHS the exclusive right to access and lease the Property for a period of time not less than 5 years with the ability to extend for another five (5) years from the effective date of this Agreement for the purpose of providing meeting space as well as secure storage and possible display of HHS’ collections. Prior to the expiration of the five (5) years, the City may renew this grant of exclusive right to the HHS for an additional five (5) years upon written notice to the HHS. Should the City desire to revoke this grant at any time, the City must formally give notice to the HHS pursuant to the Notices section of this Agreement. If for any reason HHS no longer wishes to store and/or display its collection or wishes to use the building for any other purpose, HHS must receive, in writing, express permission from City. If permission is denied, HHS shall remove the building within 90 days from the date of termination of said use.

2.2. In the event HHS wishes to display its collection and open said building to the public or to host a meeting of its members, no less than 14 days in advance, HHS and City Manager or

his/her designee shall meet to discuss the terms of parking, time and use of the facility so that it does not interfere with City operations.

3. Life of the Agreement

3.1 Unless otherwise terminated by operation of law or by acts of the parties in accordance with the terms of this Agreement, this Agreement will be in force from the effective date recited on page one and will remain in effect until five (5) years from the date this Agreement is signed on behalf of both parties, unless this agreement is extended as outlined in Section 2 above.

4. Assignment

4.1 HHS cannot assign the lease or sublet any portion of the Building without City approval. Any request to assign or lease the Building must be submitted to the City Manager at least 60 days prior to the proposed lease or sublease term.

5. Termination by The City

5.1 If HHS should violate or fail to perform any material term or covenant of this Agreement, or if it is determined that usage of the premises by HHS has created a dangerous condition or nuisance, then the City may give written notice of such default ("Notice of Default") to the HHS. If the HHS should fail to repair such default within ninety (90) days after the date of such notice takes effect, the City will have the right to terminate this Agreement and the grant herein by a second written notice ("Notice of Termination") to the HHS. If a Notice of Termination is sent to the HHS, this Agreement will automatically terminate on the date such notice takes effect. Such termination will not relieve the HHS of its obligation to repair such default at the time of such termination and will not impair any accrued right of the City. These notices will be subject to the requirements of Section 13 ("Notices") of this agreement.

6. Termination by the HHS

6.1 The HHS will have the right, at any time, to terminate this Agreement by giving notice in writing to the City. Such Notice of Termination will be subject to the requirements of Section 13 ("Notices") and termination of this Agreement will be effective ninety (90) days after the effective date thereof.

6.2 Any termination pursuant to the above Paragraph will not relieve the HHS of any obligation or liability accrued hereunder prior to such termination or rescind anything done by the HHS prior to the time such termination becomes effective, and such termination will not affect in any manner any rights of the City arising under this Agreement prior to such termination.

7. Maintenance and Use of the Building

7.1 HHS shall be responsible for the maintenance of the Building on City property, both interior and exterior, in a condition similar to adjacent buildings within Civic Plaza. HHS shall maintain the Building in compliance with all applicable City and State code requirements. Monthly utilities, including water, sewer, and electric service shall be paid for by the City. However, the City shall monitor utility use and if it is determined that use is excessive, based on average usage of the building when it was previously occupied, the City shall have the right to terminate payments for utility usage.

7.2 HHS is hereby provided notice that there is no potable water servicing the building and that the City recommends any water consumed on premise be from bottled water.

8. Use Permit

8.1 Prior to use of the Building by HHS, HHS shall obtain all permits required for the intended use, as determined by the Planning Manager, including but not limited to an Administrative Use Permit.

9. Maintenance of Service Connections

9.1 HHS is responsible for the maintenance of all service connections to the Building. HHS is responsible for the repair of service connections to the extent the need for those repairs are the result of HHS activities.

10. Insurance

10.1 HHS has indicated that it does not have personal property insurance for the contents of its collection and agrees that the City will not be responsible for the loss of its collection for any reason including but not limited to theft and fire.

10.2 The City agrees to purchase liability coverage (\$875) on behalf of HHS for one year from

the date of occupancy by HHS. After one year, HHS must provide its own general liability insurance, subject to approval by the City, naming the City, its employees, officials, and volunteers as additional insured. Failure to provide proper insurance shall be considered a default under Section 5 above.

11. Removal of Building

11.1 Upon expiration or termination of this Lease, HHS shall remove the Building, disconnect and cap any and all utilities, and provide wood chips or similar type material in its place. The cost of disconnecting and capping utilities, removing the building and installing wood chips or similar type of material shall be borne by HHS. HHS will not be responsible for chain link fencing to close space caused by removal of the building. City agrees to waive any permit fees associated with this work provided all work is in compliance with all applicable City and State code requirements. Removal of the Building and restoration of the Property shall be concluded within 90 days of expiration or termination of this Lease.

12. Hold Harmless

12.1 HHS shall hold harmless the City and all City officers and officials for any loss or injury resulting from the use of Property pursuant to this Lease. HHS assumes all risk and liability for any loss, damage or injury whatsoever to any person or property due to the use of the Building and/or the use of the Property by HHS.

13. Notices

13.1 Any notice or payment required to be given to either party will be deemed to have been properly given and to be effective:

13.1.1 On the date of delivery if delivered in person, or;

13.1.2 On the date of mailing if mailed by first-class certified mail, postage paid, or;

13.1.3 On the date of mailing if mailed by a global express carrier service that requires the recipient to sign the documents demonstrating the delivery of such notice:

to the respective addresses given below, or to another address as designated in writing by written notice given to the other party.

In the case of the City: THE CITY OF HERCULES
111 Civic Drive
Hercules, CA 94547
Attention: City Manager

In the case of the HHS: HERCULES HISTORICAL SOCIETY
P.O. Box 5461
Hercules, CA 94547
Attention: President

14. Waiver

14.1 It is agreed that no waiver by either party hereto of any breach or default of any of the covenants or agreements herein set forth will be deemed a waiver as to any subsequent and/or similar breach or default.

15. Failure to Perform

15.1 In the event of a failure of performance due under the terms of this Agreement and if it becomes necessary for either party to undertake legal action against the other on account thereof, then such legal action will take place in Martinez, California, and the prevailing party will be entitled to reasonable attorney's fees in addition to costs and necessary disbursements.

16. Governing Laws

16.1 THIS AGREEMENT WILL BE INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

17. Force Majeure

17.1 The parties to this Agreement will be excused from any performance required hereunder if such performance is rendered impossible or unfeasible due to any acts of God, catastrophes, or other major events beyond their reasonable control, including, without limitation, war, riot, insurrection, pestilence, and pests; laws, proclamations, edicts, ordinances, or regulations; strikes, lock-outs, or other serious labor disputes; and floods, fires, explosions, or other natural disasters. When such events have abated, the parties' respective obligations hereunder shall

resume. However, any party to this Agreement will have the right to terminate this Agreement upon ninety (90) days prior written notice if either party is unable to fulfill its obligations under this Agreement due to any of the causes mentioned above and such inability continues for a period of one year. These notices will be subject to ? ("Notices").

18. Miscellaneous

18.1 The headings of the several sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

18.2 This Agreement will not be binding upon the parties until it has been signed below on behalf of each party, in which event, it will be effective as of the date the Agreement is signed by both parties.

18.3 This Agreement shall be modified only in writing, and such modification must be signed by both parties.

18.4 This Agreement embodies the entire understanding of the parties and will supersede all previous communications, representations or understandings, either oral or written, between the parties relating to the subject matter hereof.

18.5 In case any of the provisions contained in this Agreement are held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not effect any other provisions hereof, but this Agreement will be construed as if such invalid or illegal or unenforceable provisions had never been contained herein.

19. Complete Agreement

19.1 This Agreement embodies the entire understanding of the parties and will supersede all previous communications, representations or understandings either oral or written.

Hercules Historical Society

By _____
(Please Print)

By _____
Darrel J. Tucker, President

Date _____

ATTACHMENT 2

City of Hercules

By _____
(Please Print)

By _____
Steve Duran, City Manager

Date _____

ATTACHMENT 3



WILLIAMS SCOTSMAN, INC
 4911 Allison Parkway
 Vacaville, CA 95688-9346
 Phone: (707)451-3000 Ext. 48113
 Fax: (707) 451-4000
Toll Free: 800-782-1500
 Dave Ryden
 Sales Representative
 dgyden@willscot.com

Quote Number: 305725
Date: January 07, 2013
Expiration:

QUOTATION NO. 305725

Customer:
 Hercules Historical Society
 PO Box 5461
 Hercules, California 94547-5461

Contact:
 Darrel Tucker
 PO Box 5461
 Hercules, CA 94547-5461
 Phone: (510) 734-4368
 Fax:
 Email: tucker1559@comcast.net

Ship To:
 111 Civic Drive
 HERCULES, CA
 94547 US

UNIT DESCRIPTION AND PRICING

64x12 Mobile Office (SMC-00120412)

PURCHASE PRICE	\$4,030.00	DELIVERY FREIGHT:	By Customer
		INSTALLATION:	By Customer

OPTIONS

QTY	DESCRIPTION	PRICE	EXTENDED
1	License fee	\$41.00	\$41.00
1	License transfer fee	\$60.00	\$60.00
1	Ramp Sale	\$750.00	\$750.00

SUMMARY

In addition to the above quoted prices, customer shall pay Williams Scotsman any local, state, or provincial federal and/or personal property tax or fees related to the equipment or its user. Physical Damage and commercial liability insurance coverage are required beginning on the date of delivery.

Williams Scotsman is not responsible for changes required by local code or building inspectors. Customer is responsible for locating and marking underground utilities prior to deliver. Quote assumes a level site with clear access.

TOTAL CHARGES:	\$4,881.00
-----------------------	-------------------

Quote Presented by: Jay-Marie Garcia Insurance
Quote offered by : Nonprofits Insurance Alliance of CA



**Nonprofits' OWN
NEW BUSINESS
QUOTATION
Q1-2013-35155**



Applicant: (35155)

Hercules Historical Society
P.O. Box 5461
Hercules, CA 94547

Producer: (00644)

Jay-Marie Garcia Insurance L#0668893
1630 Contra Costa Blvd., #215
Pleasant Hill, CA 94523

925-680-7405 Phone 925-680-1420 Fax
jay-marie@jmgins.com

Proposed Effective Date: 01/01/2013

General Liability	\$	800
Liquor Liability		Included
Terrorism Coverage (Certified Acts)*	\$	7
J-M Garcia Insurance Full Earned Broker Fees		75
Total including fees without Terrorism		875
Total including fees with Terrorism		882

Annual Premium with Terrorism coverage: 882.00
including fees

Annual Premium without Terrorism coverage: 875.00
including fees

GENERAL CONDITIONS

- See the attached Index of Forms.
- Quote is issued based on application provided by the insured
- The premium deposit and written request to bind coverage is required to bind coverage
- General Liability Coverage is required in order to write any other lines of coverage with NIAC
- The Terrorism Coverage Form attached for your review
- Coverage can only be provided to 501 (c) (3) Nonprofits

SPECIAL CONDITIONS

THE COVERAGE OFFERED IN THIS QUOTATION MAY
DIFFER FROM THAT REQUESTED IN THE APPLICATION.
FAILURE TO PROVIDE THE REQUESTED COVERAGE
SHALL IMPOSE NO LIABILITY ON NIAC.

* Terrorism premium may adjust slightly due to changing ISO rates.



Insured Signature and date



**LIABILITY QUOTATION
SCHEDULE OF PROPOSED
COVERAGES AND LIMITS**

Q1-2013-35155



Additional Premium To Meet Minimum
Increased Aggregate

\$11
\$73

General Liability subtotal:

\$800

Liquor Liability

Incl.

TOTAL LIABILITY PREMIUM:

\$800

Note: The Minimum General Liability premium on the NPO form for the limits quoted is \$800

**Notice and Addendum
to
Trailer Acquisition and Lease Agreement
between
City of Hercules, California
and
Hercules Historical Society**

PURPOSE

This Notice and Addendum is intended to provide written notice of the first extension of the effective period of the Agreement.

RECITALS

1. This Notice refers to the Trailer Acquisition and Lease Agreement ("Agreement") between the City of Hercules ("City") and Hercules Historical Society ("HHS") dated on its title page as of February 2013.
2. Defined terms in the Agreement are used as defined in the Agreement.
3. Term 2.1 of the Agreement provides a Grant to HHS that runs for a period of five (5) years with the ability to extend for another five (5) years.
4. Term 3.1 of the Agreement provides that the Agreement shall remain in effect until five (5) years from the effective date.
5. Term 17.2 of the Agreement provides that the Agreement is effective as of the date it is signed by both parties.
6. The first date upon which the Agreement was signed by both parties was February 14, 2013, the later of the dates shown for both signatures.
7. The parties desire to extend the Agreement for an additional five (5) year period.
8. HHS must provide its own general liability insurance per Term 9.2 of the Agreement for the duration of the lease extension.

NOTICE OF EXTENSION OF TERM

The Agreement was effective on February 14, 2013 and expires on February 14, 2018.

The City hereby provides notice and renews the grant of exclusive rights and the duration of the Agreement for an additional five (5) years, which shall expire on February 14, 2023.

ADDENDUM TO AGREEMENT

This Notice shall be an Addendum to the Agreement with effect as of the date it is signed by the City. A counterpart of Notice, when signed, will be provided to HHS.

City of Hercules

By: David Biggs (date) 12/21/17
David Biggs, City Manager

**FIRST AMENDMENT TO THE TRAILER ACQUISITION & LEASE AGREEMENT
BETWEEN THE CITY OF HERCULES, CALIFORNIA AND THE HERCULES
HISTORICAL SOCIETY**

Parties to the First Amendment

The parties to this First Amendment to the Trailer Acquisition & Lease Agreement Between City of Hercules, California and Hercules Historical Society are the City of Hercules, California (hereinafter the City) and the Hercules Historical Society (hereinafter the HHS).

Recitals

WHEREAS, HHS and City executed a Trailer Acquisition & Lease Agreement Between City of Hercules and Hercules Historical Society (hereinafter the Agreement), effective February 14, 2012, a copy of which is attached hereto as Exhibit A and incorporated herein by reference; and

WHEREAS, the Agreement provided HHS the exclusive right to access and lease the land owned by City (hereinafter the Property) directly beneath and encompassing the trailer (hereinafter the Building) located adjacent to the northwest end of Hercules City Hall, as more fully described in the Agreement; and

WHEREAS, the grant of exclusive right to HHS for use of the Property was for a period of five (5) years pursuant to Section 3 of the Agreement, unless extended for an additional five (5) years pursuant to Section 2.1 of the Agreement; and

WHEREAS, prior to the expiration of the Agreement, the City executed a Notice and Addendum to the Trailer Acquisition and Lease Agreement (hereinafter the Addendum) extending the term of the Agreement pursuant to Section 2.1 of the Agreement until February 14, 2023, a copy of which is attached hereto as Exhibit B and incorporated herein by reference; and

WHEREAS, the Agreement does not provide for extension of the grant of exclusive right to the HHS beyond the expiration of the time specified in the Addendum; and

WHEREAS, the Parties now wish to amend the Agreement to extend the term of the Agreement for five (5) additional years beyond the expiration of the Addendum period, with an option to renew this grant of exclusive right to the HHS for an additional five (5) years upon written notice to the HHS.

NOW THEREFOR THE PARTIES AGREE AS FOLLOWS:

1. The Parties hereto wish to amend the original Agreement and Addendum to continue to grant solely to the HHS the exclusive right to access and lease the Property for an additional five (5) year period commencing on February 14, 2023, and in effect until February 14, 2028.
2. Prior to the expiration of this First Amendment, the City may renew this grant of exclusive right to HHS for up to an additional five (5) years upon written notice to the HHS.
3. All other terms and conditions within the original Agreement and Addendum that are not in conflict with the terms of this First Amendment shall remain in full force and effect for the effective life of this First Amendment.

This First Amendment is pursuant to and consistent with City Council Resolution No. 23-_____.

HERCULES HISTORICAL SOCIETY

By: _____

Date: _____

CITY OF HERCULES

By: _____

Dante Hall, City Manager

Date: _____

RESOLUTION NO. 23-____

AUTHORIZING THE CITY MANAGER TO EXECUTE AN AMENDMENT TO THE TRAILER ACQUISITION & LEASE AGREEMENT BETWEEN CITY OF HERCULES AND THE HERCULES HISTORICAL SOCIETY TO CONTINUE THE LEASE TERM FOR FIVE YEARS WITH AN UP TO FIVE YEAR EXTENSION

WHEREAS, On February 12, 2013, the City Council approved a Resolution authorizing the City Manager to execute a Trailer Acquisition and Lease Agreement Between the City of Hercules and the Hercules Historical Society (the "Agreement") for use of a surplus trailer located adjacent to City Hall; and

WHEREAS, the use of the trailer has provided HHS the ability to safely store the HHS collection of historical artifacts that chronicle the history of Hercules; and

WHEREAS, the original Agreement was for five years, and provided for a five year extension; and

WHEREAS, the five year extension to the original Agreement was granted via a Notice and Addendum effective February 14, 2018, and expires February 14, 2023; and

WHEREAS, the HHS requests an amendment to the original Agreement for the sole purpose of extending the term of the original Agreement, with no additional modifications to the terms and conditions; and

WHEREAS, allowing HHS continued use of the trailer assures that historical artifacts relevant to the history of the City of Hercules are retained in a safe and secure manner.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hercules as follows:

The City Council hereby authorizes the City Manager to execute an amendment to the original Acquisition and Lease Agreement with the Hercules Historical Society relative to the modular building located adjacent to the northwest end of City Hall, to extend the term of the original Agreement for five (5) years with up to a five (5) year extension, with no additional modifications to the original terms and conditions.

The foregoing Resolution was duly and regularly adopted at a regular meeting of the City Council held on the 14th day of February, 2013 by the following vote of the Council:

AYES:

NOES:

ABSTAIN:

ABSENT

Alex Walker-Griffin, Mayor

ATTEST:

Eibleis Melendez, City Clerk



REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Mayor Walker-Griffin and Members of the City Council

SUBMITTED BY: Dante Hall, City Manager

SUBJECT: Progress Update on the Parks Master Plan

RECOMMENDATION ACTION:

Receive an update from staff and the City's consultant, MIG, on the progress of the Parks Master Plan.

BACKGROUND:

In September of 2022, the City entered into an agreement with MIG to complete a Parks Master Plan and Americans with Disabilities Act (ADA) Assessment for Park Facilities. Once complete, the Parks Master Plan and ADA Assessment will provide the information needed for the City to take a proactive approach over the next decade in addressing aging park facilities, responding to the need for inclusive parks, and anticipating the future recreation needs of the community. This information will support informed discussion and decision-making related to park needs and opportunities and allow the City to strategically allocate resources and leverage grant opportunities to ensure the needs of the community are met in the future.

MIG's scope of work include the following phases:

- Phase 1: State of the Park System
- Phase 2: ADA Assessment
- Phase 3: Park Needs and Opportunities
- Phase 4: Recommendations and Prioritization
- Phase 5: Plan Development

The project team is currently working through Phase 3 - Park Needs and Opportunities. This Phase will include a robust public participation and outreach effort. Attached to this

staff report is a summary document that provides more detail on activities completed and activities planned.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

ATTACHMENTS:

1. Parks and Recreation Facilities Master Plan Progress Summary
2. Parks and Recreation Facilities Master Plan Presentation

Parks and Recreation Facilities Master Plan Progress Update to Council

Parks Condition Assessment Drafted

The Parks and Recreation Facilities Master Plan includes an inventory and park condition assessment¹ of existing parks facilities. The condition assessment takes data collected during field work activities and translates it into findings to inform the direction of the Master Plan. MIG will be reviewing the results and discussing the findings with the City in February.

The park condition assessment provides a **park condition score** based on the average condition of each park's various assets (such as a playground, a tennis court, a basketball court, park bench, parking facilities, picnic areas, etc.), an **average asset score by type** of facility, a **park experience score**, and an **overall park system score**. These scores identify parks and types of assets that are in the most need of future investment, as well as patterns across the park system's assets that should be addressed.

Parks in Good to Excellent condition include:

- Bayside Park
- Duck Pond Park
- Shasta Park
- Shoreline Park
- Sierra Park

Parks in Fair condition include:

- Beechnut Mini Park
- Railroad Park
- Woodfield Park
- Refugio Valley Trail
- Frog Pad Park
- Ohlone Park
- Refugio Valley Park
- Foxboro Park
- Hanna Ranch Park

Steering Committee Update

In January 2023, Rocquel Colbert, Principal at Hercules High School, was added as an Advisory Liaison to the Steering Committee representing Hercules High School. Rocquel will

¹ Condition assessment scores do not factor in ADA accessibility. A separate access analysis identified barriers as per the Americans with Disabilities Act.

bring to the Committee awareness of the needs of school-age children and teens in the park planning process and will help connect them to opportunities to provide input to the project team.

Parks Use, Needs, and Priorities Questionnaire

A questionnaire was launched January 26, 2023 and posted to the project website and the City's social media channels. A press release was also issued. The public's participation will help the project team to better understand needs and priorities in the community. The survey will run approximately six weeks and will coincide with a series of events scheduled in February and March 2023.

Members of the Steering Committee and City Council are encouraged to contact groups in their respective social networks to get the word out about the questionnaire. If desired, MIG can provide an email with pertinent information that can be forwarded on. All people who live, work, or play in Hercules are encouraged to submit a questionnaire response. The questionnaire takes about 10 minutes to complete and can be accessed with the following URL address or QR code:

bit.ly/3D3Q2ag



Community Open House, Virtual Workshop & Other Pop-Up Events

There are a variety of planned events in February and March geared towards getting the public involved with Master Plan process. Some of these events will be staffed by MIG with City support, and other outdoor informal pop-ups will be hosted by City staff. An indoor open house-type event will be held at the Hercules Community Center on Saturday, February 18, 2023. A one-hour virtual interactive workshop will be hosted by MIG on March 1, 2023 at 6pm. This event will be recorded and posted to the project's website.

Members of the Steering Committee and City Council are encouraged to consider attending pop-ups or other events with the City to promote community visibility and engagement with the Master Plan.

Scheduled events include:

DATE	TIME	EVENT DESCRIPTION	LOCATION
Tuesday - 2/14/23	8 am-10 am	Breakfast w/ a Badge Pop-up Booth	Senior Center 111 Civic Dr, Hercules, CA 94547
Wednesday - 2/15/23	5:00-6:30 pm	Align Basketball	Community Center (Gym) 2001 Refugio Valley Road Hercules, CA 94547
Saturday- 2/18/23	10 am – 1 pm	PRFMP Open House	Community Center 2001 Refugio Valley Road Hercules, CA 94547
Thursday - 2/23/23	4:45-6:15 pm	Swim Teams (East Bay Silver Dolphins & Hercules High Swim Team)	Community Center (Pool) 2001 Refugio Valley Road Hercules, CA 94547
Saturday- 2/25/23	10 am – 1 pm	Park Drop-In Pop-up Booth	Refugio Valley Park 1515 Refugio Valley Park Hercules, CA 94547
TENTATIVE: Wednesday 3/1/23	6pm-7pm	PRFMP Virtual Workshop	Virtual
Saturday- 3/4/23	10 am – 1 pm	Park Drop-In Pop-up Booth	Foxboro 1025 Canterbury Hercules, CA 94547
Sunday- 3/5/23	10 am – 1 pm	Park Drop-In Pop-up Booth	Duck Pond 997 Sycamore Avenue Hercules, CA 94547
Tuesday – 3/7/23	2 pm-5 pm	Spring into Wellness Senior Fair Pop-up Booth	Senior Center 111 Civic Drive Hercules, CA 94547
Saturday- 3/11/23	10 am – 1 pm	Pop-up Booth	The Exchange at Bayfront 2525 Bayfront Blvd, Hercules, CA 94547 (Lobby)

Next Steering Committee Meeting – April 2023

It is anticipated that the second Steering Committee meeting will take place in April 2023, the date to be identified in the coming weeks. This meeting will present findings from the Needs Assessment Summary and their implications for future facilities and services. The Needs Assessment Summary combines the results of the technical analyses and engagement findings to identify community needs for parks, recreation facilities, trails and programs.

This meeting will be a videoconference format.



CITY OF HERCULES

Parks & Recreation Facilities Master Plan

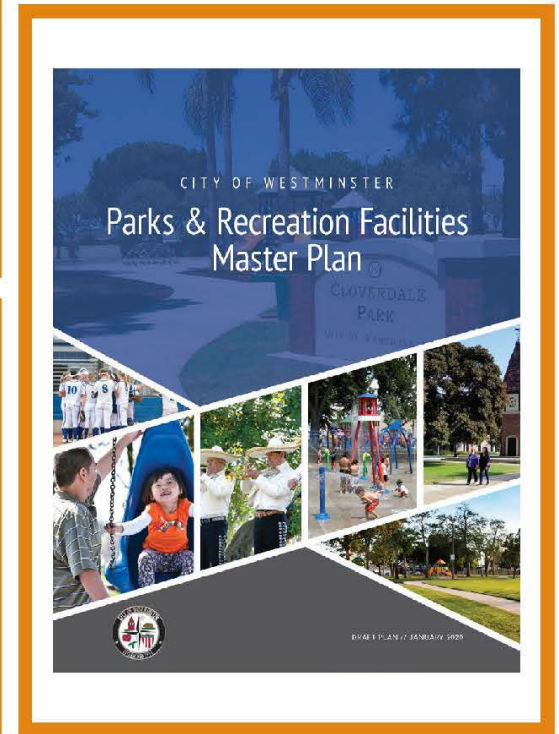
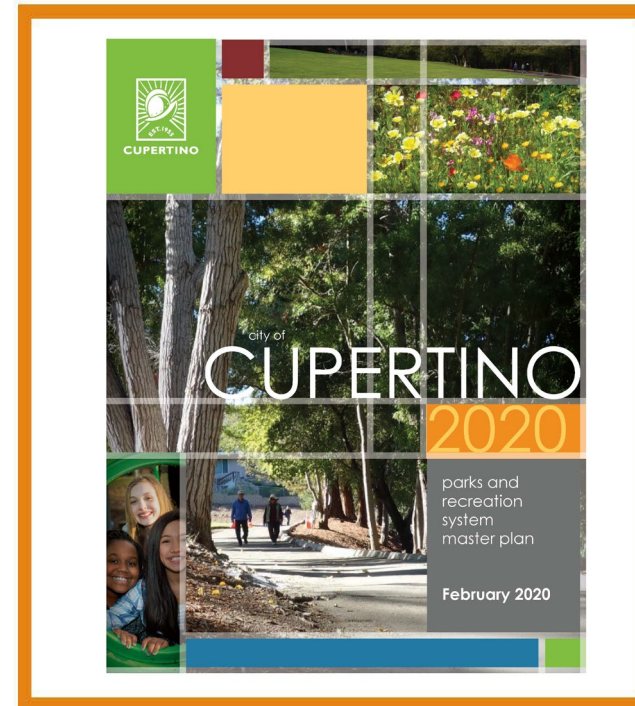
City Council Progress Update

February 14, 2023



MIG Team Expertise

- Park and Recreation Planning
- Landscape Architecture
- Park Design and Construction
- Diverse Outreach and Engagement
- Communication / Media
- Equity, Accessibility, Inclusion
- GIS, Mapping and Data
- CEQA and EIRs



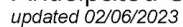


ABOUT THE PROJECT





updated 02/06/2023

[illegible]

Activities in Progress

Project Website

Launched December 2022

Park Use, Need and Priorities Questionnaire

Launched January 26 – active through March 11

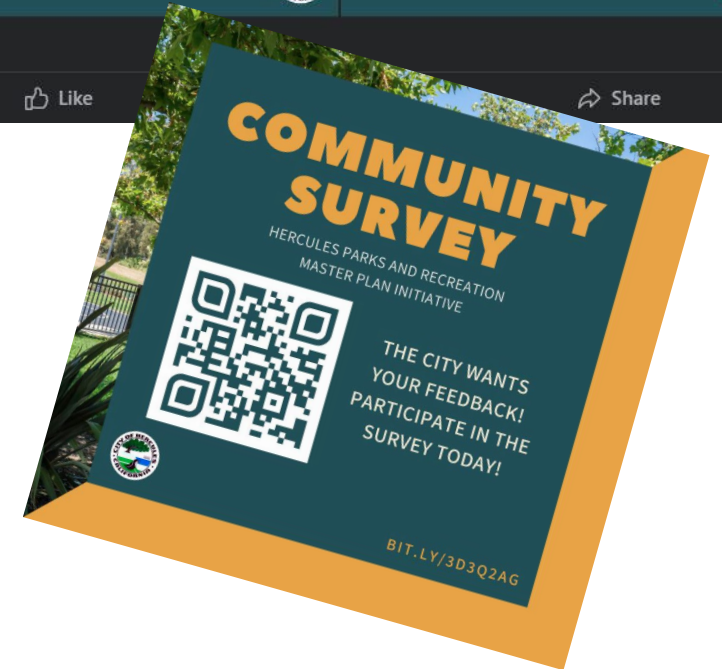
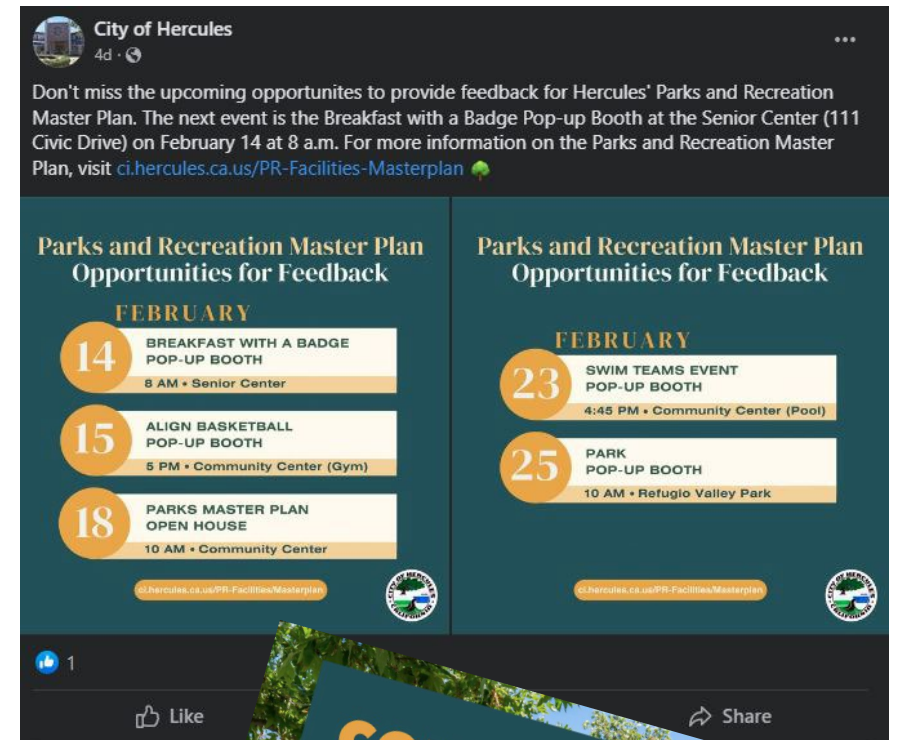
Public Engagement Underway

Various Pop-Ups, Feb 18 Open House, and March 1 Virtual Workshop

10 total events scheduled February 14 through March 11

ADA Facility Assessment Report

Status: Under City review





Park Condition Assessment

Status: Under City review

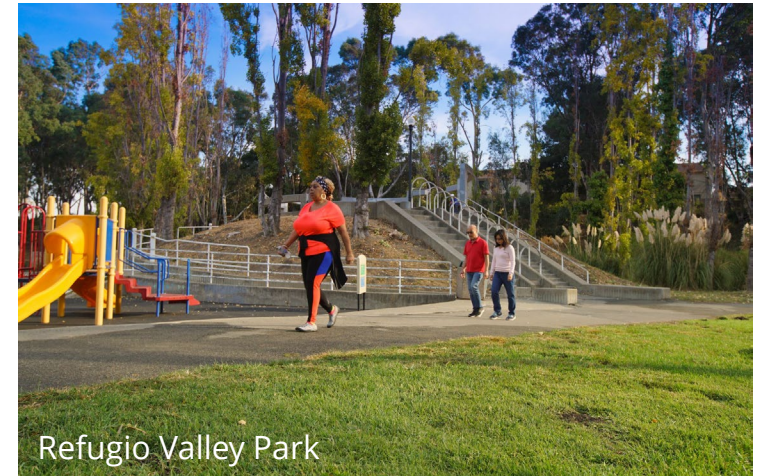
Analysis Components

Average park condition score

Average asset score (by type of park facility)

Park experience score (safety, maintenance, trees, connectivity, vandalism)

Overall park system score





Park Condition Assessment

Park Condition Asset Scores

Park or Trail Name	Park Type Per General Plan	Total Assets	Average Park Condition Asset Score (across all asset types)	
Beechnut Mini Park	Mini	6	2.7	Fair
Railroad Park	Mini	13	2.8	Fair
Woodfield Park	Neighborhood	27	2.9	Fair
Refugio Valley Trail	Trails and Greenways	61	3.0	Fair
Frog Pad Park	Neighborhood	19	3.2	Fair
Ohlone Park	Neighborhood	35	3.2	Fair
Refugio Valley Park	Community	108	3.4	Fair
Foxboro Park	Neighborhood	37	3.5	Fair
Hanna Ranch Park	Neighborhood	32	3.5	Fair
Shoreline Park	Neighborhood	36	3.7	Good
Bayside Park	Mini	21	4.1	Good
Duck Pond Park	Neighborhood	41	4.1	Good
Shasta Park	Mini	21	4.9	Excellent
Sierra Park	Mini	29	4.9	Excellent
Community Parks		108	3.4	Fair
Neighborhood Parks		227	3.4	Fair
Mini Parks		90	3.9	Good
Trails & Greenways		61	3.0	Fair
Average Park System Score		486	3.6	Good



CITY OF HERCULES PARKS AND RECREATION FACILITIES MASTER PLAN



Phase

Public Engagement Opportunities

(check project website for details as event dates are determined)

State of the Park System



October-December 2022

- Project Website
- Steering Committee Meeting #1

Identify Needs and Opportunities



January-March 2023

- Parks and Recreation Questionnaire
- Community Workshop: Park & Recreation Needs
- Community Connections Virtual Sessions
- Steering Committee Meeting #2

Recommendations and Prioritization



April-May 2023

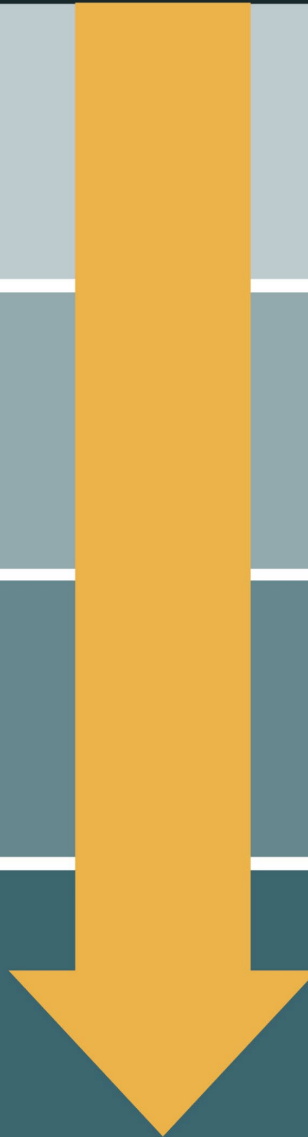
- Online Prioritization Activity
- Prioritization Open House / Steering Committee Meeting #3

Develop and Adopt Plan



June-July 2023

- Joint Commission Meeting Draft Plan Review
- City Council Meeting: Draft Plan Review
- City Council Adoption



A group of children and a woman are playing soccer on a grassy field. In the foreground, a boy in a yellow shirt and orange vest is about to kick a red and white soccer ball. A girl in a black shirt and jeans is running towards him. To the left, another girl in a white jacket and jeans is running. In the background, several other children are watching, and a woman in a green shirt is standing near a building. The scene is set outdoors with trees and a clear blue sky.

Feedback or Questions



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: Acceptance of the FY 21-22 Annual Comprehensive Financial Report and other regulatory financial reports.

RECOMMENDATION ACTION:

Receive the Fiscal Year (FY) 21-22 Annual Comprehensive Financial Report (ACFR) and Accept the Audited Financial Statements.

EXECUTIVE SUMMARY

The Annual Comprehensive Financial Report (ACFR), which contains the Auditor's Opinion for the fiscal year ended June 30, 2022, is complete and ready for City Council acceptance. In addition to the ACFR, there are other audit compliance reports being presented for acceptance.

This report transmits the final audited ACFR for the fiscal year ended June 30, 2022. The City received an unmodified (or "clean") audit opinion validating the fair presentation of its financial position as of June 30, 2022. Overall, the City's finances show signs of stability, a result of the City's sound management practices and prudent financial decisions.

BACKGROUND

The ACFR communicates the City's financial condition and activity in a transparent and organized manner and in compliance with accounting and financial reporting standards established by the Governmental Accounting Standards Board (GASB). The report presents historical and comparative information that can be useful to City staff, elected officials, and external users such as debt rating agencies, businesses, other public agencies, and the City's residents. The most recent ACFR and prior years reports are available at the City's libraries, the City's Finance Department, and on the City's Finance website at: <https://www.ci.hercules.ca.us/government/finance/comprehensive-annual-financial-reports>

The City of Hercules prepares audited financial statements for each fiscal year as required by various financing covenants and rules associated with restricted funding. To ensure

compliance with these requirements and bond indentures, the City contracts with an independent audit firm. The City's external audit firm, The Pun Group, completed the independent audit and issued the audit report for the fiscal year ended June 30, 2022.

The quality of the City's financial reporting and the ACFR are measured in two ways: (1) an unmodified audit report by the independent auditors; and (2) the Certificate of Achievement for Excellence in Financial Reporting, awarded by GFOA. The attainment of the latter is the highest form of recognition in governmental accounting and financial reporting.

Auditors follow audit industry standards established by the American Institute of Certified Public Accountants (AICPA). These standards require auditors to provide an opinion on specific areas of the City's financial statements based on observations, inquiries, testing of transactions, and analysis.

DISCUSSION

We are pleased to present the City of Hercules ACFR for the fiscal year ending June 30, 2022. The Report is based on the governmental financial reporting model, which depicts the City as a single government-wide entity while continuing to provide traditional fund-based financial statements.

The City's external independent audit firm, The Pun Group, completed its audit of the annual Financial Statements and has issued an unmodified (or "clean") audit opinion validating the fair presentation of the City's financial position as of June 30, 2022. The City's ACFR shows that the City continued to hold a sound financial position.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hercules for its 2021 ACFR. This is the 2nd consecutive year the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and well-organized annual financial report. This Report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. The 2022 Annual Comprehensive Financial Report continues to meet the award program's requirements and has been submitted to the GFOA to determine its eligibility for another certificate.

FILINGS WITH THE STATE CONTROLLER'S OFFICE AND ISSUANCE OF SUPPLEMENTAL REPORTS

In addition, the City prepares the City Financial Transactions Report to be submitted to the California State Controller's Office by January 31, 2022, and the report was filed timely.

Also, the City is required to issue the following supplemental reports: the FY 21-22, Wastewater Financial Report, and Agreed Upon Procedures (AUP) for Measure B and C, and GANN Appropriation Limit Calculation as attached.

OTHER OUTSTANDING AUDITS

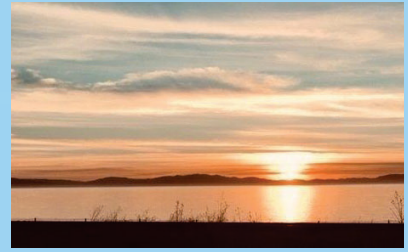
The City prepares a separate single audit in conformity with the Federal Single Audit Act and guidance from the U.S. Office of Management and Budget regarding Audits of State and Local Governments. This report is required to be filed with the federal clearing house on or before March 31 each year. The Single Audit for FY 21-22 is still in progress and will be submitted on-time.

FISCAL IMPACT

There is no financial impact associated with accepting this report. The audited results of the FY 21-22 fiscal year are utilized as a starting point in the development of the FY 23-24 budget, especially regarding the one-time funding.

ATTACHMENTS:

1. FY 21-22 Annual Comprehensive Financial Report (ACFR)
2. FY 21-22 Hercules Wastewater Fund Financial Statements
3. FY 21-22 Agreed Upon Procedures (AUP) Report on Measure B
4. FY 21-22 Agreed Upon Procedures (AUP) Report on Measure C
5. FY 21-22 Agreed Upon Procedures (AUP) Report on GANN Appropriation Limit Calculation
6. Presentation – AU-C 260 Communication With Those Charged With Governance



FISCAL YEAR

2021-2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF HERCULES, CALIFORNIA



CITY OF HERCULES, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**WITH REPORTS ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED
JUNE 30, 2022**

Prepared by:
The Finance Department

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022
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CITY OF HERCULES

111 CIVIC DRIVE, HERCULES CA 94547

PHONE: (510) 799-8200

January 31, 2023

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

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Hercules, California (the City), for the fiscal year ending June 30, 2022. The ACFR has been prepared by the Finance department in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for the data's accuracy and the presentation's completeness and fairness, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects, that its presentation fairly shows the financial position and the results of the City's operations as measured by the financial activity of its various funds, and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

The City's basic financial statements have been audited by The Pun Group, LLC, a public accounting firm licensed and fully qualified to perform audits of California's State and local governments. The goal of the independent audit was to provide reasonable assurance that the City's basic financial statements for the fiscal year ended June 30, 2022, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the report of the independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

CITY PROFILE

The City of Hercules has a unique history that has transformed the City from a small company town to a bustling and thriving community. In the late 1800s, the Industrial Revolution changed the face of business throughout the country. The California Powder Works company was a part of this revolution and played a vital role in forming the City now known as Hercules.

The City was organized, formed, and incorporated under the laws of the State of California on December 15, 1900, and is located in western Contra Costa County. Situated on the northeastern shore of San Pablo Bay, Hercules is conveniently located along the I-80 corridor and within minutes of San Francisco and Napa. The City residents represent a diverse mix of many ethnic groups. They are primarily a suburban, family-oriented community, with an emerging New-Urbanist transit-oriented node on the bayfront.



The City has a “Council-Manager” general law form of government where the City Manager is appointed by the City Council and is the Chief Executive Officer of the municipal corporation. The Council acts as the board of directors of the municipal corporation and conducts its business openly and transparently where citizens may participate in the governmental process. The City Council consists of five members, elected at large on a non-partisan basis, who serve staggered four-year terms. In December of each year, the City Council conducts a reorganization of the Council, at which time the Mayor and Vice Mayor are selected for one-year terms.

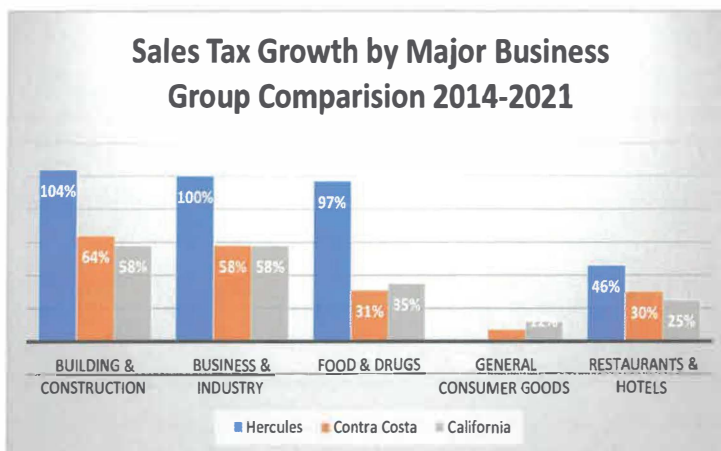
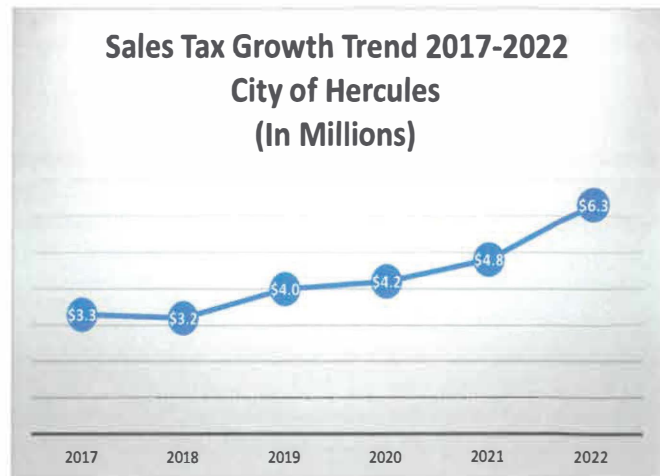
The City has 57 full-time employees and serves over 26,000 residents with a land area of 19.99 square miles. The City provides a wide range of municipal services, including public safety (police), street maintenance and other public works infrastructure functions, planning, building inspection, parks and recreation, and general administration.

This report includes all organizations and activities for which elected City officials to exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City was on-track and expected to exceed budgeted revenues through the third quarter of the fiscal year. With the continued COVID-19 pandemic shutting down significant portions of the national and local economy in mid-March, we did see minimal impacts in the fiscal year.

For Hercules, that primarily manifested in a reduction of Parks & Recreation program revenues as all programming was canceled and slowly reopening of programs. Fortunately, the City's sales tax base has proven to be more resilient than many other communities' given its concentration in the business-to-business and home improvement categories.



Hercules's total sales tax revenues grew 91% over the period between 2017 to 2022, especially in the Building & Construction segment as the sales tax revenue of the economic sector doubled in 2022 when compared to 2017. The growth is attributed to the Bayfront mix-use project in The Village area along with several new retail projects. Other than the Building & Construction segment, sales tax revenues for both Business &

Industry as well as Food & Drugs segments have also experienced significant growth at 100% and 97% respectively.

The population in the city of Hercules has been growing steadily, industrial/commercial/residential developments having influenced and created an increased demand for all business segments except General Consumer Goods. The Building & Construction, Business & Industry, Food & Drugs and Restaurants & Hotels segments all reflected higher-than-state-level growth during the comparison period between 2014-2021.

The City received the first payment equal to one-half of the City of Hercules' allocation for \$3,142,889 in mid-July 2021. The second half will be distributed in the fall of 2022. Effective April 1, 2022, the Secretary of the Treasury adopted a final interim rule. This rule implements the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA). The final rule offers a standard allowance for revenue loss of \$10 million. The City selected the standard allowance as permissible

under the revenue loss category and elected to use the total amount allocated of \$6.2 million for government services.

Other national concerns, including the outcome of the 2022 national election and a change in administration will likely have more influence on any impacts in Hercules than local considerations.

MAJOR INITIATIVES

The City is constantly undertaking many significant initiatives discussed at length in the City's annual budget documents. Infrastructure investment remained a key focus for the City in FY 21-22. The Hercules Regional Intermodal Transportation Center is designed to achieve the vision of the Hercules Bayfront as a model transit-oriented community. The project has NEPA and CEQA approvals and the City has completed the first three phases of construction. In 2019, the City succeeded in advancing the Let's Get I-80 Moving initiative, which resulted in the Capital Corridor Joint Powers Authority's decision to grant Candidate Station Status to the RITC in Hercules. In 2020, the City completed the interim bus improvements on Bayfront Boulevard to allow buses to serve the area.

The next three phases to be implemented to allow the train to stop are the utility relocations, followed by the track and platform improvements, and lastly the station work. There is currently a unique window of opportunity to pursue grant funding for the completion of the RITC as an unprecedented amount of federal and state grant funding for pandemic relief, economic stimulus, and infrastructure investment is becoming available on a competitive basis.

Other key public works projects included:

- Streets – Annual Sidewalk Repair Program, Annual Restriping Project, Annual Street Rehabilitation Project and Traffic Calming Turquoise Drive.
- Sewer – Sycamore Avenue Lower and Upper Sewer Trunk Main Projects.
- Buildings & Facilities – Energy Conservation Measures.
- Parks – Baywood Tree Replacement.

BUDGETARY CONTROL

The City maintains budgetary controls through the City Council's adoption of an annual budget. These budgetary controls aim to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. Annually, the departments work with the City Manager and Finance Department to submit an operating budget request. The City Manager and Finance Director review the department request for consideration and then make recommendations to the City Council regarding the budget.

Ultimate budgetary control resides at the fund level; however, the City has adopted a number of budgetary appropriation and transfer procedures to provide strong internal controls while encouraging improved accountability and administrative responsiveness. All budgetary transfers require Finance Director's or designee's review and approval. All transfers of appropriations affecting salaries and benefits require City Manager's or designee's review and approval.

Budgetary control is established at the following levels: a) General Fund – Department level; b) Other Funds – Fund level; and Capital Projects – at Project level with City Manager signature approval. The City Manager may authorize line-item budget transfers within a General Fund department or within a fund other than the General Fund, consistent with the budget resolution. The City also uses encumbrance accounting as another technique for accomplishing budgetary control. An encumbrance is a commitment of a future expenditure earmarked for a particular purpose that reduces the amount of budgetary authority available for general spending. At the end of the fiscal year, encumbered appropriations, appropriations for uncompleted capital, Participatory Budgeting, and grant projects are carried forward and become part of the following year's budget, while appropriations that have not been encumbered lapse.

The City continues to meet its responsibility for sound financial management, as demonstrated by the statements and schedules included in the financial section of this report.

INTERNAL CONTROL

The management of the City is responsible for establishing and maintaining internal controls designated to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonably, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that a control's cost should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the stated framework. City management believes the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ending June 30, 2021. This was the second year that the City achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. To be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR whose contents conform to program standards. The ACFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

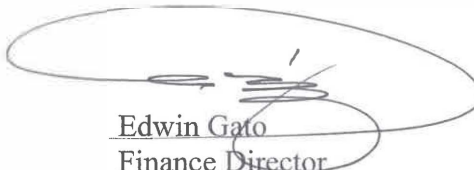
The preparation and publication of this Annual Comprehensive Financial Report were made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department and with the cooperation and assistance of all City departments.

Specifically, we would like to express special thanks to our Finance staff Deysi Ortega, Senior Accountant; Nahid Vafadari, Accounts Payable Technician; and Steve Fox, Payroll Technician, as they have worked closely with our auditors in finalizing this report. Additionally, we would like to acknowledge the City's audit firm, The Pun Group, LLC, for the professional support and guidance they have given us. Finally, we would like to express our gratitude to the Honorable Mayor and the members of the City Council for their vision and continued support in leading the City to economic viability and the pursuit of the goal of attaining long-term fiscal stability.

Respectfully submitted,



Dante Hall
City Manager



Edwin Gato
Finance Director



CITY COUNCIL



DION BAILEY

Mayor



**ALEXANDER
WALKER-GRIFFIN**

Vice Mayor



DAN ROMERO

Council Member



CHRIS KELLEY

Council Member



TIFFANY GRIMSLEY

Council Member

DEPARTMENT HEADS

Dante Hall, City Manager

Patrick Tang, City Attorney

Lauren Berges, City Clerk/PIO

Michael Roberts, Public Works Director

William Imboden, Police Chief

Edwin Gato, Finance Director

Christopher Roke, Parks & Recreation Director

Timothy Rood, Community Development Director

FINANCE COMMITTEE

Andrew Gabriel, Chair

Edward Ulle, Vice Chair

Lori Risby, Commissioner

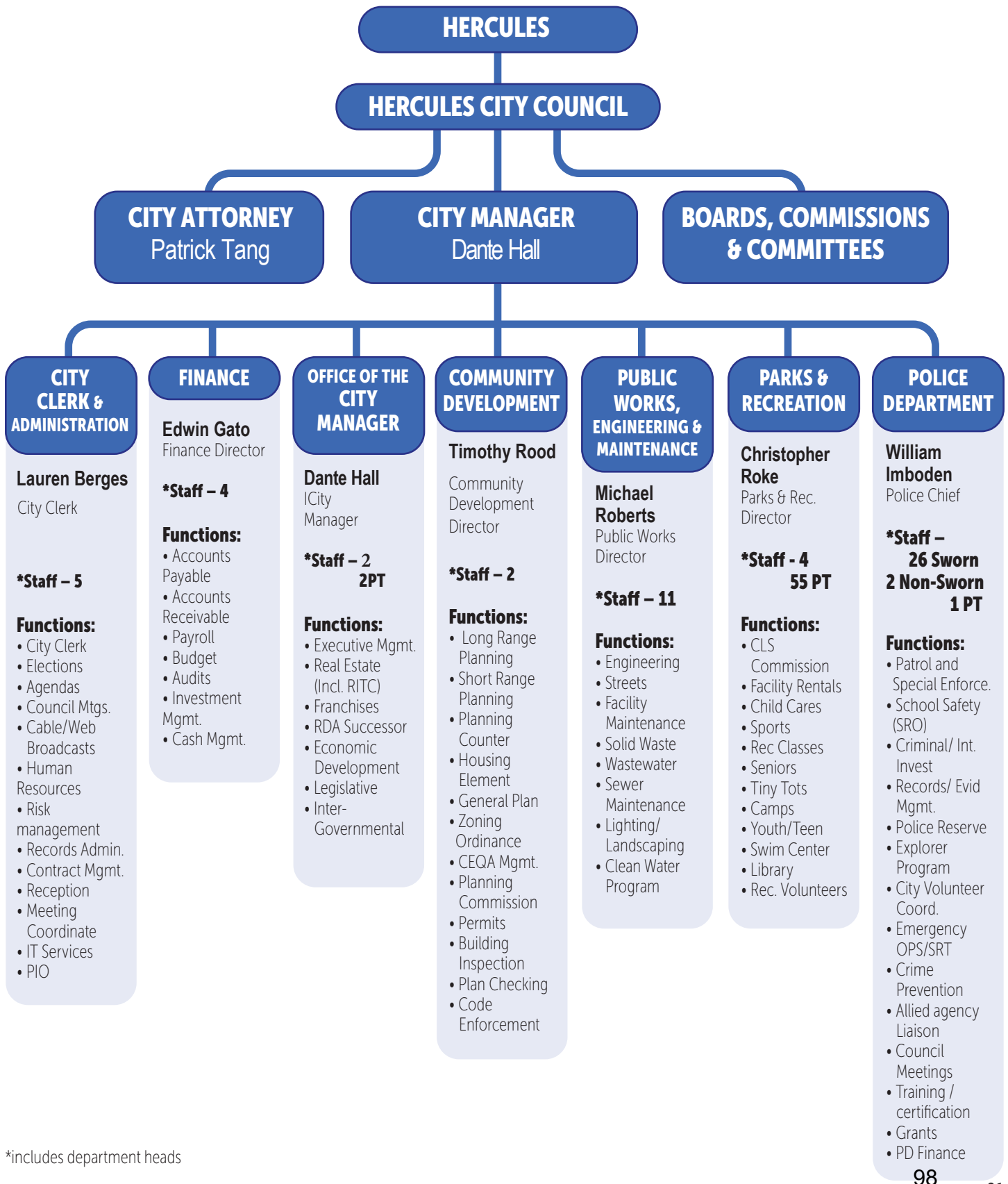
Orit Samson, Commissioner

Dennis Esselsagoe, Commissioner



FY 2021-22 CITY OF HERCULES

ORGANIZATION CHART



*includes department heads



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hercules
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hercules, California (the "City") as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Other Matters

Change in Accounting Principle

As described in Note 1W and Note 18 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. The implementation resulted in a restatement of governmental activities beginning net position as of July 1, 2021 in the amount of \$8,806,323 to \$105,076,026. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds, the Schedules of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedules of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules of Contributions – Other Postemployment Benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 basic 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the Honorable Mayor and the Members of the City Council
of the City of Hercules
Hercules, California
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
January 31, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**



**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Within this section of the City of Hercules' annual financial report, the City's management provides a narrative discussion and analysis of the City's financial activities for the fiscal year that ended June 30, 2022. The discussion focuses on the City's primary government and, unless otherwise noted, does not include separately reported component units. Readers are encouraged to consider the information presented in conjunction with the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$112,244,742 (net position). A net position of \$9,237,967 are restricted for specific purposes (restricted net position), and \$75,962,058 represents a net investment in capital assets. The unrestricted net position was \$27,044,717. As restated, the government's total net position decreased by \$37,216,290 compared to the prior year. The decrease in net position is primarily due to the adjustments of loan receivables from the Successor Agency (formerly known as Hercules Redevelopment Agency).
- The City's net investment in capital assets increased by \$897,393 compared to the prior year.
- The City's governmental funds reported combined fund balances of \$39,305,458, a decrease of \$27,430,768 in comparison with the prior year. The unassigned portion of those fund balances was \$22,192,542.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements. This report also contains other **Supplementary Information** in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all City assets and deferred outflows and liabilities, and deferred inflows, with the difference between them, reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.
- The *statement of activities* presents information showing how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and public works, parks and recreation, and community development. The business-type activities of the City consist of the Wastewater Fund. Fiduciary activities are not included in the government-wide statements since these assets are not available to fund City programs.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

The City's financial reporting includes the funds of the City (primary government) and organizations for which the City is accountable (component units). Most of these legally separated organizations operate like City departments, serve as financing vehicles for City services (revenue bond issuers), or are governed by a board that is substantively identical to the City's board. An example of this is the Hercules Public Finance Authority, which while legally separate is in substance an extension of the City operations.

Financial data for the Hercules Public Finance Authority are combined with the presentation of the primary government's financial data and thus it is referred to as a "blended" component unit. A "discretely presented" component unit is one that is presented separately in the financial statements to emphasize its independence from the primary government. Hercules City has no discretely presented component units.

Fund Financial Statements Like other state and local governments, the City uses fund accounting to ensure and demonstrate finance-related legal compliance. A fund is a grouping of related accounts used to control resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into three categories: *governmental, proprietary, and fiduciary*.

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources and on balances of spendable resources available* at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. *Governmental funds* use a current financial resources measurement focus and modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements is useful. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains individual governmental funds. Information is presented separately in the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balances for the General Fund, American Rescue Plan Act Special Revenue Fund, Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund, Hercules Debt Service Fund, and the other governmental funds combined into a single, aggregated column. Governmental Accounting Standards Board (GASB) Statement No. 34 defines major governmental funds as those with revenues, expenditures, assets, and deferred outflows or liabilities and deferred inflows that makeup at least 10% of the total fund category or type (governmental or business type) and at least 5% of the aggregate amount of all governmental and enterprise funds.

Proprietary funds are maintained in two ways. The City uses enterprise fund to account for the operations of the Wastewater Fund. *Enterprise funds* report the same functions presented as *business-type activities* in government-wide financial statements. *Internal services funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three internal service funds to account for its vehicle replacement, IT equipment replacement, and facilities maintenance functions. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. As of February 1, 2012, the activities of the Successor Agency to the former Hercules Redevelopment Agency are reported with the City's Fiduciary Fund as a Private Purpose Trust Fund because they are under the control of an Oversight Board.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information provides the schedule of funding progress for the City Employees Retirement Plan and Other Postemployment Benefits other than pensions. Also presented are the budgetary comparison schedules for the City's General Fund and Major Special Revenue Funds, and notes to required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, combined assets and deferred outflows exceeded liabilities and deferred inflows by \$112,244,742 at the close of the most recent fiscal year. Of these combined net positions, 68% reflects the City's investment in capital assets, net of the related debt. Another 8% of the City's net position is subject to external restrictions on how they may be used.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021	2022	2021
Assets						
Current and other assets	\$ 53,858,058	\$ 81,949,344	\$28,521,323	\$39,917,628	\$ 82,379,381	\$ 121,866,972
Capital assets	78,255,196	79,854,526	39,085,979	39,987,792	117,341,175	119,842,318
Total assets	<u>132,113,254</u>	<u>161,803,870</u>	<u>67,607,302</u>	<u>79,905,420</u>	<u>199,720,556</u>	<u>241,709,290</u>
Deferred Outflows of Resources						
Related to OPEB	694,603	568,750	39,319	32,195	733,922	600,945
Related to pensions	3,737,048	2,710,833	162,085	180,108	3,899,133	2,890,941
Total Deferred Outflows of Resources	<u>4,431,651</u>	<u>3,279,583</u>	<u>201,404</u>	<u>212,303</u>	<u>4,633,055</u>	<u>3,491,886</u>
Liabilities						
Long-term Liabilities	33,226,479	41,849,889	30,687,887	32,942,838	63,914,366	74,792,727
Other Liabilities	5,323,692	6,069,079	2,250,301	2,673,706	7,573,993	8,742,785
Total Liabilities	<u>38,550,171</u>	<u>47,918,968</u>	<u>32,938,188</u>	<u>35,616,544</u>	<u>71,488,359</u>	<u>83,535,512</u>
Deferred Inflows of Resources						
Related to OPEB	1,899,985	1,940,227	107,549	109,826	2,007,534	2,050,053
Related to pensions	8,867,405	1,341,909	492,568	6,347	9,359,973	1,348,256
Leases	9,253,003	8,806,323	-	-	9,253,003	8,806,323
Total Deferred Inflows of Resources	<u>20,020,393</u>	<u>12,088,459</u>	<u>600,117</u>	<u>116,173</u>	<u>20,620,510</u>	<u>12,204,632</u>
Net Position:						
Net Investment in Capital Assets	60,257,709	69,628,982	15,704,349	7,230,469	75,962,058	76,859,451
Restricted	9,237,967	20,047,707	-	7,679,725	9,237,967	27,727,432
Unrestricted	8,478,665	15,399,337	18,566,052	29,474,812	27,044,717	44,874,149
Total Net Position	<u>\$ 77,974,341</u>	<u>\$ 105,076,026</u>	<u>\$ 34,270,401</u>	<u>\$ 44,385,006</u>	<u>\$ 112,244,742</u>	<u>\$ 149,461,032</u>

*2021 balances were restated due to the implementation of GASB 87

A significant portion of the City's net position, \$75,962,058, reflects the amount invested in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City's net position, \$9,237,967 represents resources that are subject to external restrictions by grantors and other governments on how they may be used.

The unrestricted portion of the City's net position is \$27,044,717. It is to be noted that GASB 34 classifies long-term payroll liabilities to the unrestricted category. These reclassifications include liabilities for pensions, other postemployment benefits (OPEB) and compensated absences. These liabilities accumulate over decades as part of the City's employment agreements and the timing for their translation into current year expense is not precisely subject to projection.

The City's net position, as adjusted, decreased by \$37,216,290 during the current fiscal year. The decrease in net position is primarily due to the adjustments of loan receivables from the Successor Agency (formerly known as Hercules Redevelopment Agency).

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Fees, Fines and Charges for Services	\$ 2,827,552	\$ 2,461,704	5,852,278	5,769,396	\$ 8,679,830	\$ 8,231,100
Operating Grants/Contributions	16,826,293	4,566,850			16,826,293	4,566,850
Capital Grants/Contributions					-	-
General revenues						
Property taxes	1,514,791	1,451,716			1,514,791	1,451,716
Sales taxes	6,263,066	4,775,496			6,263,066	4,775,496
Franchise Taxes	970,054	862,104			970,054	862,104
Other taxes	5,343,970	4,293,889			5,343,970	4,293,889
Motor Vehicles Taxes In-Lieu	2,341,444	2,239,058			2,341,444	2,239,058
Interest and Investment Income	773,519	1,456,269	(157,318)	4,537	616,201	1,460,806
Special Item (Note 17)	(39,586,347)	-	(10,587,627)	-	(50,173,974)	-
Total revenues	<u>(2,725,658)</u>	<u>22,107,086</u>	<u>(4,892,667)</u>	<u>5,773,933</u>	<u>(7,618,325)</u>	<u>27,881,019</u>
Expenses						
General Government	4,768,150	4,435,331			4,768,150	4,435,331
Public Safety	6,581,205	9,273,713			6,581,205	9,273,713
Streets and Public Works	8,452,475	7,715,011			8,452,475	7,715,011
Parks and Recreation	2,312,529	2,104,559			2,312,529	2,104,559
Community Development	1,253,855	918,476			1,253,855	918,476
Interest on Long-Term Debt	1,007,813	959,355			1,007,813	959,355
Wastewater			5,221,938	3,894,420	5,221,938	3,894,420
Total expenses	<u>24,376,027</u>	<u>25,406,445</u>	<u>5,221,938</u>	<u>3,894,420</u>	<u>29,597,965</u>	<u>29,300,865</u>
Increase (Decrease) in Net Position	(27,101,685)	(3,299,359)	(10,114,605)	1,879,513	(37,216,290)	(1,419,846)
Net Position - Beginning, as Restated	105,076,026	117,181,708	44,385,006	42,505,493	149,461,032	159,687,201
Prior Period Adjustment	-	(8,806,323)	-	-	-	(8,806,323)
Net Position - Ending	<u>\$ 77,974,341</u>	<u>\$ 105,076,026</u>	<u>34,270,401</u>	<u>44,385,006</u>	<u>\$ 112,244,742</u>	<u>\$ 149,461,032</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As described earlier, the City uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, and Debt Service Funds. The focus of the City's ***governmental funds*** is to provide information on near-term inflows, outflows, and balances of ***spendable*** resources. Such information is useful in assessing the City's financing requirements.

On June 30, 2022, the City's governmental funds reported combined fund balances of \$39,305,458. Of these combined fund balances, \$22,192,542 constitutes unassigned fund balance, which is available to meet the City's current and future needs.

The General Fund is the chief operating fund of the City. On June 30, 2022, unassigned fund balance was \$22,926,831, while total fund balance was \$31,014,136. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 142% of total General Fund expenditures, while the total fund balance represents 193% of total General Fund expenditures.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Total governmental funds Fund Balance decreased by \$27,430,768 in the current year. The major governmental funds had changes in fund balance as follows:

The major funds, General Fund decreased by \$14,944,286, Landscape & Lighting Assessment District (LLAD) No. 83-2 Fund decreased by \$701,774 Hercules Debt Service Fund decreased by \$6,764,098, and nonmajor (other) governmental funds decreased by \$5,020,610.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source
Governmental Funds

**Revenues Classified by Source
Governmental Funds**

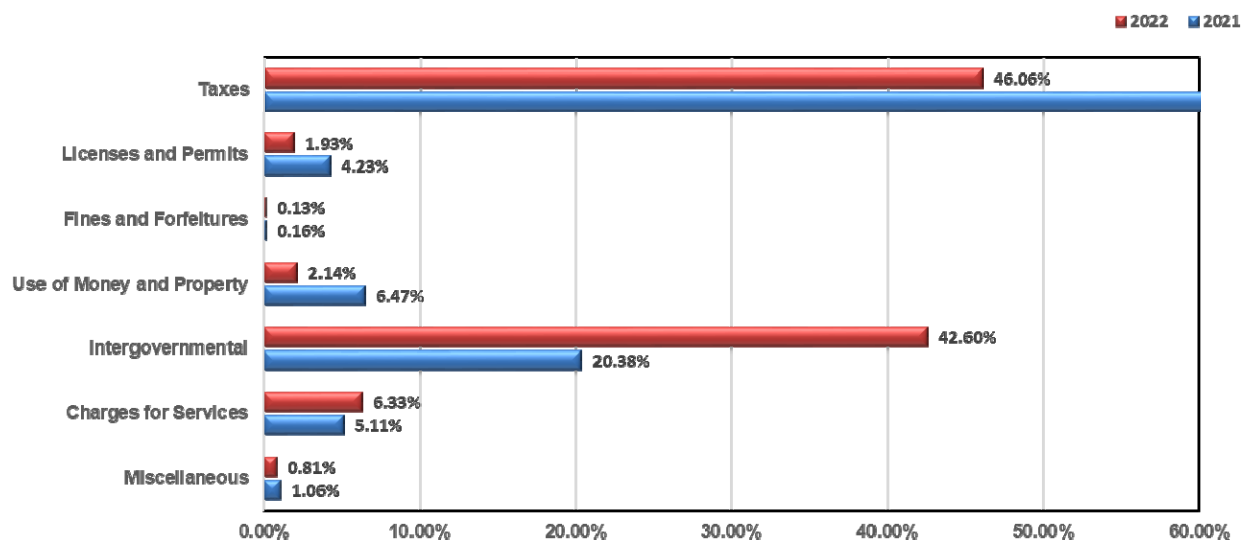
	2022		2021		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes	\$ 16,889,724	46.06%	\$ 14,098,060	62.60%	\$ 2,791,664	20%
Licenses and Permits	707,300	1.93%	952,294	4.23%	(244,994)	-26%
Fines and Forfeitures	48,663	0.13%	36,586	0.16%	12,077	33%
Use of Money and Property	783,885	2.14%	1,456,271	6.47%	(672,386)	-46%
Intergovernmental	15,618,709	42.60%	4,589,299	20.38%	11,029,410	240%
Charges for Services	2,319,388	6.33%	1,150,164	5.11%	1,169,224	102%
Miscellaneous	297,797	0.81%	239,610	1.06%	58,187	24%
	<u>\$ 36,665,466</u>	100.00%	<u>\$ 22,522,284</u>	100.00%	<u>\$ 14,143,182</u>	

The increase of \$14,143,182 in revenues is due primarily to the increase in sales tax revenues, the proceeds from the American Recovery Plan Act (ARPA), and local assistance received from the State of California enacted by Senate Bill 154 (Skinner) Budget Act of 2022.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

The following graph shows an illustrative picture of where the City funds come from.

Revenue by Source – Governmental Funds



The following table presents expenditures by function compared to prior year amounts.

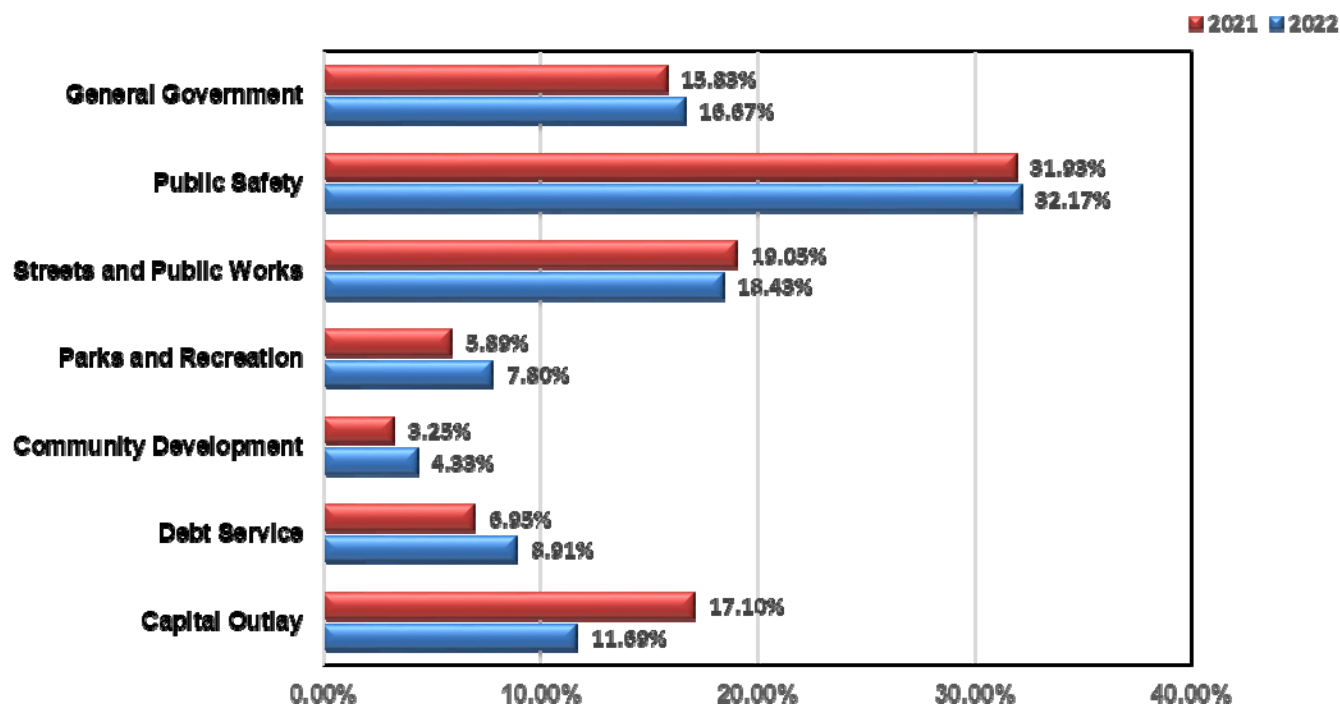
Expenditures Classified by Function
Governmental Funds

	2022		2021		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 4,081,705	16.67%	\$ 3,854,043	15.83%	\$ 227,662	6%
Public Safety	7,879,451	32.17%	7,774,932	31.93%	104,519	1%
Streets and Public Works	4,514,842	18.43%	4,638,912	19.05%	(124,070)	-3%
Parks and Recreation	1,910,716	7.80%	1,434,988	5.89%	475,728	33%
Community Development	1,061,135	4.33%	792,456	3.25%	268,679	34%
Debt Service	2,181,976	8.91%	1,693,231	6.95%	488,745	29%
Capital Outlay	2,862,062	11.69%	4,163,726	17.10%	(1,301,664)	-31%
	<u>\$ 24,491,887</u>	<u>100.00%</u>	<u>\$ 24,352,288</u>	<u>100.00%</u>	<u>\$ 139,599</u>	

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

The following graph shows an illustrative picture of how City funds were spent.

Expenditures by Function – Governmental Funds



Proprietary funds reporting focuses on determining operating income, changes in net position (or cost recovery), financial position, and cash flows using the full accrual basis of accounting.

Enterprise funds report the business-type activities of the City. Enterprise funds are used to account for the operations of the Wastewater Fund.

Enterprise fund net investment in capital assets at fiscal year-end was \$15,704,349. Unrestricted net position at fiscal year-end was \$18,566,052.

Internal service funds are an accounting device to accumulate and allocate costs internally among the City's various functions. Internal service funds are used to account for its vehicle replacement, IT replacement, and facilities maintenance functions.

Total net position of the internal service funds at fiscal year-end were \$2,030,270 and include \$533,035 invested in capital assets. The net position of the internal service funds decreased by \$575,101 over the prior fiscal year.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget and can be found on page 111 of this report.

General Fund revenues on a budgetary basis were \$10.3 million more than projected for the fiscal year 2022. The increase in revenues was primarily due to the City receiving more tax revenue than budgeted. The income from sales was the most significant increase in tax revenue, consisting of \$2.2 million more revenues received than projected as the City continued recovering from the pandemic, increased consumer spending from the federal stimulus funds, and the rising cost of goods. Also, \$8 million of local assistance was received from the State of California enacted by Senate Bill 154 (Skinner) Budget Act of 2022. Expenditures of \$16.1 million were \$189,407, slightly more than budgeted expenses, as adjusted at \$15.9 million. The most considerable negative expenditure variances occurred in Public Safety, Parks and Recreation, and Community Development. These departments had negative variances because of the impact of the pandemic that increased services, the reopening of recreation programs, and the increase in development projects.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounted to \$117,341,175 (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, leasehold improvements, equipment, and infrastructure (roads and bridges).

The following table shows the City's total investment in capital assets for governmental and proprietary funds.

Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021	2021	2020
Land	\$ 5,081,587	\$ 5,081,587	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 5,273,287
Construction in progress	1,004,447	4,228,176	981,195	968,587	1,985,642	5,196,763
Land Improvements	15,812,311	11,720,361	-	-	15,812,311	11,720,361
Buildings & Improvements	26,323,217	26,973,413	38,325,271	38,325,271	64,648,488	65,298,684
Equipment	5,781,572	5,080,999	250,345	250,345	6,031,917	5,331,344
Infrastructure	113,444,645	113,444,645	14,945,317	14,857,483	128,389,962	128,302,128
Lease assets	27,668	27,668	-	-	27,668	27,668
Total	167,475,447	166,556,849	54,693,828	54,593,386	222,169,275	221,150,235
Accumulated Depreciation	(89,220,251)	(86,702,323)	(15,607,849)	(14,605,594)	(104,828,100)	(101,307,917)
Net Capital Assets	78,255,196	79,854,526	39,085,979	39,987,792	117,341,175	119,842,318

*2021 balances were restated due to implementation of GASB 87

Additional information regarding capital assets is presented in note 6.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total outstanding long-term obligations of \$56,207,927. Of this amount, \$14,041,843 comprised of bonds that are secured by the City's lease rental payments and other dedicated sources of revenue.

The following table shows the composition of the City's bonds and notes outstanding for governmental and proprietary funds.

Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total	
	2022	2021*	2022	2021	2022	2021
Bonds Payable	\$14,041,843	\$14,261,843	\$8,450,000	\$9,250,000	\$22,491,843	\$23,511,843
Unamortized Discount/Refunding	(276,738)	(294,035)	-	(138,162)	(276,738)	(432,197)
Lease Payable	4,232,382	4,530,672	-	-	4,232,382	4,530,672
Loans Payable	5,189,588	5,265,521	23,259,518	24,356,298	28,449,106	29,621,819
Settlement Payable	604,025	1,208,050	-	-	604,025	1,208,050
Compensated Absences	655,560	608,384	51,749	47,180	707,309	655,564
Total	24,446,660	25,580,435	31,761,267	33,515,316	56,207,927	59,095,751
Less Current Portion	(2,018,080)	(1,039,503)	(1,509,236)	(1,438,960)	(3,527,316)	(2,478,463)
Net Long-Term Obligations	\$ 22,428,580	\$ 24,540,932	\$ 30,252,031	\$ 32,076,356	\$ 52,680,611	\$ 56,617,288

*2021 balances were restated due to implementation of GASB 87

Other obligations include compensated absences (accrued vacation and sick leave). More detailed information about the City's long-term liabilities is presented in note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's economy has rebounded from the pandemic's effects this past year. Unlike most other cities, Hercules did not close its City Hall, and we continued to provide services except for Parks & Recreation programs, which were closed due to health restrictions and, this year, started reopening programs.

In June 2022, The City Council approved a \$37 million budget which was a continuation of anticipated revenue trends and with funding, especially of a one-time nature, committed to operations and capital needs. It also addressed some lingering redevelopment dissolution-related obligations with payment made pursuant to a settlement agreement with the State of California related to a disputed repayment of a loan the City made to the former Redevelopment Agency. The City's prudent fiscal policies set the stage for us to navigate this turn of events in a way that will still meet our reserve goals.

The City continues to expand its tax base and quality of life through new development on critical sites. The new Safeway, Peets, and Chase Bank all opened in April. The 235-unit Grant at the Bayfront opened in May; the Grand will also feature the first affordable units provided by the Bayfront development. The Willow Avenue Auto Service Park & Self Storage is completed with occupancy on the self-storage. The developer will be pay the City 10% of the rental income on the self-storage units as an in-lieu payment; future auto service units will also be tax generators.

**2022 HERCULES AUDIT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2022**

Also, the future Sycamore Crossing project continues to work on its site preparation and utility relocation elements. The Project was approved by the Planning Commission and City Council in 2019. Lewis Operating Companies are developing the 12-acre site at Sycamore & San Pablo. 2.6-acre site sold for hotel development – 100-room Hampton Inn. 27,000-sq.-ft. the retail center is planned for 3.22 acres on the corner—120 unit townhouse community.

The Franklin Canyon RV Resort, approved by the City Council in February 2022, the Project will replace the existing Franklin Canyon Golf with a destination RV resort, including spaces for 158 RVs, 22 bungalow tents, and a new 10,500 square-foot clubhouse/restaurant. The Project would also dedicate approximately 70 acres for open space uses (hiking, biking, and equestrian trails) and 5 acres for a future community garden. A 10% transient occupancy tax on all overnight visits will generate additional revenue for the City. Construction is estimated to take 18–24 months, with opening anticipated for the Summer of 2024.

Also, D.R. Horton has proposed developing the currently vacant 7-acre former horse ranch property at the end of Skelly with 40 single-family residences, including two below-market-rate units. The City is currently evaluating the project for potential environmental impacts and expects to be followed by public hearings at the Planning Commission and City Council. Pending these project approvals, D.R. Horton hopes to begin demolition and site grading in mid-2023, with home construction starting in 2024 and finishing in 2025.

The final design and permitting of the next phase of the Hercules Regional Intermodal Transportation Center is underway. This utility relocation element is shovel-ready and will proceed once funding is secured. There appear to be several new funding opportunities on the horizon. The interim improvements to allow for the initiation of bus service, which also provides better pedestrian connections between the two segments of the Bay Trail, have been completed. Further development of the track and platform design is also underway to set the stage for the project to move forward if funding were to be secured. A total of \$46 million of funding has been secured and applied towards the project, including the completion of various improvements. At the same time, an additional estimated \$67 million is needed to complete the infrastructure for a train to stop. The City has secured the services of GBS to develop a funding plan for the remaining improvements. Currently, 40 potential funding opportunities have been identified to be explored in greater depth.

Lastly, the broader economic recovery happened more quickly and robustly than many anticipated, providing a surge of revenues across several City funds, including the General Fund, that helped to change the City's budgetary position in FY 2022 significantly and into FY 2023. As City operations continued their transition from the pandemic response into pandemic recovery and more normal business operations, the City experienced elevated levels of tax revenue. As a result of these adjustments and careful forecasting, monitoring, and management throughout all City funds, The City ended the fiscal year with a positive operating result.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance at 111 Civic Drive, Hercules, California, 94547.



BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Hercules
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 28,169,903	\$ 20,192,672	\$ 48,362,575
Cash and investments with fiscal agent	2,002,393	8,327,888	10,330,281
Cash and investments held in trust	2,054,252	-	2,054,252
Accounts receivable	10,899,673	-	10,899,673
Prepays	10,806	-	10,806
Loan receivable	1,444,181	-	1,444,181
Lease receivable	9,263,369	-	9,263,369
Net other postemployment benefits ("OPEB") assets - PEHMCA	13,481	763	14,244
Capital Assets:			
Nondepreciable	6,086,034	1,172,895	7,258,929
Depreciable and amortizable, net	72,169,162	37,913,084	110,082,246
Total assets	132,113,254	67,607,302	199,720,556
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	3,737,048	162,085	3,899,133
OPEB-related deferred outflows of resources (PEHMCA)	433,598	24,543	458,141
OPEB-related deferred outflows of resources (SOMAR)	261,005	14,776	275,781
Total deferred outflows of resources	4,431,651	201,404	4,633,055
LIABILITIES			
Accounts payable	906,173	345,476	1,251,649
Salaries and benefits payable	506,778	32,561	539,339
Accrued interest payable	540,175	363,028	903,203
Deposit payable	1,118,542	-	1,118,542
Claims payable	233,944	-	233,944
Long-term debt:			
Due within one year	2,018,080	1,509,236	3,527,316
Due in more than one year	22,428,580	30,252,031	52,680,611
Net aggregate pension liabilities, due in more than one year	9,528,614	364,008	9,892,622
Net OPEB liabilities - SOMAR, due in more than one year	1,269,285	71,848	1,341,133
Total liabilities	38,550,171	32,938,188	71,488,359
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	8,867,405	492,568	9,359,973
OPEB-related deferred inflows of resources (PEHMCA)	1,276,273	72,243	1,348,516
OPEB-related deferred inflows of resources (SOMAR)	623,712	35,306	659,018
Leases	9,253,003	-	9,253,003
Total deferred inflows of resources	20,020,393	600,117	20,620,510
NET POSITION			
Net investment in capital assets	60,257,709	15,704,349	75,962,058
Restricted for:			
Public safety	87,406	-	87,406
Streets and roads	2,996,896	-	2,996,896
Development	1,946,901	-	1,946,901
Debt service	2,152,512	-	2,152,512
Pension	2,054,252	-	2,054,252
Total restricted	9,237,967	-	9,237,967
Unrestricted	8,478,665	18,566,052	27,044,717
Total net position	\$ 77,974,341	\$ 34,270,401	\$ 112,244,742

City of Hercules
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 4,768,150	\$ 1,030,250	\$ -	\$ -	\$ 1,030,250
Public safety	6,581,205	185,541	3,354,057	-	3,539,598
Streets and public works	8,560,194	261,490	5,565,989	-	5,827,479
Parks and recreation	2,312,529	1,034,873	-	-	1,034,873
Community development	1,253,855	315,398	8,013,966	-	8,329,364
Interest and fiscal agent fees	1,007,813	-	-	-	-
Total governmental activities	24,483,746	2,827,552	16,934,012	-	19,761,564
Business-Type Activities:					
Wastewater	5,221,938	5,852,278	-	-	5,852,278
Total business-type activities	5,221,938	5,852,278	-	-	5,852,278
Total primary government	\$ 29,705,684	\$ 8,679,830	\$ 16,934,012	\$ -	\$ 25,613,842

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (3,737,900)	\$ -	\$ (3,737,900)
Public safety	(3,041,607)	-	(3,041,607)
Streets and public works	(2,732,715)	-	(2,732,715)
Parks and recreation	(1,277,656)	-	(1,277,656)
Community development	7,075,509	-	7,075,509
Interest and fiscal agent fees	(1,007,813)	-	(1,007,813)
Total governmental activities	(4,722,182)	-	(4,722,182)
Business-Type Activities:			
Wastewater	-	630,340	630,340
Total business-type activities	-	630,340	630,340
Total primary government	(4,722,182)	630,340	(4,091,842)
General Revenues:			
Property taxes	1,514,791	-	1,514,791
Sales and use taxes	6,263,066	-	6,263,066
Franchise taxes	970,054	-	970,054
Utility users taxes	3,828,410	-	3,828,410
Other taxes	1,515,560	-	1,515,560
Unrestricted motor vehicle taxes in-lieu	2,341,444	-	2,341,444
Use of money and property	773,519	(157,318)	616,201
Total general revenues	17,206,844	(157,318)	17,049,526
Changes in net position before special item	12,484,662	473,022	12,957,684
Special Item (Note 17)	(39,586,347)	(10,587,627)	(50,173,974)
Changes in net position	(27,101,685)	(10,114,605)	(37,216,290)
Net Position:			
Beginning of year, as restated (Note 18)	105,076,026	44,385,006	149,461,032
End of year	<u>\$ 77,974,341</u>	<u>\$ 34,270,401</u>	<u>\$ 112,244,742</u>



FUND FINANCIAL STATEMENTS



GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - This fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works, operations and maintenance, and legal and administrative services.

American Rescue Plan Act Special Revenue Fund - This fund is used to account for revenues and activities for American Rescue Plan Act funding which was provided to fund additional relief for individuals and businesses affected by the coronavirus pandemic.

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund - This fund accounts for special assessments on property withindistrict boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on various Lease Revenue Bonds issued to cover the refinancing of the original City Hall debt issue and to generate additional resources to assist in the construction of a new library building and other general government projects.

Other Governmental Funds - These funds are special revenue funds or capital project funds that have not been determined to be major funds, as defined by GASB Statement No. 34.

City of Hercules
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund
ASSETS				
Cash and investments	\$ 18,309,201	\$ -	\$ 485,296	\$ 150,119
Cash and investments with fiscal agent	-	-	-	2,002,393
Cash and investments held in trust	2,054,252	-	-	-
Accounts receivable	10,350,832	-	-	-
Prepays	10,806	-	-	-
Due from other funds	1,195,217	-	-	-
Loans receivable	1,444,181	-	-	-
Lease receivable	661,166	-	-	8,602,203
Total assets	\$ 34,025,655	-	\$ 485,296	\$ 10,754,715
LIABILITIES				
Accounts payable	\$ 573,411	-	\$ 65,387	\$ -
Accrued wages	407,411	-	27,035	-
Deposit payable	956,799	-	-	-
Claims payable	233,944	-	-	-
Due to other funds	-	-	628,171	-
Total liabilities	2,171,565	-	720,593	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	189,154	-	-	-
Leases	650,800	-	-	8,602,203
Total deferred inflows of resources	839,954	-	-	8,602,203
FUND BALANCES				
Nonspendable	10,806	-	-	-
Restricted	2,054,252	-	-	2,152,512
Committed	-	-	-	-
Assigned	6,022,247	-	-	-
Unassigned (deficit)	22,926,831	-	(235,297)	-
Total fund balances (deficit)	31,014,136	-	(235,297)	2,152,512
Total liabilities, deferred inflows of resources and fund balances	\$ 34,025,655	\$ -	\$ 485,296	\$ 10,754,715

City of Hercules
Balance Sheet (Continued)
Governmental Funds
June 30, 2022

	Other Governmental Funds	Total
ASSETS		
Cash and investments	\$ 6,981,049	\$ 25,925,665
Cash and investments with fiscal agent	-	2,002,393
Cash and investments held in trust	-	2,054,252
Accounts receivable	548,841	10,899,673
Prepays	-	10,806
Due from other funds	-	1,195,217
Loans receivable	-	1,444,181
Lease receivable	-	9,263,369
Total assets	\$ 7,529,890	\$ 52,795,556
LIABILITIES		
Accounts payable	\$ 223,603	\$ 862,401
Accrued wages	46,506	480,952
Deposit payable	161,743	1,118,542
Claims payable	-	233,944
Due to other funds	567,046	1,195,217
Total liabilities	998,898	3,891,056
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	156,885	346,039
Leases	-	9,253,003
Total deferred inflows of resources	156,885	9,599,042
FUND BALANCES		
Nonspendable	-	10,806
Restricted	4,874,318	9,081,082
Committed	1,998,781	1,998,781
Assigned	-	6,022,247
Unassigned (deficit)	(498,992)	22,192,542
Total fund balances (deficit)	6,374,107	39,305,458
Total liabilities, deferred inflows of resources and fund balances	\$ 7,529,890	\$ 52,795,556



City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2022

Total fund balances of governmental funds	\$ 39,305,458
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position	78,255,196
Less: Amount reported in Internal Service Funds	(533,035)
Pensions and OPEB related deferred outflows and inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Amount reported in Government-Wide Statement of Net Position:	
Interest payable on long-term debt does not require current financial resources, Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	
	(540,175)
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	
	346,039
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:	
Compensated absences, net of Internal Service Fund of \$50,208	(605,352)
Loans, leases, and bonds	(23,187,075)
Settlement payable	(604,025)
Net pension liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position.	
Pension-related deferred outflows of resources, net of Internal Service Fund of \$117,288	3,619,760
Net pension liability, net of Internal Service Fund of \$248,738	(9,279,876)
Pension-related deferred inflows of resources, net of Internal Service Fund of \$356,432	(8,510,973)
Net OPEB liability and related deferred outflows and inflows of resources are not due and payable in the current period; therefore, are not reported as governmental funds' liabilities. They are reported in the Statement of Net Position.	
OPEB-related deferred outflows of resources (PEHMCA), net of Internal Service Fund of \$24,543	409,055
OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Fund of \$14,776	246,229
Net OPEB assets - PEHMCA, net of Internal Service Fund of \$763	12,718
Net OPEB liability - SOMAR, net of Internal Service Fund of \$71,848	(1,197,437)
OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Fund of \$72,243	(1,204,030)
OPEB-related deferred inflows of resources (SOMAR), net of Internal Service Fund of \$35,306	(588,406)
Internal service funds are used by the City to charge the cost of its vehicle replacement, IT services and facilities maintenance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
	<u>2,030,270</u>
Net position of governmental activities	<u><u>\$ 77,974,341</u></u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds			
	General	American Rescue Plan Act Special	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund
	Fund	Revenue Fund		
REVENUES:				
Taxes and assessments	\$ 13,781,378	\$ -	\$ 1,997,920	\$ -
Licenses and permits	493,668	-	-	-
Fines and forfeitures	48,663	-	-	-
Use of money and property	(108,296)	-	(22,036)	983,120
Intergovernmental	10,391,327	3,142,889	-	-
Charges for services	2,319,388	-	-	-
Other revenues	116,093	-	-	-
Total revenues	27,042,221	3,142,889	1,975,884	983,120
EXPENDITURES:				
Current:				
General government	4,081,705	-	-	-
Public safety	7,851,486	-	-	-
Streets and public works	375,842	-	1,810,594	-
Parks and public works	1,910,716	-	-	-
Community development	1,061,135	-	-	-
Capital outlay	112,631	-	630,680	-
Debt services:				
Principal	690,966	-	-	413,470
Interest and fiscal agent fee	24,551	-	-	835,597
Total expenditures	16,109,032	-	2,441,274	1,249,067
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,933,189	3,142,889	(465,390)	(265,947)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,539,704	-	29,316	205,099
Transfers (out)	(1,629,542)	(3,142,889)	(265,700)	-
Total other financing sources (uses)	1,910,162	(3,142,889)	(236,384)	205,099
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	12,843,351	-	(701,774)	(60,848)
SPECIAL ITEM:				
Write off loans and due to due from between the City and Successor Agency (Note 17)	(27,787,637)	-	-	(6,703,250)
Total special item	(27,787,637)	-	-	(6,703,250)
NET CHANGES IN FUND BALANCES	(14,944,286)	-	(701,774)	(6,764,098)
FUND BALANCES (DEFICIT):				
Beginning of year,	45,958,422	-	466,477	8,916,610
End of year	<u>\$ 31,014,136</u>	<u>\$ -</u>	<u>\$ (235,297)</u>	<u>\$ 2,152,512</u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2022

	Other Governmental Funds	Total
REVENUES:		
Taxes and assessments	\$ 1,110,426	\$ 16,889,724
Licenses and permits	213,632	707,300
Fines and forfeitures	-	48,663
Use of money and property	(68,903)	783,885
Intergovernmental	2,084,493	15,618,709
Charges for services	-	2,319,388
Other revenues	163,704	279,797
Total revenues	<u>3,503,352</u>	<u>36,647,466</u>
EXPENDITURES:		
Current:		
General government	-	4,081,705
Public safety	27,965	7,879,451
Streets and public works	2,328,406	4,514,842
Parks and public works	-	1,910,716
Community development	-	1,061,135
Capital outlay	2,118,751	2,862,062
Debt services:		
Principal	93,812	1,198,248
Interest and fiscal agent fee	123,580	983,728
Total expenditures	<u>4,692,514</u>	<u>24,491,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,189,162)	12,155,579
OTHER FINANCING SOURCES (USES)		
Transfers in	1,949,738	5,723,857
Transfers (out)	(685,726)	(5,723,857)
Total other financing sources (uses)	<u>1,264,012</u>	<u>-</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	74,850	12,155,579
SPECIAL ITEM:		
Write off loans and due to due from between the City and Successor Agency (Note 17)	(5,095,460)	(39,586,347)
Total special item	<u>(5,095,460)</u>	<u>(39,586,347)</u>
NET CHANGES IN FUND BALANCES	(5,020,610)	(27,430,768)
FUND BALANCES (DEFICIT):		
Beginning of year,	11,394,717	66,736,226
End of year	<u>\$ 6,374,107</u>	<u>\$ 39,305,458</u>

City of Hercules
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds: \$ (27,430,768)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expenses. This is the amount by which capital expenditures exceeded depreciation in the current period:

Capital outlay expenditures, net of \$198,931 reported in Internal Service Funds	\$ 1,708,961	
Depreciation and amortization expenses, net of \$248,287 reported in Internal Service Funds	<u>(3,259,059)</u>	(1,550,098)

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds.	320,942
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Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

Principal repayment of loans, leases, and bonds	594,223
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in accrued interest expense	(6,788)
Amortization of bond discount	(17,297)
Change in compensated absences, net of Internal Service Fund of \$3,652	(36,900)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$1,991,027	986,483
OPEB (PEHMCA) expense	57,291
OPEB (SOMAR) credit	(47,697)
Settlement with department of finance	604,025

Internal service funds are used by management to charge the costs of certain activities, such as fleet repair and maintenance, central stores and printing services to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

Change in net position of governmental activities	<u><u>\$ (27,101,685)</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

Wastewater Fund – This fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

Internal Service Funds – These funds account for activities related to vehicle replacement, IT equipment replacement, and facilities maintenance.

City of Hercules
Statement of Net Position
Proprietary Funds
June 30, 2022

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 20,192,672	\$ 2,244,238
Cash and investments with fiscal agent	8,327,888	-
Total current assets	28,520,560	2,244,238
Noncurrent assets:		
Net OPEB assets - PEHMCA	763	763
Capital assets:		
Nondepreciable	1,172,895	-
Depreciable, net	37,913,084	533,035
Total noncurrent assets	39,086,742	533,798
Total assets	67,607,302	2,778,036
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	162,085	117,288
OPEB-related deferred outflows of resources (PEHMCA)	24,543	24,543
OPEB-related deferred outflows of resources (SOMAR)	14,776	14,776
Total deferred outflows of resources	201,404	156,607
LIABILITIES		
Current liabilities:		
Accounts payable	345,476	43,772
Salaries and benefits payable	32,561	25,826
Accrued interest payable	363,028	-
Long-term debt - due within one year	1,509,236	37,656
Total current liabilities	2,250,301	107,254
Noncurrent liabilities:		
Long-term debt - due in more than one year	30,252,031	12,552
Net pension liabilities	364,008	248,738
Net OPEB liabilities - SOMAR	71,848	71,848
Total noncurrent liabilities	30,687,887	333,138
Total liabilities	32,938,188	440,392
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	492,568	356,432
OPEB-related deferred outflows of resources (PEHMCA)	72,243	72,243
OPEB-related deferred outflows of resources (SOMAR)	35,306	35,306
Total deferred inflows of resources	600,117	463,981
NET POSITION		
Net investment in capital assets	15,704,349	533,035
Unrestricted	18,566,052	1,497,235
Total net position	\$ 34,270,401	\$ 2,030,270

City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
OPERATING REVENUES:		
Charges for services	\$ 5,852,278	\$ 1,553,353
Other operating revenues	-	9,605
Total operating revenues	<u>5,852,278</u>	<u>1,562,958</u>
OPERATING EXPENSES:		
Salaries and benefits	745,027	598,852
Services and supplies	2,748,281	1,290,920
Depreciation	1,002,257	248,287
Total operating expenses	<u>4,495,565</u>	<u>2,138,059</u>
Operating income	1,356,713	(575,101)
NONOPERATING REVENUES (EXPENSES)		
Interest income (loss)	(157,318)	-
Interest (expenses)	(726,373)	-
Total nonoperating revenues (expenses)	<u>(883,691)</u>	<u>-</u>
CHANGES IN NET POSITION BEFORE SPECIAL ITEMS	473,022	(575,101)
SPECIAL ITEM:		
Loss on write off the Successor Agency advances (Note 17)	(10,587,627)	-
CHANGES IN NET POSITION	(10,114,605)	(575,101)
NET POSITION:		
Beginning of year	44,385,006	2,605,371
End of year	<u>\$ 34,270,401</u>	<u>\$ 2,030,270</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 5,863,100	\$ -
Cash receipts from internal services provided	-	1,562,834
Cash paid to suppliers for goods and services	(3,077,505)	(1,416,218)
Cash paid to employees for services	(647,271)	(542,349)
Net cash provided by (used in) operating activities	<u>2,138,324</u>	<u>(395,733)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of debt	8,450,000	-
Payments related to the acquisition of capital assets	(100,444)	(198,931)
Principal repayments related to capital purposes	(10,346,780)	-
Interest repayments related to capital purposes	(754,349)	-
Net cash (used in) capital and related financing activities	<u>(2,751,573)</u>	<u>(198,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment loss	(157,318)	-
Net cash provided by (used in) investing activities	<u>(157,318)</u>	<u>-</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(770,567)	(594,664)
CASH AND CASH EQUIVALENTS:		
Beginning of year	29,291,127	2,838,902
End of year	<u>\$ 28,520,560</u>	<u>\$ 2,244,238</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 20,192,672	\$ 2,244,238
Cash and investments with fiscal agent	8,327,888	-
Total cash and cash equivalents	<u>\$ 28,520,560</u>	<u>\$ 2,244,238</u>

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,356,713	\$ (575,101)
Adjustments to reconcile operating income (loss)		
to net cash provided by (used in) operating activities:		
Depreciation	1,002,257	248,287
(Increase) Decrease in Assets and Deferred Outflows		
Pensions-related deferred outflows	18,023	(22,880)
OPEB-related deferred outflows	(7,124)	(7,124)
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts receivable	10,822	-
Accounts payable	(329,224)	(125,422)
Retentions payable	-	-
Salaries and benefits payable	1,681	327
Net pension liability	(415,809)	(300,889)
Net OPEB liability	12,472	(14,817)
Pensions-related deferred inflows	486,221	352,193
OPEB-related deferred inflows	(2,277)	39,417
Compensated absences	4,569	10,276
Total adjustments	781,611	179,368
Net cash provided by operating activities	\$ 2,138,324	\$ (395,733)

(Concluded)



FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund - is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities, and activities of the Hercules Redevelopment Successor Agency. The sole purpose of this fund is to retire debt of the former redevelopment agency.

Custodial Funds - are used to account for assets held by the government in a trustee capacity. Custodial funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

City of Hercules
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 8,538,337	\$ 399,774
Cash and investments with fiscal agent	33,499	85,512
Prepaid items	540,462	-
Loans receivable, net	8,386,065	-
Capital Assets:		
Nondepreciable	14,090,684	-
Depreciable, net	8,354,772	-
Total assets	<u>39,943,819</u>	<u>485,286</u>
LIABILITIES		
Unearned revenue	813,379	-
Long-term debt:		
Due within one year	2,600,000	-
Due in more than one year	81,516,324	-
Total liabilities	<u>84,929,703</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refundings	907,947	-
Total deferred inflows of resources	<u>907,947</u>	<u>-</u>
NET POSITION (DEFICIT)		
Held in trust (deficit)	(45,893,831)	-
Individuals, organization, and other government	-	485,286
	<u>\$ (45,893,831)</u>	<u>\$ 485,286</u>

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Taxes and assessments	\$ 10,503,145	\$ 232,493
Investment income	261,580	(3,326)
Other revenue	7,188,990	-
Total additions	<u>17,953,715</u>	<u>229,167</u>
DEDUCTIONS:		
Community development	3,622,552	-
Administration	4,774	8,010
Depreciation	6,507,422	-
Interest expenses	7,119,640	156,676
Principal payment to refunding escrow	-	31,492
Total deductions	<u>17,254,388</u>	<u>196,178</u>
CHANGES IN FIDUCIARY NET POSITION BEFORE SPECIAL ITEM	699,327	32,989
SPECIAL ITEMS:		
Write off loans and due to due from between the City and Successor Agency (Note 17)	50,173,974	-
Total special items	<u>50,173,974</u>	<u>-</u>
CHANGES IN FIDUCIARY NET POSITION	50,873,301	32,989
FIDUCIARY NET POSITION:		
Beginning of year,	(96,767,132)	452,297
End of year	<u>\$ (45,893,831)</u>	<u>\$ 485,286</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Hercules, California, (the “City”) have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies:

A. Financial Reporting Entity

The City of Hercules, California (“City”) was incorporated under the General Laws of the state of California and enjoys all the rights and privileges pertaining to such “General Law” cities. The City uses the City Council/Manager form of government.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units:

Management determined that the following entities should be reported as blended component units based on the criteria above. Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Hercules Public Financing Authority – The Hercules Public Financing Authority (Authority) was established July 24, 2001, by and between the City and the Authority, pursuant to the state of California Government Code. The purpose of the Authority is to finance the acquisition, construction, and improvement of public capital improvements, working capital requirements, or insurance programs. Separate detailed financial statements are available from the City’s Finance Department.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Government-Wide Financial Statements

The government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Fiduciary activities of the City are not included in these statements.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. In the statement of activities, internal service fund transactions have been included in the governmental activities. The following interfund activities have been eliminated:

- Due from and to other funds, which are short-term loans within the primary government.
- Advances to and from other funds, which are long-term loans within the primary government.
- Transfers in and out, which are flows of assets between funds without the requirement for repayment.

Governmental Fund Financial Statements

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, intergovernmental revenues and other taxes. Business license fees are recorded as received, except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes collected within 60 days as revenue at June 30. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The City reports the following major Governmental Funds:

General Fund accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works, operations and maintenance, and legal and administrative services.

American Rescue Plan Act Special Revenue Fund accounts for revenues and activities for American Rescue Plan Act funding which was provided to fund additional relief for individuals and businesses affected by the coronavirus pandemic.

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Debt Service Fund accounts for the accumulation of resources for, and the payment of, principal and interest on the Lease Revenue Bonds, Series 2003A issued to cover capital costs for the Hercules Municipal Utility and principal and interest on the Lease Revenue Bonds, Series 2003B issued to cover the financing of the original City Hall debt issue and to generate additional resources to assist in the construction of a new library building, Series 2009 issued for the purpose of financing the acquisition of certain commercial condominium property (Bio-Rad).

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include three individual funds that provide services directly to other City funds. These services include vehicle replacement, technology services, and facilities maintenance.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major Proprietary Fund:

Wastewater Fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for activities related to vehicle replacement, IT equipment replacement, and facilities maintenance. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent custodial funds and private purpose trust funds. Both custodial funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

The City reports the following fiduciary funds:

Private-Purpose Trust Fund – This fund is used to account for the balances and transactions of the Successor Agency to the former Hercules Redevelopment Agency.

Custodial Funds – These funds account for resources held by the City in custodial capacity for special assessment collected for Reassessment District 05-01 debt service payments, affordable housing set-aside funds, and for waste management service. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. All cash and investments of proprietary funds are held in the City's investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for statement of cash flows purposes.

Investments are stated at fair value (quoted market price or best available estimate thereof).

D. Cash and Investments with Fiscal Agents

Cash and investments are held by fiscal agents for the redemption of bonded debt and maintaining required reserves.

E. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., current portion of interfund loans).

G. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond the fiscal year ended using purchase method.

H. Inventory

Inventory consists of materials and supplies held for future consumption and are priced at average cost using the first-in, first-out method.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets

In the government-wide financial statements, capital assets, which include land, buildings, improvements, equipment, furniture, and infrastructure assets (e.g., roads, sidewalks, and similar items), are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$2,500 for general capital assets and \$5,000 for infrastructure capital assets, and an estimated useful life of one year or more.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include:

- Street system
- Site amenities such as parking and landscaped areas used by the City in conduct of its business.

Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signals), and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives used for depreciation purposes are as follows:

Building and improvements	15-50 Years
Land improvements	20 Years
Machinery and equipment	5-20 Years
Infrastructure	15-50 Years

J. Leases

Lessee

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Leases (Continued)

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

Lessor

The City is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses the average of the LAIF rate and the incremental borrowing rate (IBR) provided by our financial institution at July 1, 2021 for existing leases or the current rate at the time a new lease is executed.

- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term debts are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Unearned and Unavailable Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the government-wide financial statements are cell phone site license lease payments received in advance, prepaid charges for services and facility rentals paid in advance.

In the governmental fund financial statements, unearned and unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unearned revenue for transactions for which revenues have not been earned, and unavailable revenue when funds are not available to meet current financial obligations. Typical transactions for which unearned or unavailable revenue is recorded are lease payments, quarterly encroachment fees and advance registration for recreation classes which were not yet earned.

M. Compensated Absences

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. The long-term amount is included as a liability in the governmental activities of the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

N. Property Taxes Receivable

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period.

Under California law, property taxes are assessed and collected by the counties at up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. The County of Contra Costa levies, bills and collects property taxes and special assessments for the City and remits the full assessment regardless of the amounts received under a Teeter plan arrangement.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Property Taxes Receivable (Continued)

	Secured	Unsecured
Lien Date	January 1 preceding fiscal year	January 1 preceding fiscal year
Due Date	November 1 & February 1	August 31
Delinquent Date	December 10 & April 10	September 1

O. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due from/to other funds” (i.e., current portion of interfund loans).

P. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers’ compensation claims. The estimated liability for workers’ compensation claims and general liability claims includes “*incurred but not reported*” (“IBNR”) claims. There is no fixed payment schedule to pay these liabilities.

Q. Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The General Fund is typically used to pay pension benefits. In proprietary funds, pension benefits are expensed to the various funds in the period they are earned, and such fund’s share of the unpaid liability is recorded as a long-term liability of the fund.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Other Postemployment Benefits (“OPEB”)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 10). For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

OPEB	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

S. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

T. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, related debt, unspent bond proceeds, and deferred inflows of resources.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Nonspendable fund balances include amounts that cannot be spent because they are not in a spendable form, such as loans receivable or inventory, or because resources legally or contractually must remain intact.

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. City Council adoption of a resolution is required to commit resources or to rescind the commitment.

Assigned – Assigned fund balances are limitations imposed by management based on the intended use of the funds. Modifications or rescissions of the constraints can be removed by the same type of action that limited the use of the funds. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

Unassigned – Unassigned fund balances represent the residual net resources in excess of the other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

W. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Spending Policy (Continued)

Governmental Fund Financial Statements (Continued)

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order, except for instances wherein an ordinance specifies the fund balance:

- Committed
- Assigned
- Unassigned

X. Implementation of New GASB Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre–November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2022.

Note 2 – Cash and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. The City had the following cash and investments at June 30, 2022:

	Primary Government		Fiduciary	
	Governmental	Business-type	Funds	Total
	Activities	Activities		
Cash and investments	\$ 28,169,903	\$ 20,192,672	\$ 8,938,111	\$ 57,300,686
Cash and investments with fiscal agent	2,002,393	8,327,888	119,011	10,449,292
Cash and investments held in trust	2,054,252	-	-	2,054,252
Total	\$ 32,226,548	\$ 28,520,560	\$ 9,057,122	\$ 69,804,230

The City's cash and investments at June 30, 2022 in more detail:

Cash on hand	\$ 2,005
Deposits with financial institutions	12,922,858
Deposits with trust	2,054,252
Investments	54,825,115
Total	\$ 69,804,230

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$12,922,858 at June 30, 2022. Bank balances at that date were \$13,068,364 the total amount of which was insured or collateralized with accounts held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). The City, however, has not waived the collateralization requirements.

B. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Agency Issues	5 Years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	180 Days	40%	30%
Commercial Paper	270 Days	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	5 Years	None	\$100,000
Repurchase Agreements	30 Days	None	10%
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Money Market Mutual Funds	N/A	20%	10%
Insured or Passbook Savings Accounts	N/A	None	\$100,000

*The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	30 Years	20%	None
U.S. Government Agency Issues	30 Years	20%	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	6 Months	40%	30%
Commercial Paper	6 Months	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	1 Years	20%	None
Repurchase Agreements	30 Days	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Mutual Funds	N/A	20%	None
Money Market Funds	N/A	None	None
Insured or Passbook Savings Accounts	N/A	None	\$100,000
Guaranteed Investment Contract	N/A	None	None

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, and concentration of credit risk.

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk

Investment Type	Total	Maturity 12 Months or Less
Investments:		
Local Agency Investment Fund	\$ 44,369,592	\$ 44,369,592
Investments with fiscal agents:		
Money Market Mutual Funds	10,455,523	10,455,523
Total	\$ 54,825,115	\$ 54,825,115

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio, not to exceed three years.

As a means of maintaining liquidity and minimizing interest rate risk, the City's investment policy limits are as follows:

Maturity	Percentage of Portfolio
Up to One Year	10% Minimum
One Year to Five Years	60% Maximum
More Than Five Years	30% Maximum

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Total	Minimum Legal Rating	S&P Rating as of Fiscal Year Ended	
			AAA	Not Rated
Investments:				
Local Agency Investment Fund	\$ 44,369,592	N/A	\$ -	\$ 44,369,592
Investments with fiscal agents:				
Money Market Mutual Funds	10,455,523	N/A	10,455,523	-
Total	\$ 54,825,115		\$ 10,455,523	\$ 44,369,592

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City has no investments in any one issuer (other than mutual funds and external investment pools) that represent 5% or more of total City investments.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits as disclosed in Note 2A.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

E. Investment in Local Agency Investment Fund (“LAIF”)

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2022 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities, which included the following:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, collateralized mortgage obligations), or credit card receivables.

As of June 30, 2022, the City had \$44,369,592 invested in LAIF, which had invested 1.88% of the pool investment funds in structured notes and asset-backed securities.

F. Investment in Money Market Mutual Funds

At June 30, 2022, investments in money market mutual funds are reported at fair value. The City values investments in money market mutual funds at NAV based on amortized cost. The funds investment objectives seek preservation of capital, daily liquidity and maximum current income. The portfolios consist of liquid, high-quality debt securities issued by the U.S. Government. The fund seeks to preserve the NAV at \$1.00 per share but cannot guarantee to do so. The funds offer same day liquidity and as of June 30, 2022 the City had \$10,455,523 invested in Money Market Mutual Funds.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2022, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,444,181
Total	<u>\$ 1,444,181</u>

Bio-Rad Loan

The City advanced Bio-Rad Laboratories, Inc. \$2,000,000 to construct various tenant improvements in one or more of the buildings located at 203-295 Linus Pauling Drive. The terms of the loan call for monthly payments of \$10,418, at an interest rate of 4.5% per annum, with repayments commencing May 15, 2010, through September 14, 2038. The balance outstanding as of June 30, 2022 was \$1,444,181.

B. Fiduciary Fund Financial Statements

At June 30, 2022, loans receivable consisted of the following:

Business Development Loans	\$ 1,276,029
Bridge Housing Corporation	2,212,979
Home Emergency Loan	8,293
First Time Homebuyers	860,793
Homeowner Retention/Loss Mitigation	2,718,985
Revitalization and Beautification	168,439
Other Assistance Programs	<u>1,140,547</u>
Total	<u>\$ 8,386,065</u>

Amounts shown above are net of an allowance for uncollectible accounts of \$700,000 for Housing Program Loans.

The Successor Agency to the Redevelopment Agency of the City of Hercules, a private purpose trust fund continues to administer the above listed outstanding loans receivable as it winds down the activities of the former Redevelopment Agency.

Note 4 – Lease Receivable

At June 30, 2022, lease receivable consisted of the following:

Bio-Rad Laboratories, Inc.	\$ 8,602,203
Other lease receivable	<u>661,166</u>
Total	<u>\$ 9,263,369</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Lease Receivable (Continued)

A. Bio-Rad Laboratories Lease Receivable

On August 14, 2008, the City and Bio-Rad Laboratories, Inc. entered in to a lease agreement, which Bio-Rad agreed to lease from the City, the premises, consisting of the land located in the City of Hercules, County of Contra Costa, state of California, commonly known as the Venture Commerce Center located at 203-295 Linus Pauling Drive, including five (5) buildings consisting of approximately 96,847 rentable square feet, together with the parking lot and associated improvements serving the buildings.

The term of this lease shall be for thirty (30) years, commencing on September 15, 2008 and ending on September 14, 2038, or terminated sooner pursuant to the terms of this lease. Bio-Rad Laboratories, Inc. has the option to terminate this lease anytime on or after the fifteenth (15th) anniversary date as to a portion or the entire premises by delivering to the City not later than three (3) months prior to said fifteenth (15th) anniversary date or any applicable later termination date, a notice of such election.

The City granted to Bio-Rad Laboratories, Inc. the option to purchase the premises, Bio-Rad Laboratories, Inc. may elect to exercise the Purchase Option by delivering to the City written notice of such election within 30 days prior to either of the following dates: (i) the fifteenth (15th) anniversary date; (ii) the twentieth (20th) anniversary date; or (iii) the twenty-fifth (25th) anniversary date, If Bio-Rad Laboratories, Inc. has not elected to exercise the Purchase Option during the time period said above, then the Purchase Option shall automatically be deemed elected by Bio-Rad Laboratories, Inc. as of the expiration date unless Bio-Rad Laboratories, Inc., provides prior written notice to the City of Hercules within fifteen (15) days prior to the expiration date electing not to pursue the Purchase Option, If Bio-Rad Laboratories, Inc. elects to exercise the Purchase Option on the expiration date, the purchase price for the premises shall be one dollar (\$1.00).

Total lease revenue of \$26,723,100 will be received from the Bio-Rad Laboratories, Inc. during the term of lease. The interest rate on the lease payments is 8.0381%. Monthly lease payments vary from \$55,300 to \$83,699 will be received on the first day of each month without notice, offset, deduction, or demand, in advance, during the lease term. For the year ended June 30, 2022, the City recognized \$204,120 in lease revenue and \$704,354 in interest revenue.

The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 227,732	\$ 686,994	\$ 914,726
2024	253,325	667,653	920,978
2025	281,064	646,166	927,230
2026	311,131	622,351	933,482
2027	343,720	596,014	939,734
2028-2032	2,367,538	2,473,412	4,840,950
2033-2037	3,703,597	1,264,003	4,967,600
2038-2039	1,114,096	57,118	1,171,214
	<u>\$ 8,602,203</u>	<u>\$ 7,013,711</u>	<u>\$ 15,615,914</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Lease Receivable (Continued)

B. Other Lease Receivable

Lease receivables consist of agreements with others for the right-to-use of the underlying assets for land and building owned by the City at various locations. The remaining terms of the agreements range from 1 to 10 years. The incremental borrowing rates used ranged from 2.38%. For the year ended June 30, 2022, the City recognized \$125,520 in lease revenue and \$10,366 in interest revenue. The outstanding receivables are in the amounts of \$661,166. The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 129,301	\$ 14,339	\$ 143,640
2024	123,026	11,253	134,279
2025	91,724	8,739	100,463
2026	95,026	6,520	101,546
2027	91,304	4,228	95,532
2028-2032	130,785	6,572	137,357
	<u>\$ 661,166</u>	<u>\$ 51,651</u>	<u>\$ 712,817</u>

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2022, the City's Due to and from Other Funds are as follows:

Due From Other Funds (Receivable)	Due To Other Funds (Payable)	Amount
	Landscape & Lighting Assessment District	
General Fund	(LLAD) No. 83-2 Special Revenue Fund	\$ 628,171
General Fund	Nonmajor Governmental Funds	567,046
		<u>\$ 1,195,217</u>

The due to/from other funds are to provide cash flow for the funds with negative cash and for other short-term borrowings between funds.

B. Transfers In and Out

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 396,815
General Fund	American Resecue Plan Act Special Revenue Fund	3,142,889
Landscape & Lighting Assessment District		
(LLAD) No. 83-2 Special Revenue Fund	General Fund	29,316
Debt Service Fund	General Fund	205,099
Nonmajor Governmental Funds	General Fund	1,395,127
	Landscape & Lighting Assessment District	
Nonmajor Governmental Funds	(LLAD) No. 83-2 Special Revenue Fund	265,700
Nonmajor Governmental Funds	Nonmajor Governmental Funds	288,911
	Total	<u>\$ 5,723,857</u>

The transfers in and out are to fund City operations, debt service obligations, and maintenance of the arterial roadways.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021 (Restated)	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2022
Nondepreciable assets:					
Land	\$ 5,081,587	\$ -	\$ -	\$ -	\$ 5,081,587
Construction in progress	4,228,176	989,499	-	(4,213,228)	1,004,447
Total nondepreciable assets	9,309,763	989,499	-	(4,213,228)	6,086,034
Depreciable assets:					
Land improvements	11,720,361	-	-	4,091,950	15,812,311
Building and improvements	26,973,413	339,098	(989,294)	-	26,323,217
Machinery and equipment	5,080,999	579,295	-	121,278	5,781,572
Infrastructure	113,444,645	-	-	-	113,444,645
Subtotal	157,219,418	918,393	(989,294)	4,213,228	161,361,745
Less: accumulated depreciation:					
Land improvements	(9,700,749)	(288,810)	-	-	(9,989,559)
Building and improvements	(11,846,494)	(647,389)	989,418	-	(11,504,465)
Machinery and equipment	(7,168,552)	(271,319)	-	-	(7,439,871)
Infrastructure	(57,986,528)	(2,288,657)	-	-	(60,275,185)
Subtotal	(86,702,323)	(3,496,175)	989,418	-	(89,209,080)
Total depreciable assets, net	70,517,095	(2,577,782)	124	4,213,228	72,152,665
Total capital assets, net	79,826,858	(1,588,283)	124	-	78,238,699
Lease assets, being amortized					
Intangible asset - right to use	27,668	-	-	-	27,668
Accumulated amortization	-	(11,171)	-	-	(11,171)
Total lease assets, being amortized, net	27,668	(11,171)	-	-	16,497
Governmental activities capital assets, net	\$ 79,854,526	\$ (1,599,454)	\$ 124	\$ -	\$ 78,255,196

Depreciation and amortization expenses were charged to functions/programs of governmental activities for the year ended June 30, 2022 as follows:

Depreciation and Amortization Expenses	Allocation
General government	\$ 376,981
Public safety	38,126
Public works	2,604,600
Parks and recreation	239,352
Internal service funds	248,287
Total	<u>\$ 3,507,346</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Reclassification/ Transfers	Balance June 30, 2022
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	968,587	12,608	-	981,195
Total nondepreciable assets	1,160,287	12,608	-	1,172,895
Depreciable assets:				
Building and improvements	38,325,271	-	-	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	14,857,483	87,836	-	14,945,319
Subtotal	53,433,099	87,836	-	53,520,935
Less: accumulated depreciation:				
Building and improvements	(10,869,547)	(137,484)	-	(11,007,031)
Machinery and equipment	(210,707)	(4,687)	-	(215,394)
Infrastructure	(3,525,340)	(860,086)	-	(4,385,426)
Subtotal	(14,605,594)	(1,002,257)	-	(15,607,851)
Total depreciable assets, net	38,827,505	(914,421)	-	37,913,084
Total capital assets, net	\$ 39,987,792	\$ (901,813)	\$ -	\$ 39,085,979

Depreciation expense was charged to the Wastewater Fund within business-type activities as follows:

Depreciation Expenses	Allocation
Wastewater	\$ 1,002,257
Total	<u>\$ 1,002,257</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2021
Nondepreciable assets:					
Land	\$ 229,685	\$ -		\$ 7,301	\$ 236,986
Construction in progress	27,975,434	-	(2,384,332)	(11,737,404)	13,853,698
Total nondepreciable assets	28,205,119	-	(2,384,332)	(11,730,103)	14,090,684
Depreciable assets:					
Land improvements	11,379	-	-	9,753,994	9,765,373
Building and improvements	4,965,778	-	-	2,000	4,967,778
Machinery and equipment	116,445	-	-	-	116,445
Infrastructure	4,232,722	-	-	1,974,109	6,206,831
Subtotal	9,326,324	-	-	11,730,103	21,056,427
Less: accumulated depreciation:					
Land improvements	(11,379)	(5,309,347)	-	-	(5,320,726)
Building and improvements	(3,242,768)	(100,366)	-	-	(3,343,134)
Machinery and equipment	(69,720)	(5,810)	-	-	(75,530)
Infrastructure	(2,870,366)	(1,091,899)	-	-	(3,962,265)
Subtotal	(6,194,233)	(6,507,422)	-	-	(12,701,655)
Total depreciable assets, net	3,132,091	(6,507,422)	-	11,730,103	8,354,772
Total capital assets, net	\$ 31,337,210	\$ (6,507,422)	\$ (2,384,332)	\$ -	\$ 22,445,456

Depreciation expense was charged to the Successor Agency Private Purpose Trust Fund within the Fiduciary Fund Financial Statements as follows:

Depreciation Expenses	Allocation
Successor Agency	\$ 6,507,422
Total	\$ 6,507,422

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2022 was as follows:

	Balance July 1, 20201 (Restated)	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Publicly Offered:						
2009 PFA Taxable Lease Revenue Bonds	\$ 8,385,000	\$ -	\$ (220,000)	\$ 8,165,000	\$ 235,000	\$ 7,930,000
Less: Discount on issuance	(294,035)	-	17,297	(276,738)	-	(276,738)
2020 PFA Lease Revenue Refunding Bonds	5,876,843	-	-	5,876,843	386,663	5,490,180
H.E.L.P. Loan	1,515,521	-	(75,933)	1,439,588	76,067	1,363,521
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
Engie Energy Conservation Loan	4,209,354	-	(93,812)	4,115,542	114,900	4,000,642
SunTrust Loan	293,650	-	(193,470)	100,180	100,180	-
Lease payable	27,668	-	(11,008)	16,660	9,576	7,084
Settlement payable	1,208,050	-	(604,025)	604,025	604,025	-
Compensated Absences	608,384	439,897	(392,721)	655,560	491,669	163,891
Total	\$ 25,580,435	\$ 439,897	\$ (1,573,672)	\$ 24,446,660	\$ 2,018,080	\$ 22,428,580

2009 Public Financing Authority Taxable Lease Revenue Bonds (Bio-Rad Project)

The Authority issued taxable lease revenue bonds, series 2009, dated July 29, 2009, totaling \$10,080,000. The purpose of the bonds was to finance the acquisition of certain commercial condominium properties, consisting of approximately 96,847 square feet located at 203-295 Linus Pauling Drive within the City from the City, funding a reserve fund for the Bonds and to paying the costs of issuance of the Bonds. The interest rates on the bonds range from 6.00% to 8.40%. The interest is payable semiannually on January 1 and July 1, commencing January 1, 2010. The bonds are subject to optional special mandatory redemption, and mandatory sinking account redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the property lease. Principal is due annually beginning on July 1, 2010, in amounts ranging from \$165,000 to \$845,000. The bonds mature on July 1, 2038. The principal outstanding balance and the unamortized issuance discount at June 30, 2022 are \$8,165,000 and \$276,738, respectively.

The Bonds constitute limited obligations of the Authority payable solely from Revenues. The Authority has no taxing power. The obligation of the City to make City Advances does not constitute an obligation of the City which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Future debt service requirements on the 2009 Public Financing Authority Taxable Lease Revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 235,000	\$ 672,371	\$ 907,371
2024	255,000	652,159	907,159
2025	275,000	630,296	905,296
2026	300,000	606,578	906,578
2027	325,000	580,796	905,796
2028-2032	2,065,000	2,436,495	4,501,495
2033-2037	3,085,000	1,372,350	4,457,350
2038-2039	1,625,000	139,230	1,764,230
Total	\$ 8,165,000	\$ 7,090,275	\$ 15,255,275

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2020 Hercules Public Financing Authority Lease Revenue Refunding Bonds

The Hercules Public Financing Authority issued Lease Revenue Refunding Bond series 2020, dated August 1, 2020, totaling \$5,876,843. The purpose of the bonds was to finance and to refinance the acquisition and or construction of certain real property and public capital improvements of the City. The issuance of the 2020 Lease Revenue Refunding Bond (the “2020 Refunding Bond”) resulted in cash flow savings of \$947,702 over the life of the Bond. The City has structured the refinancing to achieve nearly all of the cash flow savings in the first three fiscal years: \$458,377, \$435,857, and \$53,463 during years ended 2021, 2022, and 2023, respectively.

Future debt service requirements on the 2020 Hercules Public Financing Authority Lease Revenue Refunding Bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 386,663	\$ 125,606	\$ 512,269
2024	448,561	116,376	564,937
2025	457,061	106,369	563,430
2026	465,032	96,180	561,212
2027	477,396	85,766	563,162
2028-2032	2,547,562	263,936	2,811,498
2033-2034	1,094,568	24,305	1,118,873
Total	<u>\$ 5,876,843</u>	<u>\$ 818,539</u>	<u>\$ 6,695,382</u>

Housing Enabled by Local Partnerships (H.E.L.P.) Loan (“H.E.L.P Loan”)

In April 2005 the City entered into an agreement with the California Housing Finance Agency (Agency), a public instrumentality and political subdivision of the state of California to develop a 50-unit multifamily rental project that is a component to a mixed-used development, also consisting of 26,825 square feet of ground-floor commercial space. The Agency has authorized the making of a loan in the amount of \$1,600,000 known as the Housing Enabled by Local Partnerships (H.E.L.P.) to the City for the purpose of assisting in operating a local housing program. Under the terms of this original agreement the City of Hercules agreed to reimburse the Agency \$1,600,000, 10 years from April 11, 2005 at a 3% simple per annum interest. Interest is to be charged only on funds disbursed. In October 2013, the City and Agency amended the agreement to extend the due date of the loan and accumulated interest until April 2027 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2022 is \$1,439,588.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 76,067	\$ 23,933	\$ 100,000
2024	75,933	24,067	100,000
2025	76,133	23,867	100,000
2026	1,211,455	18,733	1,230,188
Total	<u>\$ 1,439,588</u>	<u>\$ 90,600</u>	<u>\$ 1,530,188</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Residential Development Loan Program Loan (“R.D.L.P. Loan”)

In February 2007, the City entered into a loan agreement with the California Housing Finance Agency (Agency) in the amount of \$3,750,000 (\$1,750,000 for predevelopment costs and \$2,000,000 for construction costs). The funds will be used to assist with site acquisition, predevelopment, and construction costs for 23 affordable ownership units within a 52-unit condominium project, which is a component to the Sycamore Downtown Street project, a mixed-use, mixed-income development. Under the terms of the original agreement, the City agreed to repay the Agency \$3,750,000, four years from February 2007 at 3% simple per annum interest. In October 2013, the City and Agency amended the agreement to extend the due date of the loan and accumulated interest until August 2026 and to reduce the interest rate to 1.5% simple interest effective October 31, 2013. The balance at June 30, 2022 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 100,000	\$ 100,000
2024	-	100,000	100,000
2025	-	100,000	100,000
2026	3,750,000	113,572	3,863,572
Total	<u>\$ 3,750,000</u>	<u>\$ 413,572</u>	<u>\$ 4,163,572</u>

Engie Construction Loan

On August 14, 2020, the City entered into an equipment finance purchase agreement for the implementation of the “Option A” Energy Services Contract. Interest rate is 2.71%, 30/360 basis, and payment commencing August 14, 2020 and ending on September 14, 2040. The balance at June 30, 2022 is \$4,115,542.

The annual debt service requirements to maturity for the rental payment as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 114,900	\$ 111,531	\$ 226,431
2024	127,479	108,417	235,896
2025	130,064	104,963	235,027
2026	143,641	101,438	245,079
2027	158,064	97,545	255,609
2028-2032	1,039,606	414,783	1,454,389
2033-2037	1,408,443	247,529	1,655,972
2038-2041	993,345	68,723	1,062,068
Total	<u>\$ 4,115,542</u>	<u>\$ 1,254,929</u>	<u>\$ 5,370,471</u>

SunTrust Loan

On September 27, 2007, the City entered into master loan agreements with SunTrust Leasing Corporation in order to provide funds for the financing of the EMS Project performed by Siemens Building Technologies in the amount of \$2,185,538. Payments are due semiannually on September 27 and March 27, at an interest rate of 4.73%. The Master Lease Agreement matures on September 27, 2022. The balance at June 30, 2022 is \$100,180. The costs of these assets were \$2,358,636 and the net book value at June 30, 2022 were \$603,566.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

SunTrust Loan (Continued)

The annual debt service requirements to maturity for the SunTrust master lease agreement as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 100,180	\$ 2,369	\$ 102,549

Lease Payable

The City has entered into leases for the machine uses. The terms of the agreements range from 13 months to 33 months. The calculated interest rate used was 2.38% based on the term of the agreements. Principal and interest payments to maturity at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 9,576	\$ 289	\$ 9,865
2024	7,084	71	7,155
Total	\$ 16,660	\$ 360	\$ 17,020

Settlement Payable

On March 19, 2020, the City has entered a settlement agreement with Successor Agency to the Redevelopment Agency for the City of Hercules, the California Department of Finance related to completely resolve any and all disputes between the Parties pertaining to *California Department of Finance v. City of Hercules; Successor Agency to the Hercules Redevelopment Agency*, Sacramento County Superior Court Case No. 34-2019-80003245 ("Finance Action") and *Successor Agency to the Hercules Redevelopment Agency; City of Hercules v. Keely Bosler, in her official capacity as Director of the California Department of Finance; California Department of Finance; Betty T. Yee, in her official capacity as Controller of the State of California; Robert Campbell, in his official capacity as Auditor-Controller of the County of Contra Costa*, Sacramento County Superior Court Case No. 34-2018-80003038 ("Hercules Action") (collectively, the "Actions").

The actions related to the wind down of the Redevelopment Agency for the City of Hercules ("RDA") pursuant to Assembly Bill 26 of the 2011-12 First Extraordinary Session of the California Legislature ("AB xi 26"), Assembly Bill 1484 of the 2011-12 Regular Session of the California Legislature ("AB 1484"), and Senate Bill 107 of the 2015-16 Regular Session of the California Legislature ("SB 107"). (AB x I 26, AB 1484, SB 107 and all other laws codified in Parts 1.8 and 1.85 of Division 24 of the Health and Safety Code are collectively referred to as the "Dissolution Law").

In this settlement, the City and Successor Agency is obligated to pay up to \$3.6 million to Auditor-Controller. At June 30, 2022, settlement payable reflected in the Statement of Net Position is \$604,025.

Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities

Summary of changes in Business-Type Activities long-term debt for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
2010 PFA Wastewater						
Revenue Bonds	\$ 9,250,000	\$ -	\$ (9,250,000)	\$ -	\$ -	\$ -
Less: Discount on issuance	(138,162)	-	138,162	-	-	-
State Water Resources Construction Loan						
Construction Loan	24,356,298	-	(1,096,780)	23,259,518	1,115,425	22,144,093
Wastewater Revenue Bonds, Series 2021A	-	8,450,000	-	8,450,000	355,000	8,095,000
Compensated Absences	47,180	32,324	(27,755)	51,749	38,811	12,938
Total	<u>\$ 33,515,316</u>	<u>\$ 8,482,324</u>	<u>\$ (10,236,373)</u>	<u>\$ 31,761,267</u>	<u>\$ 1,509,236</u>	<u>\$ 30,252,031</u>

2010 PFA Wastewater Revenue Bonds

The Public Financing Authority issued revenue bonds, series 2010, dated August 1, 2010, totaling \$11,765,000. The purpose of the bonds was to finance improvements to the City's wastewater system, fund a reserve fund for the bonds, and pay the costs of issuances of the bonds. The interest rates on the bonds range from 2.00% to 5.130%. Principal and interest payment are due annually beginning August 1, 2011, in amounts ranging from \$230,000 to \$700,000. The City issued Wastewater Revenue Bonds Series 2021 to fully refund the bonds.

State Water Resources Construction Loan

In June 2016, the City entered into an installment sale agreement with the California State Water Resources Control Board in the amount of \$26,500,000. The funds are for construction costs for the Pinole-Hercules Wastewater Pollution Control Plant Improvement Project. The interest rate on the loan is 1.7%. The first principal and interest payment are due August 31, 2019, and is contingent on the total drawdowns at project completion. The loan matures on August 31, 2038. The City has drawn down \$25,458,720 of the loan principal including construction loan interest as of June 30, 2022. The balance at June 30, 2022 is \$23,259,518.

The annual debt service requirements to maturity for as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,115,425	\$ 395,412	\$ 1,510,837
2024	1,134,388	376,450	1,510,838
2025	1,153,672	357,165	1,510,837
2026	1,173,285	337,553	1,510,838
2027	1,193,230	317,606	1,510,836
2028-2032	6,277,411	1,276,774	7,554,185
2033-2037	6,829,444	724,742	7,554,186
2038-2039	4,382,663	149,849	4,532,512
Total	<u>\$ 23,259,518</u>	<u>\$ 3,935,550</u>	<u>\$ 27,195,068</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Wastewater Revenue Bonds, Series

In July, 2021, the City issued the Direct Purchase Lease in the amount of \$8,450,000 and the proceeds were used to early pay off the 2010 PFA Wastewater Revenue Bonds.

The bonds bear interest at 2.38%. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing February 1, 2022. Principal payments are due in annual installments ranging from \$355,000 to \$545,000, commencing August 1, 2022 through August 1, 2040.

In the event of default, the City shall declare the entire principal amount of the unpaid series 2021 installment payments and accrued interest thereon to be due and payable immediately in writing.

The annual debt service requirements to maturity for as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 355,000	\$ 196,886	\$ 551,886
2024	365,000	188,318	553,318
2025	375,000	179,512	554,512
2026	385,000	170,468	555,468
2027	395,000	161,186	556,186
2028-2032	2,100,000	659,855	2,759,855
2033-2037	2,365,000	394,545	2,759,545
2038-2041	2,110,000	101,864	2,211,864
Total	<u>\$ 8,450,000</u>	<u>\$ 2,052,632</u>	<u>\$ 10,502,632</u>

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Publicly Offered:						
2005 Tax Allocation Bonds	\$ 30,770,000	\$ -	\$ (30,770,000)	\$ -	\$ -	\$ -
Plus: Bond Premium	1,015,457	-	(1,015,457)	-	-	-
2007A Housing Tax Allocation Bonds	8,925,000	-	(8,925,000)	-	-	-
2007B Housing Tax Allocation Bonds	7,080,000	-	(7,080,000)	-	-	-
Plus: Bond Premium	37,762	-	(37,762)	-	-	-
2007 RDA Tax Allocation Bonds	47,515,000	-	(47,515,000)	-	-	-
2022A Tax Allocation	-	29,510,000	-	29,510,000	-	29,510,000
Plus: Bond Premium	-	3,032,566	(18,758)	3,013,808	-	3,013,808
2022B Tax Allocation - Federerally Taxable	-	51,180,000	-	51,180,000	2,600,000	48,580,000
Notes Payable	347,070	65,446	-	412,516	-	412,516
Total	<u>\$ 95,690,289</u>	<u>\$ 83,788,012</u>	<u>\$ (95,361,977)</u>	<u>\$ 84,116,324</u>	<u>\$ 2,600,000</u>	<u>\$ 81,516,324</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2005 Tax Allocation Bonds

On August 5, 2005, the former Redevelopment Agency (Agency) issued Hercules Merged Project Area Tax Allocation Bonds, Series 2005, in the amount of \$56,260,000. The proceeds of the bonds were used to finance certain public capital improvements within the Agency's Merged Project Area and refund the Agency Subordinate Tax Allocation Bonds, Series 2001. The Bonds mature annually each August 1 from 2006 to 2035, in amounts ranging from \$740,000 to \$2,960,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2015, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The Agency issued the Tax Allocation Refunding Bonds, Series 2022A and 2022B to currently refund the Bonds.

2007 Housing Tax Allocation Bonds Series A and B

On July 26, 2007, the former Redevelopment Agency issued Hercules Merged Project Area Housing Tax Allocation Bonds, 2007 Series A, in the amount of \$13,130,000 and 2007 Series B, in the amount of \$12,760,000. The proceeds of the bonds were used to finance certain public capital improvements within the Agency's Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2033, in amounts ranging from \$220,000 to \$950,000 and bear interest at rates ranging from 3.50% to 6.125%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after August 1, 2017, as a whole or in part, on any interest payment date, at a price equal to the principal amount plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The Agency issued the Tax Allocation Refunding Bonds, Series 2022A and 2022B to currently refund the Bonds.

2007 RDA Tax Allocation Bonds Series A

On December 20, 2007, the former Redevelopment Agency issued Hercules Merged Project Area Tax Allocation Bonds, 2007 Series A, in the amount of \$60,555,000. The proceeds of the bonds will be used to finance certain public capital improvements within the Agency's Merged Project Area. The Bonds mature annually each August 1 from 2009 to 2043, in amounts ranging from \$260,000 to \$3,315,000 and bear interest at rates ranging from 3.50% to 5.00%. Interest is payable semi-annually on February 1 and August 1. The Bonds maturing on or after August 1, 2018, are subject to optional redemption prior to maturity at the option of the Agency on or after February 1, 2018, as a whole or in part, on any interest payment date, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposit in certain funds and accounts, including the reserve account and the revenue account. The Agency issued the Tax Allocation Refunding Bonds, Series 2022A and 2022B to currently refund the Bonds.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2022 Tax Allocation Bonds Series A and B

On May 1, 2022, the Successor Agency to the Hercules Redevelopment Agency issued Tax Allocation Refunding Bonds, Series 2022A and 2022B to currently refund 2005 Tax Allocation Bonds, 2007A and B Housing Tax Allocation Bonds, and 2007 RDA Tax Allocation Bonds. The economic gain on the current refunding was \$2,171,280 and the saving in debt service payment is \$13,014,042.

The Series A bonds bear interest at 5% and the Series B bonds bear interest rates range from 2.568% to 5.013%. Principal on the bonds is payable annually on August 1 in each year, commencing August 1, 2022 ranging from \$455,000 to \$15,000,000. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing August 1, 2022. The balances at June 30, 2022 for the Series A and B are \$29,510,000 and \$51,180,000.

In the event of default, the City shall declare the entire principal amount of the unpaid series 2022 A and B installment payments and accrued interest thereon to be due and payable immediately in writing.

The annual debt service requirements to maturity for as of June 30, 2022 are as follows:

2022 Series A

Year Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 1,032,850	\$ 1,032,850
2024	-	1,475,500	1,475,500
2025	-	1,475,500	1,475,500
2026	-	1,475,500	1,475,500
2027	-	1,475,500	1,475,500
2028-2032	-	7,377,500	7,377,500
2033-2037	11,925,000	6,619,125	18,544,125
2038-2042	14,285,000	2,680,125	16,965,125
2043	3,300,000	82,500	3,382,500
Total	<u>\$ 29,510,000</u>	<u>\$ 23,694,100</u>	<u>\$ 53,204,100</u>

2022 Series B

Year Ending June 30,	Principal	Interest	Total
2023	\$ 2,600,000	\$ 1,525,263	\$ 4,125,263
2024	-	2,159,871	2,159,871
2025	455,000	2,152,254	2,607,254
2026	4,310,000	2,067,790	6,377,790
2027	4,465,000	1,904,991	6,369,991
2028-2032	25,280,000	6,436,084	31,716,084
2033-2035	14,070,000	867,456	14,937,456
Total	<u>\$ 51,180,000</u>	<u>\$ 17,113,709</u>	<u>\$ 68,293,709</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

Notes Payable

In 1987, the Agency entered into Owner Participation Agreements with certain property owners (East Group and Bio Rad Laboratories) in the Redevelopment Area. Under the terms of these agreements, the Agency signed notes under which it promised to reimburse the owners by the year 2016 for the amount of incremental assessments levied on their properties, up to the cost of constructing public improvements. Payment on these notes is contingent on the property taxes and special assessments levied on these owners. As of June 30, 2022, the Agency's long-term notes payable for East Group, Bio Rad Laboratories, and Eden Housing were \$130,911, \$216,160 and \$65,445, respectively.

D. Non-City Obligations

The District Bonds are not general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bond reserves, these bonds have not been reflected in the long-term debt in the accompanying financial statements.

	Original Issuance	Balance June 30, 2022
Refunding Reassessment District 2005-1 (John Muir Parkway)	\$ 3,006,859	\$ 2,617,966

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans

Summary of changes in deferred outflows of resources related to pension, net pension liabilities, and deferred inflows of resources related to pension for both governmental activities and business-type activities for the year ended June 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contributions made after measurement date:			
CalPERS Miscellaneous	\$ 872,447	\$ 88,805	\$ 961,252
CalPERS Safety	1,127,304	-	1,127,304
Total pension contribution made after measurement date	1,999,751	88,805	2,088,556
Adjustment due to difference in proportions			
CalPERS Miscellaneous	223,965	22,796	246,761
CalPERS Safety	98,440	-	98,440
Total adjustment due to difference in proportions	322,405	22,796	345,201
Difference between expected and actual experience			
CalPERS Miscellaneous	459,455	46,766	506,221
CalPERS Safety	918,895	-	918,895
Total difference between expected and actual experience	1,378,350	46,766	1,425,116
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	36,542	3,718	40,260
Total employer contributions in excess of proportionate share of contribution	36,542	3,718	40,260
Total deferred outflows of resources			
CalPERS Miscellaneous	1,592,409	162,085	1,754,494
CalPERS Safety	2,144,639	-	2,144,639
Total deferred outflows of resources	\$ 3,737,048	\$ 162,085	\$ 3,899,133
Net pension liabilities:			
CalPERS Miscellaneous	\$ 4,150,214	\$ 364,008	\$ 4,514,222
CalPERS Safety	5,378,400	-	5,378,400
Total net pension liabilities	\$ 9,528,614	\$ 364,008	\$ 9,892,622
Deferred inflows of resources:			
Adjustment due to difference in proportions			
CalPERS Miscellaneous	75,841	8,812	\$ 84,653
CalPERS Safety	254,366	-	254,366
Total adjustment due to difference in proportions	330,207	8,812	339,019
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	3,530,444	410,223	3,940,667
CalPERS Safety	3,201,176	-	3,201,176
Total difference between projected and actual investment earnings:	6,731,620	410,223	7,141,843
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	632,843	73,533	706,376
CalPERS Safety	1,172,735	-	1,172,735
Total employer contributions in excess of proportionate share of contribution	1,805,578	73,533	1,879,111
Total deferred inflows of resources			
CalPERS Miscellaneous	4,239,128	492,568	4,731,696
CalPERS Safety	4,628,277	-	4,628,277
Total deferred inflows of resources	\$ 8,867,405	\$ 492,568	\$ 9,359,973
Pension expenses (credits):			
CalPERS Miscellaneous	\$ 1,418,399	\$ 211,951	\$ 1,630,350
CalPERS Safety	(413,419)	-	(413,419)
Total net pension expenses	\$ 1,004,980	\$ 211,951	\$ 1,216,931

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans

Plan Description

The City contributes to CalPERS, a cost-sharing multiple-employer defined benefit pension plan, for its qualified permanent and probationary miscellaneous and safety employees. California Public Employees' Retirement System ("CalPERS") provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from its website at <https://www.calpers.ca.gov/> under Forms and Publications.

Employees Covered by Benefit Terms

At valuation date of June 30, 2020, the following employees were covered by the benefit terms:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety Tier 2	Safety PEPRA
Active employees	31	13	7	1	15
Transferred employees	48	13	7	1	7
Separated employees	95	17	4	1	7
Retired employees and beneficiaries	88	1	37	-	-
Total	262	44	55	3	29

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized below:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety Tier 2	Safety PEPRA
Benefit formula	2.0% @ 55	2.0% @ 62	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50-63	52 - 67	50	55	57
Monthly benefits, as a % of eligible compensation	1.426 - 2.148%	1.0 - 2.5%	3.0%	3.0%	2.7%
Required employee contribution rate	7.00%	6.75%	9.00%	9.00%	13.00%
Required employer contribution rate	10.340%	7.590%	23.710%	21.790%	13.100%

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

A participant is eligible for non-industrial disability retirement if he or she becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.15% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. In addition, effective October 21, 2018, employees pay an additional 3% applied to the Employer CalPERS Contribution Rate.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Safety	CalPERS Total
Contributions - employer	\$ 961,252	\$ 1,127,304	\$ 2,088,556

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2021 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10¹	Real Return Years 11 +²
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

	Plan's Net Pension Liability		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 8,669,259	\$ 4,514,222	\$ 1,079,312
Safety	\$ 10,627,918	\$ 5,378,400	\$ 1,066,569

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/20 (Valuation date)	\$ 29,729,683	\$ 21,888,875	\$ 7,840,808
Balance at: 6/30/21 (Measurement date)	31,470,190	26,955,968	4,514,222
Net changes during 2020-2021	<u>\$ 1,740,507</u>	<u>\$ 5,067,093</u>	<u>\$ (3,326,586)</u>
Safety			
Balance at: 6/30/20 (Valuation date)	\$ 36,992,828	\$ 27,067,865	\$ 9,924,963
Balance at: 6/30/21 (Measurement date)	38,998,377	33,619,977	5,378,400
Net changes during 2020-2021	<u>\$ 2,005,549</u>	<u>\$ 6,552,112</u>	<u>\$ (4,546,563)</u>

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2020). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2021). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2020-21).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Deferred outflows of resources, deferred inflows of resources, and pension expense are allocated based on the City's share of contribution during the measurement period.

The City's proportionate share of the net pension liability was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.07263%	0.91220%
Proportion - June 30, 2021	0.08347%	0.09945%
Change - Increase/(Decrease)	<u>0.01083%</u>	<u>-0.81275%</u>

For the year ended June 30, 2022, the City recognized pension expense (credit) of \$1,650,350 and \$(413,419), for the Miscellaneous and Safety plans, respectively.

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Miscellaneous Plan</u>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$ 961,252	\$ -
Difference between expected and actual experience	506,221	
Net difference between projected and actual earnings on pension plan investments	-	(3,940,667)
Employer contributions in excess/(under) proportionate share of contributions	40,260	(706,376)
Adjustments due to difference in proportions	246,761	(84,653)
Total	<u>\$ 1,754,494</u>	<u>\$ (4,731,696)</u>
<u>Safety Plan</u>		
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made after the measurement date	\$ 1,127,304	\$ -
Difference between expected and actual experience	918,895	-
Net difference between projected and actual earnings on pension plan investments	-	(3,201,176)
Employer contributions in excess/(under) proportionate share of contributions	-	(1,172,735)
Adjustments due to difference in proportions	98,440	(254,366)
Total	<u>\$ 2,144,639</u>	<u>\$ (4,628,277)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

	CalPERS Aggregate Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,088,556	\$ -
Difference between expected and actual experience	1,425,116	-
Net difference between projected and actual earnings on pension plan investments	-	(7,141,843)
Employer contributions in excess/(under) proportionate share of contributions	40,260	(1,879,111)
Adjustments due to difference in proportions	345,201	(339,019)
Total	<u>\$ 3,899,133</u>	<u>\$ (9,359,973)</u>

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2020-21 measurement period is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired).

\$961,252 and \$1,118,578 reported as deferred outflows of resources related to pensions for miscellaneous plan and safety plan, respectively, resulting from the City’s contributions made subsequent to the measurement date. Both will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2022	\$ (782,237)	\$ (953,414)	\$ (1,735,651)
2023	(1,017,018)	(896,767)	(1,913,785)
2024	(1,050,202)	(879,840)	(1,930,042)
2025	(1,088,997)	(880,921)	(1,969,918)
2026	-	-	-
Thereafter	-	-	-
Total	<u>\$ (3,938,454)</u>	<u>\$ (3,610,942)</u>	<u>\$ (7,549,396)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Retirement Plans (Continued)

C. Other

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

D. Payable to the CalPERS Pension Plans

At June 30, 2022, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2022.

E. Liquidating Net Pension Liability

Pension liabilities are liquidated principally by all the funds.

Note 9 – Deferred Compensation Plan

A. 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to full-time employees. The Internal Revenue Service regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust by a third-party administrator (ICMA) for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457(g). Accordingly, these assets have been excluded from the City's Annual Comprehensive Financial Report.

B. 401A Plan

The City contributes 4% of total gross salary to the plan for senior managers.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 9 – Deferred Compensation Plan (Continued)

C. PARS

Part-time employees who do not participate in the Public Employees Retirement System are covered through the City's participation in Public Alternative Retirement System (PARS). Employees contribute 6.2% and the City contributes 1.3%.

Note 10 – Other Postemployment Benefits

Summary of changes in deferred outflows of resources related to other postemployment benefit ("OPEB"), net OPEB liabilities, and deferred inflows of resources related to OPEB for both governmental activities and business-type activities for the year ended June 30, 2022 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Difference between expected and actual experience			
PEHMCA	16,260	920	17,180
Total difference between expected and actual experience	16,260	920	17,180
Changes of assumptions			
PEHMCA	168,400	9,532	177,932
SOMAR	261,005	14,776	275,781
Total employer contributions in excess of proportionate share of	168,400	9,532	177,932
Difference between projected and actual investment earnings:			
PEHMCA	248,938	14,091	263,029
Total difference between projected and actual investment	248,938	14,091	263,029
Total deferred outflows of resources			
PEHMCA	433,598	24,543	458,141
SOMAR	261,005	14,776	275,781
Total deferred outflows of resources	\$ 694,603	\$ 39,319	\$ 733,922
Net OPEB liabilities (assets):			
PEHMCA	\$ (13,481)	\$ (763)	\$ (14,244)
SOMAR	1,269,285	71,848	1,341,133
Total net OPEB liabilities (assets)	\$ 1,255,804	\$ 71,085	\$ 1,326,889
Deferred inflows of resources:			
Difference between expected and actual experience			
PEHMCA	1,072,885	60,730	\$ 1,133,615
SOMAR	310,156	17,556	327,712
Total difference between expected and actual experience	1,383,041	78,286	1,461,327
Changes of assumptions			
PEHMCA	203,388	11,513	214,901
SOMAR	313,556	17,750	331,306
Total changes of assumptions	516,944	29,263	546,207
Total deferred inflows of resources			
PEHMCA	1,276,273	72,243	1,348,516
SOMAR	623,712	35,306	659,018
Total deferred inflows of resources	\$ 1,899,985	\$ 107,549	\$ 2,007,534

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA)

Plan Descriptions and Administration

The City Retiree Healthcare Plan (Plan) is a single-employer benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The City has prefunded a portion of its OPEB benefits in a Public Agency Retirement Services (PARS) trust. The PARS Trust is a tax qualified irrevocable trusts, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 75. PARS issues annual audited financial statements for each participating agency of the Trust. PARS is considered an agency agent multiple-employer plan, required to provide financial statements and required supplementary information (Schedule of Changes in Fiduciary Net Position by Plan) that are prepared in conformance with GASB statement 75.

These reports may be obtained by writing the plan at the following address: PARS 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660-2043.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service. The City contribution towards retiree health benefits is determined under the "Equal Contribution Method" under PEHMCA under which the City's nominal contribution to PEMHCA is the same for active employees and retirees (\$143/month for 2021 and \$149/month for 2022).

Members of the Hercules Police Officers' Association and Executive Management retirees may receive supplement benefits under a sick-leave conversion plan called "Supplemental Optional Monies Allowance for Retirees" Plan. In order to be eligible, the employee must have served the City for at least ten consecutive years prior to retirement and be at least age 50 when they separate from service, or retire with a disability retirement and have at least 20 years of service with the City.

Contributions

The contributions are based on pay-go for premiums and contributions to the PARS OPEB trust. The pay-go amount is the actual amount of retiree premiums. Total contributions (pay-go and trust contributions) for the year ended June 30, 2022 were \$144,124 including the implied rate subsidy.

Employees Covered by Benefit Terms

At June 30, 2021, valuation date, the following employees were covered by the benefit terms:

Active employees	54
Retirees	17
Total	<u>71</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of June 30, 2021 using the following actuarial assumptions:

Actuarial Assumptions:	
Cost Method	Entry age actuarial cost method
Discount Rate	5.15%
Inflation	2.50%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return	5.15%
Mortality, Termination, and Disability	2017 CalPERS Mortality
Healthcare Trend Rate	4%

The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS for the miscellaneous participant type and the 2017 CalPERS Mortality for Safety Employees for the safety participant type. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Discount Rate

The discount rate used to measure the total Plan's OPEB liability was 5.15%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the City plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The expected long-term rate of return on OPEB plan investments of 5.15%, gross of expenses, was determined by Highmark Capital Management using a building-block method in which best-estimate ranges of expected future real rates of return, net of inflation, are developed for each major asset class. These ranges are combined to produce the term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
All Domestic Equities	30.00%	7.25%
All Fixed Income	65.00%	4.25%
Short-Term Gov't Fixed	5.00%	3.00%
	<u>100.00%</u>	

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Changes in the Net OPEB Liability (Asset) (Continued)

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability (asset) of the PEHMCA Plan as of June 30, 2022:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 2,429,170	\$ 2,906,448	\$ (477,278)
Changes Recognized for the Measurement Period:			
Service Cost	135,089	-	135,089
Interest on the total OPEB liability	124,870	-	124,870
Contributions from the employer	-	144,124	(144,124)
Expected investment income	-	149,251	(149,251)
Investment (gains)/losses	-	(479,716)	479,716
Administrative expenses	-	(16,734)	16,734
Benefit payments	(144,124)	(144,124)	-
Net Changes during July 1, 2021 to June 30, 2022	115,835	(347,199)	463,034
Balance at June 30, 2022 (Measurement Date)	\$ 2,545,005	\$ 2,559,249	\$ (14,244)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Plan, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Net OPEB Liability (Asset)		
Discount Rate - 1% (4.15%)	Current Discount Rate (5.15%)	Discount Rate + 1% (6.15%)
\$ 295,249	\$ (14,244)	\$ (275,253)

The following presents the net OPEB liability (asset) of the Plan, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that 1% lower or 1% higher than the current healthcare cost trend rate:

Net OPEB Liability (Asset)		
Healthcare Cost Trend Rates 3%	Healthcare Cost Trend Rates 4%	Healthcare Cost Trend Rates 5%
\$ (396,084)	\$ (14,244)	\$ 419,258

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$101,656 for the Plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,180	\$ (1,133,615)
Changes of assumptions	177,932	(214,901)
Net difference between projected and actual earning on OPEB plan investments	263,029	-
Total	<u>\$ 458,141</u>	<u>\$ (1,348,516)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	Deferred Outflows/ (Inflows) of Resources
2023	\$ (26,134)
2024	(36,113)
2025	(99,008)
2026	(60,941)
2027	(156,881)
Thereafter	(511,298)
Total	<u>\$ (890,375)</u>

Liquidating PEHMAC OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan)

Plan Description

The City SOMAR Plan is a single-employer benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The SOMAR Plan benefit percentage is based on the lesser of actual years of service, or an equivalent based on sick-leave hours divided by 48, with a minimum percentage of 50% after 10 years and a maximum percentage of 100% after 20 years. The percentage is applied to a stated dollar amount prior to age 65 and the Kaiser Senior Advantage retiree only premium after age 65, offset by the PEMHCA Plan minimum, described above. The monthly dollar amounts under the SOMAR Plan are \$366/per month for 2021 and \$377/per month for 2022 (Police), \$275 for 2021 and \$283/per month for 2022 (Executive Management), and are contractually indexed each year by 3%.

The City provide an optional monetary allowance with an annual three (3%) adjustment each year to Public Safety and Executive employees who retire as regulated by the Public Employee's Retirement System. To be eligible for the optional monies, an employee must retire as follows:

1. Service Retirement: Employees who have served the City for at least ten (10) consecutive years immediately prior to retirement and are at least fifty (50) years old when they separate service from the City.
2. Disability Retirement: Employees who retire with a disability retirement are not required to be a certain age, but must have at least twenty (20) years of service with the City.

Employees must have the minimum amount of sick leave on the books, as outlined in the chart below. If an employee has below the amount of sick leave required for their years of service, then they will only be eligible for the percentage paid equivalent to the amount of sick leave they do have on the books.

Years of Service	Sick Leave Balance	% of Optional Money Available
10	480	50
11	528	55
12	576	60
13	624	65
14	672	70
15	720	75
16	768	80
17	846	85
18	864	90
19	912	95
20-24	960	100
25	No Minimum amount required	100

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Plan Description (Continued)

Employees must retire within one hundred twenty (120) days. In addition, employees who separate service but do not retire as a PERS annuitant, shall not be eligible under for SOMAR benefits.

The City will pay a portion of the optional money to a retiree until the retiree reaches age sixty five (65), upon which they are required to enroll in Medicare. At that time, the optional money will drop to an amount equivalent to the Kaiser Supplemental to Medicare rate through PERS.

The SOMAR benefit is expected to last into perpetuity. Payment are made on a bi-annual basis.

Employees Covered by Benefit Terms

At the June 30, 2022 measurement date, the following employees were covered by the benefit terms:

	Executives	Police	Total
Participating active employees	11	20	31
Inactive employees receiving benefits	2	11	13
Total	13	31	44

Benefits Provided

The SOMAR plan's provisions and benefits in effect at June 30, 2022, are summarized below:

	Executives	Police
Duration of benefits	Lifetime	Lifetime
Required service	50% at 10 years grading to 100% at 20 years	50% at 10 years grading to 100% at 20 years
Minimum age	Retirement	Retirement
Amount	\$263 per month pre- 65; based on Kaiser premium post-65	\$350 per month pre- 65; based on Kaiser premium post-65

Contributions

For the year ended June 30, 2022, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

	SOMAR Plan
Contributions - employer	\$ 43,718

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2021 using the following actuarial assumptions.

Actuarial Assumptions:	
Cost method	Entry age normal
Discount Rate	3.54%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2017 CalPERS tables
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.

The mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Changes in the Net OPEB Liability

This table shows the changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability (asset) of the SOMAR plan as of June 30, 2022:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2021	\$ 1,617,718	\$ -	\$ 1,617,718
Changes Recognized for the Measurement Period:			
Service cost	95,420	-	95,420
Interest on the total pension liability	35,501	-	35,501
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	(363,788)	-	(363,788)
Contributions from the employer as benefit payments	-	43,718	(43,718)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(43,718)	(43,718)	-
Net changes during July 1, 2021 to June 30, 2022	(276,585)	-	(276,585)
Balance at June 30, 2022 (measurement date)	\$ 1,341,133	\$ -	\$ 1,341,133

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.54%. based on the Bond Buyer 20 Bond Index.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the SOMAR Plan, as well as what the SOMAR Plan's net OPEB liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

SOMAR Plan's Total OPEB Liability		
Discount Rate - 1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate + 1% (4.54%)
\$ 1,595,392	\$ 1,341,133	\$ 1,158,833

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$97,139 for the SOMAR plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the SOMAR plan:

	SOMAR Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (327,712)
Changes of assumptions	275,781	(331,306)
Total	\$ 275,781	\$ (659,018)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	SOMAR Plan Deferred Outflows/ (Inflows) of Resources
2023	\$ (33,782)
2024	\$ (33,782)
2025	\$ (33,782)
2026	\$ (33,782)
2027	\$ (33,782)
Thereafter	(214,327)
Total	\$ (383,237)

Liquidating SOMAR OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

Payable to the OPEB Plan

At June 30, 2022, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2022.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – Risk Management

General Liability Insurance

Coverage is maintained with the Municipal Pooling Authority (MPA) with coverage limits of \$1,000,000 with self-insured retention of \$10,000 and \$1,000,001 to \$29,000,000 covered by California Affiliated Risk Management Authority (CARMA).

Workers' Compensation

The City has coverage limits for the following without a deductible:

MPA	\$0 to \$500,000
PRISM	\$500,000 to \$50,000,000
Liberty Insurance Corporation	Statutory excess of \$50,000,000

At June 30, 2022, the City's estimated claims liabilities were as follows:

General liabilities	\$ 196,694
Workers' Compensation	37,250
Total	<u>\$ 233,944</u>

The City's claims liability of \$233,934 are considered to be current and reported under the general fund. Changes in the claims liabilities for the fiscal years ended June 30, 2022, 2021 and 2020 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2019-2020	\$ 545,522	\$ 1,194,289	\$ (1,152,731)	\$ 587,080
2020-2021	587,080	452,015	(462,751)	576,344
2021-2022	576,334	343,845	(686,235)	233,944

Miscellaneous Coverages

The MPA provides additional coverage for the following risks incurred by the City:

Type	Deductibles	Coverage Limits
Auto - Physical Damage:		
Police Vehicles	\$ 3,000	\$ 250,000
All Other Vehicles	2,000	250,000
All Risk Fire & Property	25,000	1,000,000,000
Cyber Liability	50,000	3,000,000
Pollution Liability	250,000	25,000,000
Crime Coverage	2,500	5,000,000
Boiler and Machinery	5,000	100% of primary \$75,000,000; 100% of \$25,000,000 excess of \$75,000,000

The MPA is governed by a board consisting of representatives from member municipalities. The board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

The City's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Audited financial statements can be obtained from the Municipal Pooling Authority, 1911 San Miguel Drive, #200, Walnut Creek, California 94596.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 12 – Commitments and Contingencies

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, will not have a material adverse effect on the City's Annual Financial Statements. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Commitments

At June 30, 2022, the outstanding commitment is in the amount of \$4,536,916. Details were as follows:

Governmental Funds:	
General Fund	\$ 516,527
American Rescue Plan Act Special Revenue Fund	65,000
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	47,266
Other Governmental Funds	1,350,615
Proprietary Funds:	
Wastewater Enterprise Fund	2,499,559
Internal Service Funds	57,949
Total	<u><u>\$ 4,536,916</u></u>

Note 13 – Joint Powers Agreements

The City is a member of the joint powers agencies described below. Each of these agencies is governed by a board, which controls their operation, including selection of management and approval of operating budgets, independent of influence by member municipalities beyond their representation on the board.

A. West Contra Costa Transportation Advisory Committee (WCCTAC)

WCCTAC was established in 1990 to develop regional strategies and meet regional requirements established by Measure "C" and to cooperatively address West Contra Costa County transportation issues.

The City's payments to WCCTAC are in accordance with a formula under which each member Agency pays a proportionate share of the expenditures based on the number of voting members representing each agency. Audited financial statements can be obtained from the WCCTAC, One Alvarado Square, San Pablo, California 94806. The City has one voting member on the WCCTAC and pays 10% of annual expenditures.

B. West Contra Costa Integrated Waste Management Authority (WCCIWMA)

WCCIWMA was established in 1991 to coordinate landfill use reduction in the West Contra Costa County Area as mandated by the state of California. The City is represented by one Director. Funding for WCCIWMA is provided for through a surcharge collected from the ratepayers within WCCIWMA's jurisdiction. Audited financial statements can be obtained from the WCCIWMA, One Alvarado Square, San Pablo, California 94806.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 13 – Joint Powers Agreements (Continued)

C. Pinole/Hercules Wastewater Treatment Plant

On January 23, 2001, the cities of Pinole and Hercules entered into a joint powers agreement for the operation and ownership of the Pinole/Hercules Wastewater Treatment Plant (Plant). The City retains responsibility for the operation and maintenance of its wastewater collection system. The City of Hercules has an undivided fifty percent (50%) ownership interest in the Plant. The City of Pinole has the right and responsibility to manage and operate the Plant. Also, the City of Pinole maintains the records and accounts for all the transactions.

Note 14 – Stewardship, Compliance, and Accountability

A. Deficit Fund Balances/Net Position

At June 30, 2022, the following funds had a deficit fund balance/net position:

Landscape & Lighting Assessment District (LLAD) NO. 83-2	\$	(235,297)
Nonmajor Special Revenue Funds:		
Victoria by the bay LLAD No. 2002-01	\$	(315,422)
Stormwater	\$	(183,570)
Fiduciary Funds:		
Successor Agency Private Purpose Trust Fund	\$	(45,893,831)

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund negative fund balance of \$235,297 will be financed through future assessments.

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$315,422 will be financed through future assessments.

The Stormwater Special Revenue Fund negative fund balance of \$183,570 will be financed through future assessments.

Private Purpose Trust Fund negative net position of \$45,893,831 will be financed through future Redevelopment Property Tax Trust Fund.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 15 – Fund Balance Classification

The Governmental Fund's fund balance classification at June 30, 2022 is follows:

	Major Funds					Total
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund	Nonmajor Governmental Funds	
Nonspendable:						
Prepaid items	\$ 10,806	\$ -	\$ -	\$ -	\$ -	\$ 10,806
Total Nonspendable	<u>10,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,806</u>
Restricted for:						
Pension section 115 trust	2,054,252	-	-	-	-	2,054,252
Debt service	-	-	-	2,152,512	-	2,152,512
Streets and roads	-	-	-	-	728,822	728,822
Development services	-	-	-	-	237,830	237,830
Development impact fees	-	-	-	-	1,709,071	1,709,071
Public safety	-	-	-	-	87,406	87,406
Integrated waste management	-	-	-	-	828,649	828,649
Transportation	-	-	-	-	275,881	275,881
Assessment district	-	-	-	-	955,515	955,515
Regional water quality	-	-	-	-	51,144	51,144
Total Restricted	<u>2,054,252</u>	<u>-</u>	<u>-</u>	<u>2,152,512</u>	<u>4,874,318</u>	<u>9,081,082</u>
Committed to:						
Capital projects	-	-	-	-	1,998,781	1,998,781
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,998,781</u>	<u>1,998,781</u>
Assigned:						
Assigned by City Manager:						
Earthquake insurance deductible	500,000	-	-	-	-	500,000
Fiscal neutrality reserve	4,034,517	-	-	-	-	4,034,517
Capital projects	450,000	-	-	-	-	450,000
Planning & building	953,800	-	-	-	-	953,800
Reusable bags	13,930	-	-	-	-	13,930
Public, education and government (PEG)	70,000	-	-	-	-	70,000
Total Assigned	<u>6,022,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,022,247</u>
Unassigned (deficit)	<u>22,926,831</u>	<u>-</u>	<u>(235,297)</u>	<u>-</u>	<u>(498,992)</u>	<u>22,192,542</u>
Total Unassigned	<u>22,926,831</u>	<u>-</u>	<u>(235,297)</u>	<u>-</u>	<u>(498,992)</u>	<u>22,192,542</u>
Total Fund Balances	<u>\$ 31,014,136</u>	<u>\$ -</u>	<u>\$ (235,297)</u>	<u>\$ 2,152,512</u>	<u>\$ 6,374,107</u>	<u>\$ 39,305,458</u>

Note 16 – Net Investment in Capital Assets

The net investment in capital assets for the governmental activities and business-type activities is calculated as follows:

	Governmental Activities	Business-Type Activities
Total capital assets, net	\$ 78,255,196	\$ 39,085,979
Unspent capital bond proceeds	-	8,327,888
Capital related debt	(17,997,487)	(31,709,518)
Net investment in capital assets	<u>\$ 60,257,709</u>	<u>\$ 15,704,349</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 17 – Special Item

Department of Finance Negotiation

After the negotiation with the California Department of Finance, the City recognized the loan write off in the amount of \$50,173,974 during the year ended June 30, 2022 and it was reported as a special item on the financial statements.

Note 18 – Restatement

Following restatement was made at the July 1, 2021:

	Governmental Activities
Net Position at July 1, 2021	\$ 113,882,349
GASB 87 implementation to reclass lease related deferred inflows of resources from net position	<u>(8,806,323)</u>
Net Position at July 1, 2021, as restated	<u><u>\$ 105,076,026</u></u>



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2022

BUDGETARY PRINCIPLES

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In June, the City Manager submits to the City Council a proposed operating budget for the following fiscal year. This budget includes proposed expenditures, by fund and department, and the revenues expected to finance them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution before July 1.
4. The City Manager is authorized to transfer budgeted amounts between objects within the same department; however, any revisions, which alter total expenditures of any fund, must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device. Special Revenue Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation. The General Fund budget is adopted on the budgetary basis, which is not consistent with accounting principles generally accepted in the United States of America. Commitments for material and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations, which are encumbered at year-end lapse, then are added to the following year's budgeted appropriations. However, encumbrances at year-end are reported as reservations of fund balance. A budget is not adopted for the Regional Water Quality Special Revenue Fund.
6. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2021, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
7. Budget revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new or additional revenue sources and re-appropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications, with approval of the Finance Director.
8. Certain appropriations carryover and are re-budgeted for the subsequent year.
9. Budget appropriations for the various governmental funds become effective July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level.



City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2022

General Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Taxes and assessments	\$ 11,622,675	\$ 11,622,675	\$ 13,781,378	\$ 2,158,703
Licenses and permits	413,000	413,000	493,668	80,668
Fines and forfeitures	37,000	37,000	48,663	11,663
Use of money and property	313,000	313,000	(108,296)	(421,296)
Intergovernmental	2,568,000	2,568,000	10,391,327	7,823,327
Charges for services	2,594,944	1,602,944	2,319,388	716,444
Other revenues	202,381	194,381	116,093	(78,288)
Total revenues	17,751,000	16,751,000	27,042,221	10,291,221
EXPENDITURES:				
Current:				
General government	4,273,311	4,360,611	4,081,705	278,906
Public safety	7,491,895	7,494,895	7,851,486	(356,591)
Streets and public works	283,599	498,435	375,842	122,593
Parks and recreation	2,780,735	1,786,736	1,910,716	(123,980)
Community development	881,321	881,321	1,061,135	(179,814)
Capital outlay	35,000	93,602	112,631	(19,029)
Debt services:				
Principal	604,025	604,025	690,966	(86,941)
Interest and fiscal agent fee	200,000	200,000	24,551	175,449
Total expenditures	16,549,886	15,919,625	16,109,032	(189,407)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,201,114	831,375	10,933,189	10,101,814
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	3,068,338	3,539,704	471,366
Transfers (out)	(2,349,614)	(3,155,614)	(1,629,542)	1,526,072
Total financing sources (uses)	(2,199,614)	(87,276)	1,910,162	1,997,438
SPECIAL ITEMS:				
Loss on write off the Successor Agency advances	-	-	(27,787,637)	(27,787,637)
Total special items	-	-	(27,787,637)	(27,787,637)
NET CHANGES IN FUND BALANCES	\$ (998,500)	\$ 744,099	(14,944,286)	\$ (15,688,385)
FUND BALANCES:				
Beginning of year,			45,958,422	
End of year			<u>\$ 31,014,136</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2022

American Rescue Plan Act Special Revenue Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Intergovernmental	-	-	3,142,889	3,142,889
Total revenues	-	-	3,142,889	3,142,889
EXPENDITURES:				
Current:				
Capital outlay	-	65,000	-	65,000
Total expenditures	-	65,000	-	65,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(65,000)	3,142,889	3,207,889
OTHER FINANCING (USES)				
Transfers (out)	-	(2,918,338)	(3,142,889)	(224,551)
Total financing (uses)	-	(2,918,338)	(3,142,889)	(224,551)
NET CHANGES IN FUND BALANCES	<u>\$ -</u>	<u>\$ (2,983,338)</u>	-	<u>\$ 2,983,338</u>
FUND BALANCES:				
Beginning of year,			-	
End of year			<u>\$ -</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2022

Landscape & Lighting Assessment District (LLAD) No. 83-2 Speical Revenue Fund

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 1,993,935	\$ 1,993,935	\$ 1,997,920	\$ 3,985
Use of money and property	-	-	(22,036)	(22,036)
Total revenues	<u>1,993,935</u>	<u>1,993,935</u>	<u>1,975,884</u>	<u>(18,051)</u>
EXPENDITURES:				
Current:				
Streets and public works	1,522,105	1,547,093	1,810,594	(263,501)
Capital outlays	50,000	773,299	630,680	142,619
Total expenditures	<u>1,572,105</u>	<u>2,320,392</u>	<u>2,441,274</u>	<u>(120,882)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	421,830	(326,457)	(465,390)	(138,933)
OTHER FINANCING SOURCES (USES)				
Transfers in	29,046	29,046	29,316	270
Transfers (out)	(265,700)	(265,700)	(265,700)	-
Total financing sources (uses)	<u>(236,654)</u>	<u>(236,654)</u>	<u>(236,384)</u>	<u>270</u>
NET CHANGE IN FUND BALANCE	<u>\$ 185,176</u>	<u>\$ (563,111)</u>	<u>(701,774)</u>	<u>\$ (138,663)</u>
FUND BALANCE:				
Beginning of year			<u>466,477</u>	
End of year			<u>\$ (235,297)</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2022

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2021¹	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2011
City's Proportion of the Net Pension Liability	0.83%	0.19%	0.17%	0.16%	0.17%
City's Proportionate Share of the Net Pension Liability	\$ 4,514,222	\$ 7,840,808	\$ 7,154,193	\$ 6,686,045	\$ 6,891,269
City's Covered Payroll	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264	\$ 3,369,924	\$ 3,154,200
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	158%	232%	210%	198%	218%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	85.66%	73.63%	75.07%	77.69%	75.39%
Measurement Date:	Safety Plans				
	June 30, 2021¹	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2011
City's Proportion of the Net Pension Liability	0.99%	0.09%	0.16%	0.14%	0.16%
City's Proportionate Share of the Net Pension Liability	\$ 5,378,400	\$ 9,924,963	\$ 9,847,764	\$ 9,268,866	\$ 9,323,198
City's Covered Payroll	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574	\$ 2,436,633	\$ 2,591,015
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	191.73%	367.20%	369.03%	380.40%	359.83%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	86.21%	73.17%	70.82%	73.39%	71.74%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2022

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans	
	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability	0.17%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 6,031,627	\$ 4,815,777
City's Covered Payroll	\$ 2,697,183	\$ 2,655,670
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	224%	181%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.87%	78.32%
Measurement Date:	Safety Plans	
	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability	0.16%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 8,509,821	\$ 7,337,854
City's Covered Payroll	\$ 2,220,165	\$ 2,118,549
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	383.30%	346.36%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.69%	71.64%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2022

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

	Miscellaneous Plans				
Fiscal Year:	2021-22¹	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution ²	\$ 961,252	\$ 961,252	\$ 774,757	\$ 770,639	\$ 659,810
Contribution in Relation to the Actuarially Determined Contribution ²	(961,252)	(961,252)	(774,757)	(770,639)	(659,810)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll ³	\$ 3,573,571	\$ 3,477,928	\$ 3,376,629	\$ 3,411,264	\$ 3,369,924
Contributions as a Percentage of Covered Payroll	26.90%	27.64%	22.94%	22.59%	19.58%

	Safety Plans				
Fiscal Year:	2021-22¹	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution ²	\$ 1,127,304	\$ 1,127,304	\$ 1,384,112	\$ 1,080,225	\$ 1,033,755
Contribution in Relation to the Actuarially Determined Contribution ²	(1,127,304)	(1,127,304)	(1,384,112)	(1,080,225)	(1,033,755)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll ³	\$ 2,860,486	\$ 2,783,928	\$ 2,702,843	\$ 2,668,574	\$ 2,436,633
Contributions as a Percentage of Covered Payroll	39.41%	40.49%	51.21%	40.48%	42.43%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21\2; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to the Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the V valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2022

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

	Miscellaneous Plans	
	2016-17	2015-16
Fiscal Year:		
Actuarially Determined Contribution ²	\$ 558,315	\$ 529,212
Contribution in Relation to the Actuarially Determined Contribution ²	(558,315)	(529,212)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll ³	\$ 3,154,200	\$ 2,697,183
Contributions as a Percentage of Covered Payroll	17.70%	19.62%

	Safety Plans	
	2016-17	2015-16
Fiscal Year:		
Actuarially Determined Contribution ²	\$ 1,203,357	\$ 1,024,115
Contribution in Relation to the Actuarially Determined Contribution ²	(1,203,357)	(1,024,115)
Contribution Deficiency (Excess)	\$ -	\$ -
City Covered Payroll ³	\$ 2,591,015	\$ 2,220,165
Contributions as a Percentage of Covered Payroll	46.44%	46.13%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - PEHMCA Plan
For the Year Ended June 30, 2022

	Last Ten Fiscal Years				
Measurement period, year ending:	<u>6/30/2022 ¹</u>	<u>6/30/2021</u>	<u>6/30/2020 ²</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Total OPEB liability					
Service cost	\$ 135,089	\$ 167,563	\$ 175,142	\$ 127,197	\$ 99,270
Interest	124,870	139,104	188,135	180,251	179,763
Differences between expected and actual experience	-	(311,195)	(1,203,506)	40,091	437,919
Changes of assumptions	-	65,097	(293,525)	-	-
Benefit payments, including refunds of member contributions	(144,124)	(123,619)	(115,990)	(166,793)	(105,034)
Net change in total OPEB liability	115,835	(63,050)	(1,249,744)	180,746	611,918
Total OPEB liability - beginning	2,429,170	2,492,220	3,741,964	3,561,218	2,949,300
Total OPEB liability - ending (a)	<u>\$ 2,545,005</u>	<u>\$ 2,429,170</u>	<u>\$ 2,492,220</u>	<u>\$ 3,741,964</u>	<u>\$ 3,561,218</u>
OPEB fiduciary net position					
Contributions - employer	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275	\$ 205,034
Net investment income (loss)	(330,465)	359,682	123,227	155,134	123,771
Benefit payments, including refunds of member contributions	(144,124)	(123,619)	(115,990)	(166,793)	(105,034)
Administrative expense	(16,734)	(16,223)	(13,381)	-	-
Net change in plan fiduciary net position	(347,199)	241,856	209,846	349,616	223,771
Plan fiduciary net position - beginning	2,906,448	2,664,592	2,454,746	2,105,130	1,881,359
Plan fiduciary net position - ending (b)	2,559,249	2,906,448	2,664,592	2,454,746	2,105,130
Plan net OPEB liability (asset) - ending (a) - (b)	<u>\$ (14,244)</u>	<u>\$ (477,278)</u>	<u>\$ (172,372)</u>	<u>\$ 1,287,218</u>	<u>\$ 1,456,088</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	100.56%	119.65%	106.92%	65.60%	59.11%
Covered payroll	\$ 11,239,883	\$ 10,939,059	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	-0.13%	-4.36%	-1.62%	12.45%	14.51%

¹ Historical information is presented only for periods for which GASB 75 is applicable.

² Effective for the year ended June 30, 2020, PEHMCA Plan is valued separately.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios - SOMAR Plan
For the Year Ended June 30, 2022

Last Ten Fiscal Years¹

Measurement period, year ending:	<u>6/30/2022¹</u>	<u>6/30/2021</u>	<u>6/30/2020²</u>
Total OPEB liability			
Service cost	\$ 95,420	\$ 141,956	\$ 98,801
Interest	35,501	42,108	49,689
Differences between expected and actual experience	-	(398,956)	-
Changes of assumptions	(363,788)	11,351	366,382
Benefit payments, including refunds of member contributions	(43,718)	(43,536)	(40,738)
Net change in total OPEB liability	<u>(276,585)</u>	<u>(247,077)</u>	<u>474,134</u>
Total OPEB liability - beginning	<u>1,617,718</u>	<u>1,864,795</u>	<u>1,390,661</u>
Total OPEB liability - ending (a)	<u><u>\$ 1,341,133</u></u>	<u><u>\$ 1,617,718</u></u>	<u><u>\$ 1,864,795</u></u>
Fiduciary net position			
Contributions - employer	\$ 43,718	\$ 43,536	\$ 40,738
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(43,718)	(43,536)	(40,738)
Administrative expense	-	-	-
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>-</u>	<u>-</u>	<u>-</u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$ 1,341,133</u></u>	<u><u>\$ 1,617,718</u></u>	<u><u>\$ 1,864,795</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -
Plan net OPEB liability as a percentage of covered payroll	0.00%	0.00%	0.00%

¹ Historical information is presented only for periods for which GASB 75 is applicable.

² SOMAR Plan is now valued separately from PEHMCA Plan effective June 30, 2020.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the OPEB Plan
For the Year Ended June 30, 2022

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2021-22¹	2020-21	2019-20	2018-19	2017-18
Actuarially Determined Contribution ²	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275	\$ 205,034
Contribution in Relation to the Actuarially Determined Contribution ²	(144,124)	(22,016)	(215,990)	(361,275)	(205,034)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 11,239,883	\$ 10,939,059	\$ 10,646,286	\$ 10,336,200	\$ 10,035,146
Contributions as a Percentage of Covered Payroll	1.28%	0.20%	2.03%	3.50%	2.04%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the SOMAR OPEB Plan
For the Year Ended June 30, 2022

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	2021-22	2020-21	2019-20²
Actuarially Determined Contribution	\$ 43,718	\$ 43,536	\$ 40,738
Contribution in Relation to the Actuarially Determined Contribution	(43,718)	(43,536)	(40,738)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

² SOMAR Plan is now valued separately from PEHMCA Plan effective June 30, 2020.



SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds:

Special Revenue Funds are used to account for revenue sources that are restricted for specific purposes (other than those resources to be expended solely for the construction of major capital facilities).

State Gas Tax Fund - This fund accounts for Gas Tax revenue received from the State of California to cover costs of street maintenance and improvements.

Measure C Street Fund - This fund accounts for City's portion of sales tax dedicated to transportation programs.

C.O.P.S. Program (AB 3229) Fund - This fund accounts for the California statewide sales and use tax allocated by the State for local public safety services.

Victoria by the bay LLAD No. 2002-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Hercules Village LLAD No. 2002-2 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Baywood LLAD No. 2004-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Bayside LLAD No. 2005-1 - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Arterial Roadways Fund - This fund accounts for special assessments on property within district boundaries for the restricted purpose of providing landscaping and lighting services within the specified districts.

Stormwater Fund - To account for activities associated with the operation and maintenance of stormwater facilities for drainage and disposal of stormwater, and operations related to the provision of services.

Development Services Fund - To account for the collection and expenditure of fees imposed as a condition of new development within the City, in compliance with California Government Code Section 66006 (AB 1600).

AB939 JPA Fund - To account for waste haulers fee (also known as AB 939 fee) to comply with the recycling and diversion programs required by the State legislation (AB 939).

Regional Water Quality Fund - To account for the Regional Water Quality fees created by State legislature in 1967. The Board protects water quality by setting statewide policy, coordinating and supporting the Regional Water Board efforts, and reviewing petitions that contest Regional Board actions.

Asset Forfeiture - This fund accounts for police unclaimed funds. Revenue is collected from seized money and asset forfeiture.

Bart Park and Ride Fund - This fund accounts for the revenues and expenditures associated with the BART owned, but jointly operated, Hercules Transit Center, and which used to be part of the Facilities Maintenance Fund.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Nonmajor Capital Projects Funds:

Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Proprietary Funds.

City Capital Projects Fund - This fund accounts for the financial resources utilized in acquiring or constructing capital assets for the City.

Development Impact Fees Fund - This fund accounts for the fees collected from new developments, which will be used to construct public infrastructure.



NONMAJOR GOVERNMENTAL FUNDS



City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022

		Special Revenue Funds			
		State Gas Tax	Measure "C" Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
ASSETS					
Cash and investments		\$ 614,676	\$ 54,113	\$ 18,011	\$ -
Accounts receivable		97,099	-	-	-
Total assets		\$ 711,775	\$ 54,113	\$ 18,011	\$ -
LIABILITIES					
Accounts payable		\$ 13,415	\$ -	\$ -	\$ 57,172
Accrued wages		11,894	11,757	-	4,973
Deposit payable		-	-	-	-
Due to other funds		-	-	-	253,277
Total liabilities		25,309	11,757	-	315,422
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		-	-	-	-
FUND BALANCES					
Restricted		686,466	42,356	18,011	-
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	(315,422)
Total fund balances (deficit)		686,466	42,356	18,011	(315,422)
Total liabilities, deferred inflows of resources and fund balances		\$ 711,775	\$ 54,113	\$ 18,011	\$ -

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2022

		Special Revenue Funds			
		Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1	Arterial Roadways
ASSETS					
Cash and investments		\$ 189,894	\$ 212,474	\$ 150,593	\$ 575,728
Accounts receivable		-	-	-	-
Total assets		<u>\$ 189,894</u>	<u>\$ 212,474</u>	<u>\$ 150,593</u>	<u>\$ 575,728</u>
LIABILITIES					
Accounts payable		\$ 7,895	\$ 7,060	\$ 1,955	\$ 486
Accrued wages		2,232	3,105	2,211	930
Deposit payable		-	-	-	-
Due to other funds		-	147,300	-	-
Total liabilities		<u>10,127</u>	<u>157,465</u>	<u>4,166</u>	<u>1,416</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		179,767	55,009	146,427	574,312
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	-
Total fund balances (deficit)		<u>179,767</u>	<u>55,009</u>	<u>146,427</u>	<u>574,312</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 189,894</u>	<u>\$ 212,474</u>	<u>\$ 150,593</u>	<u>\$ 575,728</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2022

		Special Revenue Funds			
		Stormwater	Development Services	AB939 JPA	Regional Water Quality
ASSETS					
Cash and investments		\$ 1,765	\$ 237,830	\$ 856,741	\$ 51,144
Accounts receivable		-	-	43,904	-
Total assets		<u>\$ 1,765</u>	<u>\$ 237,830</u>	<u>\$ 900,645</u>	<u>\$ 51,144</u>
LIABILITIES					
Accounts payable		\$ 10,139	\$ -	\$ 71,319	\$ -
Accrued wages		8,727	-	677	-
Deposit payable		-	-	-	-
Due to other funds		166,469	-	-	-
Total liabilities		<u>185,335</u>	<u>-</u>	<u>71,996</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		-	237,830	828,649	51,144
Committed		-	-	-	-
Unassigned (deficit)		(183,570)	-	-	-
Total fund balances (deficit)		<u>(183,570)</u>	<u>237,830</u>	<u>828,649</u>	<u>51,144</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 1,765</u>	<u>\$ 237,830</u>	<u>\$ 900,645</u>	<u>\$ 51,144</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2022

		Special Revenue Funds		Capital Projects Funds	
		Asset Forfeiture	Bart Park and Ride	City Capital Projects Fund	Development Impact Fees
ASSETS					
Cash and investments		\$ 231,138	\$ 276,260	\$ 1,798,246	\$ 1,712,436
Accounts receivable		-	-	407,838	-
Total assets		\$ 231,138	\$ 276,260	\$ 2,206,084	\$ 1,712,436
LIABILITIES					
Accounts payable		\$ -	\$ 379	\$ 50,418	\$ 3,365
Accrued wages		-	-	-	-
Deposit payable		161,743	-	-	-
Due to other funds		-	-	-	-
Total liabilities		161,743	379	50,418	3,365
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	156,885	-
Total deferred inflows of resources		-	-	156,885	-
FUND BALANCES					
Restricted		69,395	275,881	-	1,709,071
Committed		-	-	1,998,781	-
Unassigned (deficit)		-	-	-	-
Total fund balances (deficit)		69,395	275,881	1,998,781	1,709,071
Total liabilities, deferred inflows of resources and fund balances		\$ 231,138	\$ 276,260	\$ 2,206,084	\$ 1,712,436

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2022

	<u>Total</u>
ASSETS	
Cash and investments	\$ 6,981,049
Accounts receivable	548,841
Total assets	<u><u>\$ 7,529,890</u></u>
LIABILITIES	
Accounts payable	\$ 223,603
Accrued wages	46,506
Deposit payable	161,743
Due to other funds	567,046
Total liabilities	<u>998,898</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	156,885
Total deferred inflows of resources	<u>156,885</u>
FUND BALANCES	
Restricted	4,874,318
Committed	1,998,781
Unassigned (deficit)	(498,992)
Total fund balances (deficit)	<u>6,374,107</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 7,529,890</u></u>

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			
	State Gas Tax	Measure "C" Street	C.O.P.S. Program (AB 3229)	Victoria by the bay LLAD No. 2002-1
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 461,039
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	(5,739)	(562)	-	-
Intergovernmental	1,184,727	450,134	161,284	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>1,178,988</u>	<u>449,572</u>	<u>161,284</u>	<u>461,039</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	394,172	282,812	-	698,351
Capital outlay	861,913	132,167	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>1,256,085</u>	<u>414,979</u>	<u>-</u>	<u>698,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(77,097)	34,593	161,284	(237,312)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	9,230
Transfers (out)	(46,569)	-	(150,000)	(26,800)
Total financing sources (uses)	<u>(46,569)</u>	<u>-</u>	<u>(150,000)</u>	<u>(17,570)</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	(123,666)	34,593	11,284	(254,882)
SPECIAL ITEM:				
Gain (Loss) on write off the Successor Agency advances (Note 17)	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(123,666)	34,593	11,284	(254,882)
FUND BALANCES (DEFICIT):				
Beginning of year	810,132	7,763	6,727	(60,540)
End of year	<u>\$ 686,466</u>	<u>\$ 42,356</u>	<u>\$ 18,011</u>	<u>\$ (315,422)</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			
	Hercules Village LLAD No. 2002-2	Baywood LLAD No. 2004-1	Bayside LLAD No. 2005-1	Arterial Roadways
REVENUES:				
Taxes and assessments	\$ 158,265	\$ 150,144	\$ 143,268	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	(1,681)	(1,960)	(1,437)	(5,581)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	107,719
Total revenues	<u>156,584</u>	<u>148,184</u>	<u>141,831</u>	<u>102,138</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	184,736	171,831	125,000	-
Capital outlay	-	1,072	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>184,736</u>	<u>172,903</u>	<u>125,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28,152)	(24,719)	16,831	102,138
OTHER FINANCING SOURCES (USES)				
Transfers in	3,874	2,515	1,634	319,600
Transfers (out)	(7,100)	(2,400)	(17,600)	-
Total financing sources (uses)	<u>(3,226)</u>	<u>115</u>	<u>(15,966)</u>	<u>319,600</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	(31,378)	(24,604)	865	421,738
SPECIAL ITEM:				
Gain (Loss) on write off the Successor Agency advances (Note 17)	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(31,378)	(24,604)	865	421,738
FUND BALANCES (DEFICIT):				
Beginning of year	211,145	79,613	145,562	152,574
End of year	<u>\$ 179,767</u>	<u>\$ 55,009</u>	<u>\$ 146,427</u>	<u>\$ 574,312</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds			
	Stormwater	Development Services	AB939 JPA	Regional Water Quality
REVENUES:				
Taxes and assessments	\$ 144,495	\$ -	\$ -	\$ -
Licenses and permits	-	-	213,632	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	(1,978)	(8,168)	(425)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>144,495</u>	<u>(1,978)</u>	<u>205,464</u>	<u>(425)</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	350,812	-	9,912	-
Capital outlay	-	-	109,637	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>350,812</u>	<u>-</u>	<u>119,549</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(206,317)	(1,978)	85,915	(425)
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	-	-	-
Transfers (out)	-	-	(125,000)	-
Total financing sources (uses)	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	(81,317)	(1,978)	(39,085)	(425)
SPECIAL ITEM:				
Gain (Loss) on write off the Successor Agency advances (Note 17)	-	(163,200)	-	-
Total special item	<u>-</u>	<u>(163,200)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(81,317)	(165,178)	(39,085)	(425)
FUND BALANCES (DEFICIT):				
Beginning of year	(102,253)	403,008	867,734	51,569
End of year	<u>\$ (183,570)</u>	<u>\$ 237,830</u>	<u>\$ 828,649</u>	<u>\$ 51,144</u>

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Funds		Capital Projects Funds	
	Asset Forfeiture	Bart Park and Ride	City Capital Projects Fund	Development Impact Fees
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ 53,215	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	(2,100)	-	(4,299)	(34,973)
Intergovernmental	-	-	288,348	-
Charges for services	-	-	-	-
Other revenues	-	53,985	2,000	-
Total revenues	(2,100)	53,985	339,264	(34,973)
EXPENDITURES:				
Current:				
Public safety	27,965	-	-	-
Streets and public works	-	18,841	-	91,939
Capital outlay	-	-	1,013,962	-
Debt services:				
Principal	-	-	93,812	-
Interest and fiscal agent fee	-	-	123,580	-
Total expenditures	27,965	18,841	1,231,354	91,939
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(30,065)	35,144	(892,090)	(126,912)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,487,885	-
Transfers (out)	-	-	(310,257)	-
Total financing sources (uses)	-	-	1,177,628	-
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	(30,065)	35,144	285,538	(126,912)
SPECIAL ITEM:				
Gain (Loss) on write off the Successor Agency advances (Note 17)	-	-	322,055	(5,254,315)
Total special item	-	-	322,055	(5,254,315)
NET CHANGES IN FUND BALANCES	(30,065)	35,144	607,593	(5,381,227)
FUND BALANCES (DEFICIT):				
Beginning of year	99,460	240,737	1,391,188	7,090,298
End of year	\$ 69,395	\$ 275,881	\$ 1,998,781	\$ 1,709,071

(Continued)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	<u>Total</u>
REVENUES:	
Taxes and assessments	\$ 1,110,426
Licenses and permits	213,632
Fines and forfeitures	-
Use of money and property	(68,903)
Intergovernmental	2,084,493
Charges for services	-
Other revenues	163,704
Total revenues	<u>3,503,352</u>
EXPENDITURES:	
Current:	
Public safety	27,965
Streets and public works	2,328,406
Capital outlay	2,118,751
Debt services:	-
Principal	93,812
Interest and fiscal agent fee	123,580
Total expenditures	<u>4,692,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,189,162)
OTHER FINANCING SOURCES (USES)	
Transfers in	1,949,738
Transfers (out)	(685,726)
Total financing sources (uses)	<u>1,264,012</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	74,850
SPECIAL ITEM:	
Gain (Loss) on write off the Successor Agency advances (Note 17)	(5,095,460)
Total special item	<u>(5,095,460)</u>
NET CHANGES IN FUND BALANCES	(5,020,610)
FUND BALANCES (DEFICIT):	
Beginning of year	11,394,717
End of year	<u>\$ 6,374,107</u>

(Concluded)

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 1,052	\$ 1,052	\$ (5,739)	\$ (6,791)
Intergovernmental	1,113,948	1,113,948	1,184,727	70,779
Total revenues	<u>1,115,000</u>	<u>1,115,000</u>	<u>1,178,988</u>	<u>63,988</u>
EXPENDITURES:				
Current:				
Streets and public works	439,252	439,252	394,172	45,080
Capital outlays	1,125,447	1,311,592	861,913	449,679
Total expenditures	<u>1,564,699</u>	<u>1,750,844</u>	<u>1,256,085</u>	<u>494,759</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(449,699)	(635,844)	(77,097)	558,747
OTHER FINANCING (USES)				
Transfers (out)	(46,299)	(46,299)	(46,569)	(270)
Total financing (uses)	<u>(46,299)</u>	<u>(46,299)</u>	<u>(46,569)</u>	<u>(270)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (495,998)</u>	<u>\$ (682,143)</u>	(123,666)	<u>\$ 558,477</u>
FUND BALANCE:				
Beginning of year			810,132	
End of year			<u>\$ 686,466</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Measure C Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ (562)	\$ (1,562)
Intergovernmental	405,000	405,000	450,134	45,134
Total revenues	<u>406,000</u>	<u>406,000</u>	<u>449,572</u>	<u>43,572</u>
EXPENDITURES:				
Current:				
Streets and public works	300,000	300,000	282,812	17,188
Capital outlays	219,000	221,858	132,167	89,691
Total expenditures	<u>519,000</u>	<u>521,858</u>	<u>414,979</u>	<u>106,879</u>
NET CHANGE IN FUND BALANCE	<u>\$ (113,000)</u>	<u>\$ (115,858)</u>	34,593	<u>\$ 150,451</u>
FUND BALANCE:				
Beginning of year			7,763	
End of year			<u>\$ 42,356</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
C.O.P.S. Program (AB 3299) Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 161,284	\$ 11,284
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>161,284</u>	<u>11,284</u>
OTHER FINANCING (USES)				
Transfers in			-	-
Transfers (out)	(150,000)	(150,000)	(150,000)	-
Total financing (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	11,284	<u>\$ 11,284</u>
FUND BALANCE:				
Beginning of year			6,727	
End of year			<u>\$ 18,011</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Victoria By the Bay LLAD No. 2002-1 Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 461,039	\$ 461,039	\$ 461,039	\$ -
Total revenues	<u>461,039</u>	<u>461,039</u>	<u>461,039</u>	<u>-</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>511,493</u>	<u>512,567</u>	<u>698,351</u>	<u>(185,784)</u>
Total expenditures	<u>511,493</u>	<u>512,567</u>	<u>698,351</u>	<u>(185,784)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,454)	(51,528)	(237,312)	(185,784)
OTHER FINANCING SOURCES (USES)				
Transfer in	9,230	9,230	9,230	-
Transfers (out)	<u>(26,800)</u>	<u>(26,800)</u>	<u>(26,800)</u>	<u>-</u>
Total financing (uses)	<u>(17,570)</u>	<u>(17,570)</u>	<u>(17,570)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (68,024)</u>	<u>\$ (69,098)</u>	(254,882)	<u>\$ (185,784)</u>
FUND BALANCE:				
Beginning of year			<u>(60,540)</u>	
End of year			<u>\$ (315,422)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Hercules Village LLAD No. 2002-2 Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 158,265	\$ 158,265	\$ 158,265	\$ -
Use of money and property	-	-	(1,681)	(1,681)
Total revenues	<u>158,265</u>	<u>158,265</u>	<u>156,584</u>	<u>(1,681)</u>
EXPENDITURES:				
Current:				
Streets and public works	193,694	214,298	184,736	29,562
Total expenditures	<u>193,694</u>	<u>214,298</u>	<u>184,736</u>	<u>29,562</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(35,429)	(56,033)	(28,152)	27,881
OTHER FINANCING SOURCES (USES)				
Transfers in	3,874	3,874	3,874	-
Transfers (out)	(7,100)	(7,100)	(7,100)	-
Total financing sources (uses)	<u>(3,226)</u>	<u>(3,226)</u>	<u>(3,226)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (38,655)</u>	<u>\$ (59,259)</u>	(31,378)	<u>\$ 27,881</u>
FUND BALANCE:				
Beginning of year			211,145	
End of year			<u>\$ 179,767</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Baywood LLAD No. 2004-1 Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 150,144	\$ 150,144	\$ 150,144	\$ -
Use of money and property	-	-	(1,960)	(1,960)
Total revenues	<u>150,144</u>	<u>150,144</u>	<u>148,184</u>	<u>(1,960)</u>
EXPENDITURES:				
Current:				
Streets and public works	124,229	125,303	171,831	(46,528)
Capital outlays	163,500	163,500	1,072	162,428
Total expenditures	<u>287,729</u>	<u>288,803</u>	<u>172,903</u>	<u>115,900</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(137,585)	(138,659)	(24,719)	113,940
OTHER FINANCING SOURCES (USES)				
Transfers in	2,515	2,515	2,515	-
Transfers (out)	(2,400)	(2,400)	(2,400)	-
Total financing sources (uses)	<u>115</u>	<u>115</u>	<u>115</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (137,470)</u>	<u>\$ (138,544)</u>	(24,604)	<u>\$ 113,940</u>
FUND BALANCE:				
Beginning of year			79,613	
End of year			<u>\$ 55,009</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Bayside LLAD No. 2005-1 Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 143,268	\$ 143,268	\$ 143,268	\$ -
Use of money and property	-	-	(1,437)	(1,437)
Total revenues	<u>143,268</u>	<u>143,268</u>	<u>141,831</u>	<u>(1,437)</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>127,925</u>	<u>129,477</u>	<u>125,000</u>	<u>4,477</u>
Total expenditures	<u>127,925</u>	<u>129,477</u>	<u>125,000</u>	<u>4,477</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,343	13,791	16,831	3,040
OTHER FINANCING SOURCES (USES)				
Transfers in	1,634	1,634	1,634	-
Transfers (out)	<u>(17,600)</u>	<u>(17,600)</u>	<u>(17,600)</u>	-
Total financing sources (uses)	<u>(15,966)</u>	<u>(15,966)</u>	<u>(15,966)</u>	-
NET CHANGE IN FUND BALANCE	<u>\$ (623)</u>	<u>\$ (2,175)</u>	865	<u>\$ 3,040</u>
FUND BALANCE:				
Beginning of year			<u>145,562</u>	
End of year			<u>\$ 146,427</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Arterial Roadways Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (5,581)	\$ (5,581)
Other revenue	-	-	107,719	107,719
Total revenues	-	-	102,138	102,138
EXPENDITURES:				
Current:				
Streets and public works	305,844	327,395	-	327,395
Total expenditures	305,844	327,395	-	327,395
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(305,844)	(327,395)	102,138	429,533
OTHER FINANCING SOURCES				
Transfers in	319,600	319,600	319,600	-
Total financing sources	319,600	319,600	319,600	-
NET CHANGE IN FUND BALANCE	<u>\$ 13,756</u>	<u>\$ (7,795)</u>	421,738	<u>\$ 429,533</u>
FUND BALANCE:				
Beginning of year			152,574	
End of year			<u>\$ 574,312</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Stormwater Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 249,000	\$ 249,000	\$ 144,495	\$ (104,505)
Use of money and property	-	-	-	-
Total revenues	<u>249,000</u>	<u>249,000</u>	<u>144,495</u>	<u>(104,505)</u>
EXPENDITURES:				
Current:				
Streets and public works	421,000	450,615	350,812	99,803
Total expenditures	<u>421,000</u>	<u>450,615</u>	<u>350,812</u>	<u>99,803</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(172,000)	(201,615)	(206,317)	(4,702)
OTHER FINANCING SOURCES				
Transfers in	125,000	125,000	125,000	-
Total financing sources	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (47,000)</u>	<u>\$ (76,615)</u>	(81,317)	<u>\$ (4,702)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(102,253)	
End of year			<u>\$ (183,570)</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Development Services Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ (1,978)	\$ (2,978)
Charges for services	-	-	-	-
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>(1,978)</u>	<u>(2,978)</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,978)	(1,978)
NET CHANGES IN FUND BALANCE BEFORE SPECIAL ITEMS	<u>-</u>	<u>-</u>	<u>(1,978)</u>	<u>(1,978)</u>
SPECIAL ITEMS:				
Loss on Successor Agency Advances to other funds write off	<u>-</u>	<u>-</u>	<u>(163,200)</u>	<u>(163,200)</u>
Total special items	<u>-</u>	<u>-</u>	<u>(163,200)</u>	<u>(163,200)</u>
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(165,178)</u>	<u>\$ (165,178)</u>
FUND BALANCE:				
Beginning of year			<u>403,008</u>	
End of year			<u>\$ 237,830</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
AB939 JPA Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 175,000	\$ 175,000	\$ 213,632	\$ 38,632
Use of money and property	3,000	3,000	(8,168)	(11,168)
Total revenues	<u>178,000</u>	<u>178,000</u>	<u>205,464</u>	<u>27,464</u>
EXPENDITURES:				
Current:				
Streets and public works	127,138	127,138	9,912	117,226
Capital outlays	108,862	108,862	109,637	(775)
Total expenditures	<u>236,000</u>	<u>236,000</u>	<u>119,549</u>	<u>116,451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(58,000)	(58,000)	85,915	143,915
OTHER FINANCING (USES)				
Transfers (out)	-	-	(125,000)	(125,000)
Total financing (uses)	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (58,000)</u>	<u>\$ (58,000)</u>	<u>(39,085)</u>	<u>\$ 18,915</u>
FUND BALANCE:				
Beginning of year			867,734	
End of year			<u>\$ 828,649</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (2,100)	\$ (2,100)
Total revenues	<u>-</u>	<u>-</u>	<u>(2,100)</u>	<u>(2,100)</u>
EXPENDITURES:				
Current:				
Public safety	45,000	45,000	27,965	17,035
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>27,965</u>	<u>17,035</u>
NET CHANGE IN FUND BALANCE	<u>\$ (45,000)</u>	<u>\$ (45,000)</u>	(30,065)	<u>\$ 14,935</u>
FUND BALANCE:				
Beginning of year			99,460	
End of year			<u>\$ 69,395</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Bart Park and Ride Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Other revenue	\$ 28,000	\$ 28,000	\$ 53,985	\$ 25,985
Total revenues	<u>28,000</u>	<u>28,000</u>	<u>53,985</u>	<u>25,985</u>
EXPENDITURES:				
Current:				
Streets and public works	16,000	16,345	18,841	(2,496)
Total expenditures	<u>16,000</u>	<u>16,345</u>	<u>18,841</u>	<u>(2,496)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 12,000</u>	<u>\$ 11,655</u>	35,144	<u>\$ 23,489</u>
FUND BALANCE:				
Beginning of year			240,737	
End of year			<u>\$ 275,881</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
City Capital Projects Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 44,000	\$ 44,000	\$ 53,215	\$ 9,215
Use of money and property	-	-	(4,299)	(4,299)
Intergovernmental	304,000	304,000	288,348	(15,652)
Other revenues	-	-	2,000	2,000
Total revenues	<u>348,000</u>	<u>348,000</u>	<u>339,264</u>	<u>(8,736)</u>
EXPENDITURES:				
Capital outlays	542,000	2,864,733	1,013,962	1,850,771
Debt services:				
Principal	94,000	94,000	93,812	188
Interest and fiscal agent fee	124,000	124,000	123,580	420
Total expenditures	<u>760,000</u>	<u>3,082,733</u>	<u>1,231,354</u>	<u>1,851,379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(412,000)	(2,734,733)	(892,090)	1,842,643
OTHER FINANCING SOURCES (USES)				
Transfers in	412,000	412,000	1,487,885	1,075,885
Transfers (out)	-	-	(310,257)	(310,257)
Total financing sources (uses)	<u>412,000</u>	<u>412,000</u>	<u>1,177,628</u>	<u>765,628</u>
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	<u>-</u>	<u>(2,322,733)</u>	<u>285,538</u>	<u>2,608,271</u>
SPECIAL ITEMS:				
Gain on Successor Agency Advances to other funds write off	-	-	322,055	322,055
Total special items	<u>-</u>	<u>-</u>	<u>322,055</u>	<u>322,055</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (2,322,733)</u>	<u>607,593</u>	<u>\$ 2,930,326</u>
FUND BALANCE:				
Beginning of year			1,391,188	
End of year			<u>\$ 1,998,781</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Development Impact Fees Capital Projects Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 9,000	\$ 9,000	\$ (34,973)	\$ (43,973)
Charges for services	522,000	522,000	-	(522,000)
Total revenues	<u>531,000</u>	<u>531,000</u>	<u>(34,973)</u>	<u>(565,973)</u>
EXPENDITURES:				
Current:				
Streets and public works	803,000	803,000	91,939	711,061
Capital outlays	50,000	50,000	-	50,000
Total expenditures	<u>853,000</u>	<u>853,000</u>	<u>91,939</u>	<u>761,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(322,000)	(322,000)	(126,912)	195,088
NET CHANGES IN FUND BALANCES BEFORE SPECIAL ITEMS	<u>(322,000)</u>	<u>(322,000)</u>	<u>(126,912)</u>	<u>195,088</u>
SPECIAL ITEMS:				
Loss on Successor Agency Advances to other funds write off	-	-	(5,254,315)	(5,254,315)
Total special items	<u>-</u>	<u>-</u>	<u>(5,254,315)</u>	<u>(5,254,315)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (322,000)</u>	<u>\$ (322,000)</u>	<u>(5,381,227)</u>	<u>\$ (5,059,227)</u>
FUND BALANCE:				
Beginning of year			7,090,298	
End of year			<u>\$ 1,709,071</u>	



INTERNAL SERVICE FUNDS



City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2022

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 645,987	\$ 850,056	\$ 748,195	\$ 2,244,238
Total current assets	<u>645,987</u>	<u>850,056</u>	<u>748,195</u>	<u>2,244,238</u>
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	509	254	763
Capital assets:				
Depreciable, net	262,098	270,937	-	533,035
Total noncurrent assets	<u>262,098</u>	<u>271,446</u>	<u>254</u>	<u>533,798</u>
Total assets	<u>908,085</u>	<u>1,121,502</u>	<u>748,449</u>	<u>2,778,036</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	79,301	37,987	117,288
OPEB-related deferred inflows of resources (PEHMCA)	-	16,362	8,181	24,543
OPEB-related deferred outflows of resources (SOMAR)	-	9,851	4,925	14,776
Total deferred outflows of resources	<u>-</u>	<u>105,514</u>	<u>51,093</u>	<u>156,607</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	35,939	7,833	43,772
Salaries and benefits payable	-	17,994	7,832	25,826
Compensated absences, due in one year	-	30,802	6,854	37,656
Total current liabilities	<u>-</u>	<u>84,735</u>	<u>22,519</u>	<u>107,254</u>
Noncurrent liabilities:				
Compensated absences	-	10,267	2,285	12,552
Net pension liability	-	173,133	75,605	248,738
Net OPEB liability - SOMAR	-	47,899	23,949	71,848
Total noncurrent liabilities	<u>-</u>	<u>231,299</u>	<u>101,839</u>	<u>333,138</u>
Total liabilities	<u>-</u>	<u>316,034</u>	<u>124,358</u>	<u>440,392</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	234,172	122,260	356,432
OPEB-related deferred outflows of resources (PEHMCA)	-	48,162	24,081	72,243
OPEB-related deferred outflows of resources (SOMAR)	-	23,538	11,768	35,306
Total deferred inflows of resources	<u>-</u>	<u>305,872</u>	<u>158,109</u>	<u>463,981</u>
NET POSITION				
Investment in capital assets	262,098	270,937	-	533,035
Unrestricted	645,987	334,173	517,075	1,497,235
Total net position	<u>\$ 908,085</u>	<u>\$ 605,110</u>	<u>\$ 517,075</u>	<u>\$ 2,030,270</u>

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2022

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 736,313	\$ 817,040	\$ 1,553,353
Other operating revenues	3,700	5,905	-	9,605
Total operating revenues	<u>3,700</u>	<u>742,218</u>	<u>817,040</u>	<u>1,562,958</u>
OPERATING EXPENSES:				
Salaries and benefits	-	423,324	175,528	598,852
Services and supplies	381	777,480	513,059	1,290,920
Depreciation	146,933	101,354	-	248,287
Total operating expenses	<u>147,314</u>	<u>1,302,158</u>	<u>688,587</u>	<u>2,138,059</u>
OPERATING INCOME (LOSS)	<u>(143,614)</u>	<u>(559,940)</u>	<u>128,453</u>	<u>(575,101)</u>
CHANGES IN NET POSITION	(143,614)	(559,940)	128,453	(575,101)
NET POSITION:				
Beginning of year	1,051,699	1,165,050	388,622	2,605,371
End of year	<u>\$ 908,085</u>	<u>\$ 605,110</u>	<u>\$ 517,075</u>	<u>\$ 2,030,270</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2022

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 3,700	\$ 742,094	\$ 817,040	\$ 1,562,834
Cash paid to suppliers for goods and services	(381)	(890,880)	(524,957)	(1,416,218)
Cash paid to employees for services	-	(382,802)	(159,547)	(542,349)
Net cash provided by (used in) operating activities	3,319	(531,588)	132,536	(395,733)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	-	(198,931)	-	(198,931)
Net cash (used in) capital and related financing activities	-	(198,931)	-	(198,931)
NET CHANGES IN CASH AND CASH EQUIVALENTS	3,319	(730,519)	132,536	(594,664)
CASH AND CASH EQUIVALENTS:				
Beginning of year	642,668	1,580,575	615,659	2,838,902
End of year	<u>\$ 645,987</u>	<u>\$ 850,056</u>	<u>\$ 748,195</u>	<u>\$ 2,244,238</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (143,614)	\$ (559,940)	\$ 128,453	\$ (575,101)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	146,933	101,354	-	248,287
(Increase) Decrease in Assets and Deferred Outflows				
Pensions-related deferred outflows	-	(15,010)	(7,870)	(22,880)
OPEB-related deferred outflows	-	(4,750)	(2,374)	(7,124)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	(113,524)	(11,898)	(125,422)
Salaries and benefits payable	-	330	(3)	327
Net pension liability	-	(197,397)	(103,492)	(300,889)
Net OPEB liability	-	(9,878)	(4,939)	(14,817)
Pensions-related deferred inflows	-	231,055	121,138	352,193
OPEB-related deferred inflows	-	26,278	13,139	39,417
Compensated absences	-	9,894	382	10,276
Total adjustments	146,933	28,352	4,083	179,368
Net cash provided by (used in) operating activities	\$ 3,319	\$ (531,588)	\$ 132,536	\$ (395,733)



FIDUCIARY-CUSTODIAL FUNDS



City of Hercules
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2022

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ASSETS			
Cash and investments	\$ 330,317	\$ 69,457	\$ 399,774
Cash and investments with fiscal agents	85,512	-	85,512
Total assets	415,829	69,457	485,286
NET POSITION			
Restricted for individuals, organization, and other government	415,829	69,457	485,286
Total net position	\$ 415,829	\$ 69,457	\$ 485,286

(Concluded)

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2022

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOB	Total
ADDITIONS:			
Taxes and assessments	\$ 232,493	\$ -	\$ 232,493
Investment income/(loss)	(2,748)	(578)	(3,326)
Total additions	<u>229,745</u>	<u>(578)</u>	<u>229,167</u>
DEDUCTIONS:			
Administration	8,010	-	8,010
Interest and fiscal agent fee	156,676	-	156,676
Principal payment to refunding escrow	31,492	-	31,492
Total deductions	<u>196,178</u>	<u>-</u>	<u>196,178</u>
CHANGES IN FIDUCIARY NET POSITION	33,567	(578)	32,989
NET POSITION:			
Beginning of year,	<u>382,262</u>	<u>70,035</u>	<u>452,297</u>
End of year	<u>\$ 415,829</u>	<u>\$ 69,457</u>	<u>\$ 485,286</u>

(Concluded)

STATISTICAL SECTION



City of Hercules

Description of Statistical Section Contents

This part of the City of Hercules' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends (pages 168-177)

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity (pages 178-185)

These schedules contain information to help the reader assess the City's most significant local revenue sources, transient occupancy tax ("TOT") and property taxes.

Debt Capacity (pages 186-192)

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information (pages 193)

These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.

Operating Information (pages 194-201)

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.



City of Hercules
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
<i>Governmental activities</i>					
Net investment in capital assets	\$ 65,157,839	\$ 62,588,422	\$ 65,597,425	\$ 67,814,198	\$ 73,286,966
Restricted	22,334,668	13,670,630	21,070,727	7,026,074	18,239,035
Unrestricted	20,635,123	36,350,966	16,564,422	34,482,114	27,146,535
Total governmental activities net position	<u>\$ 108,127,630</u>	<u>\$ 112,610,018</u>	<u>\$ 103,232,574</u>	<u>\$ 109,322,386</u>	<u>\$ 118,672,536</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 10,746,142	\$ 9,897,549	\$ 9,942,508	\$ 11,637,225	\$ 9,503,346
Restricted	-	-	-	-	-
Unrestricted	24,351,569	20,211,271	22,931,509	22,643,219	27,529,908
Total business-type activities net position	<u>\$ 35,097,711</u>	<u>\$ 30,108,820</u>	<u>\$ 32,874,017</u>	<u>\$ 34,280,444</u>	<u>\$ 37,033,254</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 75,903,981	\$ 72,485,971	\$ 75,539,933	\$ 79,451,423	\$ 82,790,312
Restricted	22,334,668	13,670,630	21,070,727	7,026,074	18,239,035
Unrestricted	44,986,692	56,562,237	39,495,931	57,125,333	54,676,443
Total primary government net position	<u>\$ 143,225,341</u>	<u>\$ 142,718,838</u>	<u>\$ 136,106,591</u>	<u>\$ 143,602,830</u>	<u>\$ 155,705,790</u>

Source: City Finance Department



City of Hercules
Net Position by Component (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
<i>Governmental activities</i>					
Net investment in capital assets	\$ 76,304,118	\$ 76,082,830	\$ 73,639,890	\$ 69,628,982	\$ 60,257,709
Restricted	21,086,055	21,495,653	20,047,707	20,047,707	9,237,967
Unrestricted	24,579,483	26,259,010	23,471,208	24,205,660	8,478,665
Total governmental activities net position	<u>\$ 121,969,656</u>	<u>\$ 123,837,493</u>	<u>\$ 117,158,805</u>	<u>\$ 113,882,349</u>	<u>\$ 77,974,341</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 10,572,862	\$ 9,384,765	\$ 11,587,259	\$ 7,230,469	\$ 15,704,349
Restricted	-	7,582,403	7,674,002	7,679,725	-
Unrestricted	29,000,343	23,910,447	23,244,232	29,474,812	18,566,052
Total business-type activities net position	<u>\$ 39,573,205</u>	<u>\$ 40,877,615</u>	<u>\$ 42,505,493</u>	<u>\$ 44,385,006</u>	<u>\$ 34,270,401</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 86,876,980	\$ 85,467,595	\$ 85,227,149	\$ 76,859,451	\$ 75,962,058
Restricted	21,086,055	29,078,056	27,721,709	27,727,432	9,237,967
Unrestricted	53,579,826	50,169,457	46,715,440	53,680,472	27,044,717
Total primary government net position	<u>\$ 161,542,861</u>	<u>\$ 164,715,108</u>	<u>\$ 159,664,298</u>	<u>\$ 158,267,355</u>	<u>\$ 112,244,742</u>

Source: City Finance Department



City of Hercules
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Expenses					
Governmental Activities:					
General Government	\$ 3,900,757	\$ 4,350,428	\$ 3,133,995	\$ 3,706,717	\$ 4,025,706
Public Safety	4,560,766	4,905,837	5,094,319	5,299,440	5,365,068
Public Works	5,244,823	5,761,359	4,880,174	4,667,439	5,035,767
Parks and recreation	2,087,597	2,147,560	2,074,783	2,216,525	3,050,786
Community Development	1,275,685	3,295,068	742,529	400,754	640,428
Interest on Long-Term Debt	1,284,713	1,073,240	1,277,353	1,301,053	1,220,791
Total Governmental Activities	18,354,341	21,533,492	17,203,153	17,591,928	19,338,546
Business-Type Activities:					
Sewer	3,336,974	3,494,287	2,834,835	3,854,974	3,092,380
Hercules Municipal Utility	3,369,406	2,491,837			
Total Business-Type Activities Expenses	6,706,380	5,986,124	2,834,835	3,854,974	3,092,380
Total Primary Government Expenses	\$ 25,060,721	\$ 27,519,616	\$ 20,037,988	\$ 21,446,902	\$ 22,430,926
Program Revenues					
Governmental Activities:					
General Government	\$ 236,231	\$ 282,512	\$ 361,223	\$ 128,430	\$ 113,875
Public Safety	473,929	576,345	523,708	543,761	1,171,960
Public Works	3,273,051	4,570,184	6,150,061	12,784,856	12,014,579
Parks and recreation	1,544,429	1,623,655	1,604,294	1,538,554	1,715,375
Community Development	170,740	200,601	890,867	364,191	823,972
Total Government Activities Program Revenues	5,698,380	7,253,297	9,530,153	15,359,792	15,839,761
Business-Type Activities:					
Sewer	5,282,963	5,619,601	6,028,122	5,595,044	5,797,766
Hercules Municipal Utility	2,756,288	2,070,923			
Total Business-Type Activities Program Revenue	8,039,251	7,690,524	6,028,122	5,595,044	5,797,766
Total Primary Government Program Revenues	\$ 13,737,631	\$ 14,943,821	\$ 15,558,275	\$ 20,954,836	\$ 21,637,527
Net (Expense)/Revenue					
Governmental Activities	(12,655,961)	(14,280,195)	(7,673,000)	(2,232,136)	(3,498,785)
Business-Type Activities	1,332,871	1,704,400	3,193,287	1,740,070	2,705,386
Total Primary Government Net Expense	\$ (11,323,090)	\$ (12,575,795)	\$ (4,479,713)	\$ (492,066)	\$ (793,399)

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
Expenses					
Governmental Activities:					
General Government	\$ 4,105,705	\$ 5,094,236	\$ 4,634,707	\$ 4,435,331	\$ 4,768,150
Public Safety	7,034,658	7,055,390	8,844,059	9,273,713	6,581,205
Public Works	6,894,640	6,727,710	8,447,150	7,715,011	8,560,194
Parks and recreation	2,657,763	2,564,008	2,786,635	2,104,559	2,312,529
Community Development	491,562	630,341	595,927	918,476	1,253,855
Interest on Long-Term Debt	1,141,982	1,256,456	1,159,848	959,355	1,007,813
Total Governmental Activities	22,326,310	23,328,141	26,468,326	25,406,445	24,483,746
Business-Type Activities:					
Sewer	3,750,261	5,343,759	4,593,120	3,894,420	5,221,938
Hercules Municipal Utility					
Total Business-Type Activities Expenses	3,750,261	5,343,759	4,593,120	3,894,420	5,221,938
Total Primary Government Expenses	<u>\$ 26,076,571</u>	<u>\$ 28,671,900</u>	<u>\$ 31,061,446</u>	<u>\$ 29,300,865</u>	<u>\$ 29,705,684</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 3,866,023	\$ 1,816,337	\$ 719,485	\$ 1,343,812	\$ 1,030,250
Public Safety	524,703	882,823	743,462	540,238	3,539,598
Public Works	5,218,076	4,433,560	5,546,868	4,196,125	5,827,479
Parks and recreation	1,696,769	1,731,066	1,030,758	396,289	1,034,873
Community Development	1,534,666	1,658,265	517,920	552,090	8,329,364
Total Government Activities Program Revenues	12,840,237	10,522,051	8,558,493	7,028,554	19,761,564
Business-Type Activities:					
Sewer	6,145,215	6,003,202	5,719,257	5,769,396	5,852,278
Hercules Municipal Utility					
Total Business-Type Activities Program Revenue	6,145,215	6,003,202	5,719,257	5,769,396	5,852,278
Total Primary Government Program Revenues	<u>\$ 18,985,452</u>	<u>\$ 16,525,253</u>	<u>\$ 14,277,750</u>	<u>\$ 12,797,950</u>	<u>\$ 25,613,842</u>
Net (Expense)/Revenue					
Governmental Activities	(9,486,073)	(12,806,090)	(17,909,833)	(18,377,891)	(4,722,182)
Business-Type Activities	2,394,954	659,443	1,126,137	1,874,976	630,340
Total Primary Government Net Expense	<u>\$ (7,091,119)</u>	<u>\$ (12,146,647)</u>	<u>\$ (16,783,696)</u>	<u>\$ (16,502,915)</u>	<u>\$ (4,091,842)</u>

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

For the Fiscal Year Ended June 30,					
	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,233,335	\$ 992,934	\$ 1,173,026	\$ 1,233,207	\$ 1,286,788
Sales Taxes and use taxes	2,153,244	2,593,675	2,693,075	3,211,109	3,324,807
Franchise Tax	669,723	799,180	1,011,888	960,124	878,574
Other Taxes	2,284,442	3,265,624	3,511,023	3,628,145	3,712,519
Unrestricted Motor Vehicle Taxes In-Lieu	1,312,179	1,323,651	1,554,491	1,645,846	1,799,014
Use of Money and properties	993,098	1,002,389	1,055,791	1,133,587	1,114,795
Miscellaneous	758,854	1,397,677	476,033	1,029,258	448,688
Special items	3,686,647	-	-	-	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	-	7,387,453	(92,736)	(10,452)	-
Total Government Activities	<u>13,091,522</u>	<u>18,762,583</u>	<u>11,382,591</u>	<u>12,830,824</u>	<u>12,565,185</u>
Business-Type Activities:					
Use of Money and properties	44,326	45,822	23,484	24,058	47,424
Miscellaneous	101,207	86,637	-	-	-
Special items	2,874,410	561,703	-	-	-
Transfers	-	(7,387,453)	92,736	10,452	-
Total Business-Type Activities	<u>3,019,943</u>	<u>(6,693,291)</u>	<u>116,220</u>	<u>34,510</u>	<u>47,424</u>
Total Primary Government	<u>\$ 16,111,465</u>	<u>\$ 12,069,292</u>	<u>\$ 11,498,811</u>	<u>\$ 12,865,334</u>	<u>\$ 12,612,609</u>
Change in Net Position					
Governmental Activities	\$ 435,561	\$ 4,482,388	\$ 3,709,591	\$ 10,598,688	\$ 12,565,185
Business-Type Activities	4,352,814	(4,988,891)	3,309,507	1,774,580	47,424
Total Primary Government	<u>\$ 4,788,375</u>	<u>\$ (506,503)</u>	<u>\$ 7,019,098</u>	<u>\$ 12,373,268</u>	<u>\$ 12,612,609</u>

Source: City Finance Department



City of Hercules
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,376,354	\$ 1,378,493	\$ 1,415,995	\$ 1,451,716	\$ 1,514,791
Sales Taxes and use taxes	3,206,095	3,988,702	4,212,285	4,775,496	6,263,066
Franchise Tax	862,946	852,751	948,503	862,104	970,054
Other Taxes	3,906,865	4,506,706	4,402,327	4,293,889	5,343,970
Unrestricted Motor Vehicle Taxes In-Lieu	1,911,327	1,990,306	2,128,054	2,239,058	2,341,444
Use of Money and properties	1,334,955	1,588,558	1,748,131	1,456,269	773,519
Miscellaneous	1,189,560	368,411	-	-	-
Special items	-	-	(3,624,150)	-	(39,586,347)
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	-	-	-	-	-
Total Government Activities	13,788,102	14,673,927	11,231,145	15,078,532	(22,379,503)
Business-Type Activities:					
Use of Money and properties	200,280	482,095	501,741	4,537	(157,318)
Miscellaneous	-	162,872	-	-	-
Special items	-	-	-	-	(10,587,627)
Transfers	-	-	-	-	-
Total Business-Type Activities	200,280	644,967	501,741	4,537	(10,744,945)
Total Primary Government	\$ 13,988,382	\$ 15,318,894	\$ 11,732,886	\$ 15,083,069	\$ (33,124,448)
Change in Net Position					
Governmental Activities	\$ 4,302,029	\$ 1,867,837	\$ (6,678,688)	\$ (3,299,359)	\$ (27,101,685)
Business-Type Activities	2,595,234	1,304,410	1,627,878	1,879,513	(10,114,605)
Total Primary Government	\$ 6,897,263	\$ 3,172,247	\$ (5,050,810)	\$ (1,419,846)	\$ (37,216,290)

Source: City Finance Department



City of Hercules
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
General Fund					
Nonspendable	\$ 23,063,118	\$ 27,801,759	\$ 27,806,063	\$ 28,643,374	\$ 30,092,172
Restricted	-	-	-	-	-
Assigned	554,985	1,359,328	1,363,528	2,171,733	2,176,150
Unassigned	2,700,418	5,389,258	7,969,320	8,291,363	9,426,610
Total General Fund	<u>\$ 26,318,521</u>	<u>\$ 34,550,345</u>	<u>\$ 37,138,911</u>	<u>\$ 39,106,470</u>	<u>\$ 41,694,932</u>
All Other Governmental Funds					
Nonspendable	\$ 12,131,778	\$ 12,131,778	\$ 11,013	\$ 6,714,263	\$ 11,013
Restricted	19,147,732	8,253,115	21,070,727	12,443,589	20,587,964
Committed	-	-	-	-	-
Assigned	71,386	-	35,395	1,314,160	-
Unassigned	(193,469)	(857,203)	(2,770,225)	(7,036,753)	(4,048,580)
Total all other governmental funds	<u>\$ 31,157,427</u>	<u>\$ 19,527,690</u>	<u>\$ 18,346,910</u>	<u>\$ 13,435,259</u>	<u>\$ 16,550,397</u>

Source: Finance Department



City of Hercules
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
General Fund					
Nonspendable	\$ 27,799,824	\$ 29,402,817	\$ 29,769,663	\$ 30,034,997	\$ 10,806
Restricted	-	-	-	-	2,054,252
Assigned	2,321,483	5,937,646	6,205,655	5,915,247	6,022,247
Unassigned	14,194,525	10,027,085	8,398,945	10,008,178	22,926,831
Total General Fund	<u>\$ 44,315,832</u>	<u>\$ 45,367,548</u>	<u>\$ 44,374,263</u>	<u>\$ 45,958,422</u>	<u>\$ 31,014,136</u>
All Other Governmental Funds					
Nonspendable	\$ 11,013	\$ 11,013	\$ -	\$ -	\$ -
Restricted	20,556,143	21,446,237	19,621,155	19,549,409	7,026,830
Committed	-	-	428,552	1,391,188	1,998,781
Assigned	-	-	-	-	-
Unassigned	(1,473,498)	(226,591)	(98,458)	(162,793)	(734,289)
Total all other governmental funds	<u>\$ 19,093,658</u>	<u>\$ 21,230,659</u>	<u>\$ 19,951,249</u>	<u>\$ 20,777,804</u>	<u>\$ 8,291,322</u>

Source: Finance Department



City of Hercules
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Revenues					
Taxes and Assessments	\$ 6,340,744	\$ 7,651,413	\$ 8,389,012	\$ 9,032,585	\$ 9,202,688
Licenses and permits	294,737	315,086	480,645	344,374	496,355
Fines and forfeitures	87,128	66,488	62,069	60,434	47,824
Use of money and property	1,012,177	1,003,729	1,082,244	1,183,964	1,192,976
Intergovernmental	2,413,531	3,374,022	6,194,872	5,677,447	14,911,152
Charges For Services	4,139,898	4,434,327	5,079,255	4,660,592	5,157,696
Other Revenues	758,854	1,015,728	476,033	1,029,258	448,688
Total Revenues	15,047,069	17,860,793	21,764,130	21,988,654	31,457,379
Expenditures					
Current:					
General government	3,482,323	3,934,402	2,635,701	2,952,966	3,153,498
Public Safety	4,578,363	4,869,782	5,158,435	5,589,583	6,022,005
Streets and Public Works	2,731,992	3,820,523	3,104,609	2,772,877	3,469,283
Parks And Recreation	1,833,902	1,878,925	1,827,391	1,961,669	1,883,159
Community Development	1,628,258	1,882,181	743,110	399,215	640,625
Lease expense	-	-	-	-	-
Capital outlay	853,299	1,161,622	4,994,173	8,504,827	9,079,227
Debt service:					
Principal	457,025	583,104	604,474	626,149	653,144
Interest And Fiscal Agent Fees	1,233,175	1,213,038	1,189,346	1,164,163	1,136,588
Total Expenditures	16,798,337	19,343,577	20,257,239	23,971,449	26,037,529
Excess (deficiency) of revenues over (under) expenditures	(1,751,268)	(1,482,784)	1,506,891	(1,982,795)	5,419,850
Other Financing Sources (Uses)					
Proceeds from loan	-	-	-	-	-
Proceeds from refunding bond	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	2,653,429	8,621,221	1,482,134	11,787,077	2,705,171
Transfers (out)	(1,899,798)	(1,363,768)	(1,574,870)	(11,803,454)	(2,705,171)
Sale of capital assets	-	381,949	-	-	-
Contributed Capital	-	-	-	-	-
Special Item	-	-	-	-	-
Total other financing sources (uses)	753,631	7,639,402	(92,736)	(16,377)	
Special/Extraordinary Item	3,686,647	-	-	-	-
Net Change in fund balances	\$ 2,689,010	\$ 6,156,618	\$ 1,414,155	\$ (1,999,172)	\$ 5,419,850
Debt service as a percentage of noncapital expenditures	11%	10%	12%	12%	11%

NOTE:

(a) Calculation of percentage only includes non-capitalized expenditures that is not being reflected on the capital outlay line.

Source: City Finance Department



City of Hercules
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
Revenues					
Taxes and Assessments	\$ 9,352,260	\$ 10,726,652	\$ 10,727,692	\$ 14,098,060	\$ 16,889,724
Licenses and permits	1,081,912	844,806	796,397	952,294	707,300
Fines and forfeitures	48,579	50,058	62,582	36,586	48,663
Use of money and property	1,443,270	1,728,361	1,702,755	1,456,271	783,885
Intergovernmental	7,650,796	4,455,255	4,073,720	4,589,299	15,618,709
Charges For Services	5,684,127	7,964,546	5,282,444	1,150,164	2,319,388
Other Revenues	1,204,989	92,602	67,355	239,610	279,797
Total Revenues	<u>26,465,933</u>	<u>25,862,280</u>	<u>22,712,945</u>	<u>22,522,284</u>	<u>36,647,466</u>
Expenditures					
Current:					
General government	3,492,082	4,542,651	4,070,428	3,854,043	4,081,705
Public Safety	6,295,019	6,776,245	7,634,971	7,774,932	7,879,451
Streets and Public Works	4,300,078	4,357,212	4,080,345	4,638,912	4,514,842
Parks And Recreation	2,101,369	2,128,110	2,165,547	1,434,988	1,910,716
Community Development	468,011	616,899	557,672	792,456	1,061,135
Lease expense	-	-	-	-	-
Capital outlay	2,757,245	2,261,555	3,434,295	4,163,726	2,862,062
Debt service:					
Principal	580,473	613,153	646,201	469,113	1,198,248
Interest And Fiscal Agent Fees	1,307,495	1,285,738	1,239,573	1,224,118	983,728
Total Expenditures	<u>21,301,772</u>	<u>22,581,563</u>	<u>23,829,032</u>	<u>24,352,288</u>	<u>24,491,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,164,161</u>	<u>3,280,717</u>	<u>(1,116,087)</u>	<u>(1,830,004)</u>	<u>12,155,579</u>
Other Financing Sources (Uses)					
Proceeds from loan	-	-	-	4,209,354	
Proceeds from refunding bond	-	-	-	5,876,843	
Payment to refunded bond escrow agent	-	-	-	(5,705,000)	
Transfers in	1,408,803	2,511,094	1,730,899	1,405,555	5,723,857
Transfers (out)	(1,408,803)	(2,603,094)	(1,730,899)	(964,912)	(5,728,857)
Sale of capital assets	-	-	-	-	
Contributed Capital	-	-	655,467	-	
Special Item	-	-	(1,812,075)	(604,025)	(39,586,347)
Total other financing sources (uses)	<u>-</u>	<u>(92,000)</u>	<u>(1,156,608)</u>	<u>4,217,815</u>	<u>(39,591,347)</u>
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	<u>\$ 5,164,161</u>	<u>\$ 3,188,717</u>	<u>\$ (2,272,695)</u>	<u>\$ 2,387,811</u>	<u>\$ (27,435,768)</u>
Debt service as a percentage of noncapital expenditures	10%	9%	9%	8%	10%

NOTE:

(a) Calculation of percentage only includes non-capitalized expenditures that is not being reflected on the capital outlay line.

Source: City Finance Department



City of Hercules

Assessed and Estimated Actual Value of Taxable Property Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Other Property	Unsecured Property	Less: Tax-Exempt Property	Taxable Assessed Value
2013	2,145,156,967	68,182,982	166,377,521	41,803,608	54,863,064	89,677,874	2,386,706,268
2014	2,177,990,007	78,806,569	181,255,580	33,879,853	53,405,561	92,483,903	2,432,853,667
2015	2,567,234,136	71,672,395	175,156,171	28,510,114	56,578,518	75,454,264	2,823,697,070
2016	2,762,167,273	78,083,558	178,580,502	39,547,425	54,269,399	77,407,676	3,035,240,481
2017	2,984,511,909	79,706,704	192,358,822	58,775,769	58,945,949	94,538,055	3,279,761,098
2018	3,171,302,525	86,604,265	199,079,514	88,645,176	56,327,147	96,165,729	3,505,792,898
2019	3,322,501,416	85,620,650	196,779,448	91,306,290	56,782,463	97,967,035	3,655,023,232
2020	3,549,607,367	90,938,555	199,145,259	83,462,351	59,062,998	108,788,587	3,873,427,943
2021	3,785,286,659	88,476,522	204,766,171	82,829,255	58,291,816	111,756,157	4,107,894,266
2022	3,945,445,134	115,669,026	209,565,059	81,365,903	57,802,705	131,601,392	4,278,246,435

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* 2019-20 Other Property includes State Unitary tax \$79,567.

(1) Total tax rate is represented by TRA 4-001

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



City of Hercules

Assessed and Estimated Actual Value of Taxable Property (Continued)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Rate (1)	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
2013	5.4221%	2,386,706,268	1.000000
2014	5.4221%	2,432,853,667	1.000000
2015	5.4221%	2,823,697,070	1.000000
2016	5.4221%	3,035,240,481	1.000000
2017	5.4221%	3,279,761,098	1.000000
2018	5.4221%	3,505,792,898	1.000000
2019	5.4221%	6,047,063,713	1.654453
2020	5.4221%	6,578,416,066	1.698345
2021	5.4221%	6,420,511,696	1.562969
2022	5.4221%	7,751,990,119	1.811955

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* 2019-20 Other Property includes State Unitary tax \$79,567.

(1) Total tax rate is represented by TRA 4-001

(2) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.



City of Hercules

Assessed Value of Property by Use Code

Last Ten Fiscal Years

Category	For the Fiscal Year Ended June 30,				
	2013	2014	2015	2016	2017
Residential	\$ 2,145,156,967	\$ 2,177,990,007	\$ 2,567,234,136	\$ 2,762,167,273	\$ 2,984,511,909
Industrial	166,377,521	181,255,580	175,156,171	178,580,502	192,358,822
Commercial	68,182,982	78,806,569	71,672,395	78,083,558	79,706,704
Vacant	15,065,418	13,529,847	16,167,550	27,684,893	31,332,357
Institution	14,990,493	15,192,385	496,945	506,873	15,803,658
Recreation	9,282,254	2,735,888	9,411,388	9,461,565	9,716,963
Social	899,723	836,400	840,196	856,982	870,050
Miscellaneous	773,649	789,119	792,700	808,536	820,864
Rural	207,256	211,399	212,358	216,599	219,900
Unitary	7,815	7,815	11,977	11,977	11,977
Professional	577,000	577,000	577,000	-	-
Gross Secured Value	2,421,521,078	2,471,932,009	2,842,572,816	3,058,378,758	3,315,353,204
Unsecured	54,863,064	53,405,561	56,578,518	54,269,399	58,945,949
Exemptions	89,677,874	92,483,903	75,454,264	77,407,676	94,538,055
	<u>\$ 2,386,706,268</u>	<u>\$ 2,432,853,667</u>	<u>\$ 2,823,697,070</u>	<u>\$ 3,035,240,481</u>	<u>\$ 3,279,761,098</u>

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics
 Use code categories are based on Contra Costa County Assessor's data



City of Hercules
Assessed Value of Property by Use Code (Continued)
Last Ten Fiscal Years

Category	For the Fiscal Year Ended June 30,				
	2018	2019	2020	2021	2022
Residential	\$ 3,171,302,525	\$ 3,322,501,416	\$ 3,549,607,367	\$ 3,785,286,659	\$ 3,945,445,134
Industrial	199,079,514	196,779,448	199,145,259	204,766,171	209,565,059
Commercial	86,604,265	85,620,650	90,938,555	88,476,522	115,669,026
Vacant	61,123,014	62,680,104	53,134,753	51,585,587	52,389,446
Institution	16,119,728	16,442,120	16,770,959	17,106,375	17,283,594
Recreation	9,502,881	10,179,175	11,038,616	11,570,506	9,100,314
Social	826,000	842,520	1,334,000	1,360,679	1,374,774
Miscellaneous	837,279	854,023	871,101	888,520	897,723
Rural	224,297	228,781	233,355	238,021	240,485
Unitary	11,977	79,567	79,567	79,567	79,567
Professional	-	-	-	-	-
Gross Secured Value	3,545,631,480	3,696,207,804	3,923,153,532	4,161,358,607	4,352,045,122
Unsecured	56,327,147	56,782,463	59,062,998	58,291,816	57,802,705
Exemptions	96,165,729	97,967,035	108,788,587	111,756,157	131,601,392
	<u>\$ 3,505,792,898</u>	<u>\$ 3,655,023,232</u>	<u>\$ 3,873,427,943</u>	<u>\$ 4,107,894,266</u>	<u>\$ 4,278,246,435</u>

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics
 Use code categories are based on Contra Costa County Assessor's data



City of Hercules

Direct and Overlapping Property Tax Rates

Last Two Fiscal Years

	2020-21	2021-22
Basic City and County Levy		
City of Hercules	0.054221	0.054221
County of Contra Costa	0.945779	0.945779
Total 1% Breakout	1.000000	1.000000
Override Assessments		
Bart	0.013900	0.006000
East Bay Reg Pk Bd	0.001400	0.002000
West CC Unified Bd 98	0.003200	0.002200
West Contra Costa Unified	0.198600	0.250500
WCCUSD 2012 Bond	0.041400	0.041200
Community College	0.016100	0.017600
Total Override Rate	0.274600	0.319500
Total Tax Rate	1.274600	1.319500

Source: County Auditor/Controller data, MuniServices, LLC / Avenu Insights
& Analytics Rates are not adjusted for ERAF

TRA 4-001 is represented for this report

*2012-13 is the city's first CAFR publication, therefore prior year data is unavailable.



City of Hercules

Principal Property Taxpayers

Last Fiscal Year and Nine Years Ago

Taxpayer	2021-22		2012-13	
	(\$) Taxable Value	Percentage of Total City Assessed Value	Assessed Value	Percentage of Total City Assessed Value
Bio-Rad Laboratories Inc	\$ 173,225,173	4.05%	\$ 148,620,495	6.23%
Hercules Block Q&R Dev Partner	120,500,325	2.82%		
WCV Aventine Hercules LLC	64,100,944	1.50%		
Hercules Land Partners LP	26,412,372	0.62%		
Trestle Hercules LLC	22,852,870	0.53%		
HD Development of Maryland	19,376,969	0.45%	17,243,157	0.72%
Hercules SPE MW LLC	12,576,927	0.29%		
Vacaville Mobile Home Park LLC	10,770,132	0.25%		
Tulloch Brian TRE	10,385,807	0.24%	8,554,048	0.36%
CS Creekside Hercules LLC	8,247,956	0.19%	3,600,000	0.15%
Santa Clara VLY Housing Group	8,120,000	0.19%	5,310,000	0.22%
Mary Terrace LLC	7,889,505	0.18%		
Dathe Robert P & Carlotta R	7,809,671	0.18%	6,730,144	0.28%
Hercules Sycamore Hills LLC	7,660,316	0.18%	6,601,434	0.28%
LA Costalot LLC	7,639,040	0.18%	5,656,700	0.24%
Mechanics Bank of Richmond	7,532,612	0.18%	9,398,238	0.39%
Hercules Real Est Ltd Ptnship	7,174,281	0.17%	5,139,600	0.22%
Alcatraz475 LP	6,370,016	0.15%		
1560 Sycamore LLC	6,312,565	0.15%	3,753,600	0.16%
North First Street Properties	6,250,937	0.15%		
Madison MRH-1 Franklin LLC	5,950,721	0.14%		
Arrow Investment Partners LLC	5,496,000	0.13%	3,958,350	0.17%
Multiple O Holdings LLC	5,176,303	0.12%		
Adalan Properties LLC	4,803,861	0.11%	4,139,829	0.17%
ORB Partnership	4,031,269	0.09%	3,474,054	0.15%
Rago Dev Corp	-		10,691,000	0.45%
Orinda Investors LP	-		6,847,489	0.29%
Three Trees Holdings I LLC	-		6,600,000	0.28%
Golden Gateway Assoc	-		5,596,346	0.23%
Robinson Theodore Deanna	-		5,098,184	0.21%
Red Barn Ventures I LLC	-		4,545,429	0.19%
Hercules Bayfront LLC	-		3,758,212	0.16%
Bank of New York Mellon TRE	-		3,089,400	0.13%
Brandenburg Eric TRE	-		2,885,364	0.12%
Convenience Retailers LLC	-		2,543,242	0.11%
Mega Investment Co	-		2,369,500	0.10%
Total Top 25 Taxpayers	\$ 566,666,572	13.25%	\$ 286,203,815	11.99%
Total Taxable Value	\$ 4,278,246,435	100.00%	\$ 2,386,706,268	100.00%

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

Total Taxable Value includes State Unitary of \$79,567.



City of Hercules

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2013	1,238,594	1,238,594	100%	1,238,594	100%
2014	878,899	878,899	100%	878,899	100%
2015	1,044,373	1,044,373	100%	1,044,373	100%
2016	1,110,223	1,110,223	100%	1,110,223	100%
2017	1,168,687	1,168,687	100%	1,168,687	100%
2018	1,233,140	1,233,140	100%	1,233,140	100%
2019	1,296,155	1,296,155	100%	1,296,155	100%
2020	1,342,265	1,342,265	100%	1,342,265	100%
2021	1,378,587	1,378,587	100%	1,378,587	100%
2022	1,446,942	1,446,942	100%	1,446,942	100%

Source: City of Hercules Records



City of Hercules

Principal Sales Tax Producers

Last Fiscal Year and Nine Years Ago

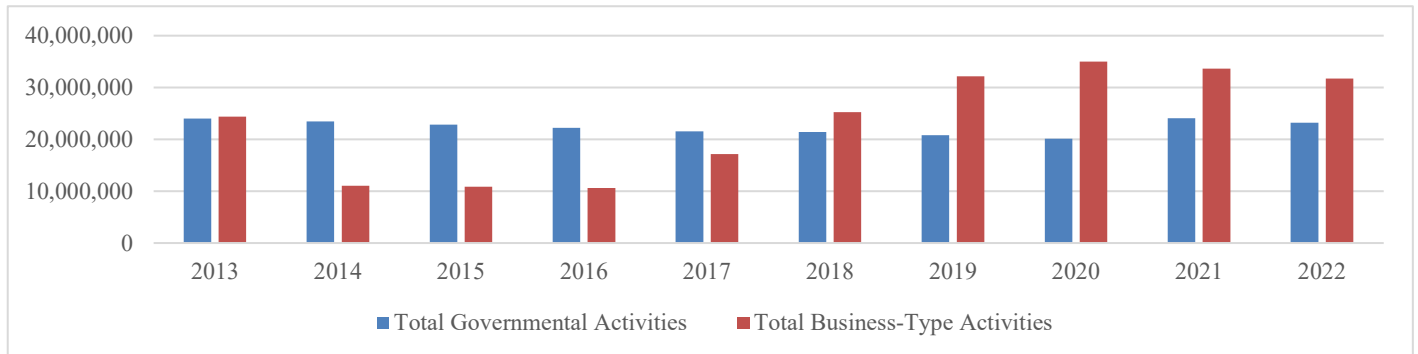
2021-22		2012-13	
Taxpayer	Business Type	Taxpayer	Business Type
Big Lots	Department Stores	44 Sports Lounge	Restaurants
Bio Rad Laboratories	Chemical Products	A & B Die Casting	Heavy Industry
Burger King Restaurants	Restaurants	American Golf Club	Restaurants
Cabalen Filipino Cuisine	Restaurants	Big Lots	Department Stores
City Mechanical Incorporated	Bldg.Matls-Whsle	Bio Rad Laboratories	Chemical Products
City of Ember	Miscellaneous Retail	Burger King Restaurants	Restaurants
Domino's Pizza	Restaurants	Cigarettes City	Miscellaneous Retail
Dragon Terrace Restaurant	Restaurants	Extreme Pizza	Restaurants
Home Depot	Bldg.Matls-Retail	Home Depot	Bldg.Matls-Retail
Jack In The Box Restaurants	Restaurants	Jack In The Box Restaurants	Restaurants
Kinder's	Food Markets	Kinder's Meats Deli & Bbq	Restaurants
Lucky Food Centers	Food Markets	KMS Convenience Marts	Food Markets
Mazatlan Taqueria And Grill	Restaurants	Mazatlan Taqueria & Grill	Restaurants
Mcdonald's Restaurants	Restaurants	Mcdonald's Restaurants	Restaurants
Mountain Mike's Pizza	Restaurants	Pro Media Ultrasound	Electronic Equipment
Rite Aid Drug Stores	Drug Stores	Radston's	Office Equipment
Round Table Pizza	Restaurants	Rite Aid Drug Stores	Drug Stores
Safeway Stores	Food Markets	Round Table Pizza	Restaurants
Shell Service Stations	Service Stations	Save Mart Supermarkets	Food Markets
Smeal Holding	Auto Parts/Repair	Shell Service Stations	Service Stations
Starbucks Coffee	Food Markets	Snap-On Tools	Bldg.Matls-Retail
Taco Bell	Restaurants	Starbucks Coffee	Food Markets
The Powder Keg Pub	Restaurants	Taco Bell	Restaurants
Union 76 Service Stations	Service Stations	The Powder Keg Restaurant	Restaurants
Willow Food & Liquor	Food Markets	Union 76 Service Stations	Service Stations

Source: MuniServices, LLC / Avenu Insights & Analytics Top Sales Tax Producers listed in alphabetical order.



City of Hercules

Ratio of Outstanding Debt by Type Last Ten Fiscal Years



Fiscal Year	Governmental Activities			Total
	Tax Allocation Bonds	Revenue Bonds	Loans & Lease Purchases	
2013	- (b)	17,120,000	6,904,982	24,024,982
2014	- (b)	16,770,000	6,671,878	23,441,878
2015	- (b)	16,405,000	6,432,404	22,837,404
2016	- (b)	16,025,000	6,186,255	22,211,255
2017	- (b)	15,625,000	5,933,111	21,558,111
2018	- (b)	15,205,000	6,172,638	21,377,638
2019	- (b)	14,760,000	6,004,485	20,764,485
2020	- (b)	14,290,000	5,828,284	20,118,284
2021	- (b)	13,976,808	9,796,193	23,773,001
2022	- (b)	13,765,105	9,421,970	23,187,075

NOTE: Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Hercules
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

(a) Demographic Statistics for personal income and population data.

(b) Upon the dissolution of the Hercules Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Hercules Redevelopment Agency, including the Tax Allocation Bonds.



City of Hercules **Ratio of Outstanding Debt by Type (Continued)** **Last Ten Fiscal Years**

Fiscal Year	Business-Type Activities			Total	Percentage of Personal Income (a)	Debt Per Capita (a)
	Revenue Bonds	Loans & Lease Purchases	Total			
2013	24,400,000	-	24,400,000	48,424,982	#DIV/0!	#DIV/0!
2014	11,070,000	-	11,070,000	34,511,878	3.77%	1,401
2015	10,830,000	-	10,830,000	33,667,404	3.69%	1,356
2016	10,585,000	-	10,585,000	32,796,255	3.45%	1,311
2017	10,335,000	6,786,667	17,121,667	38,679,778	4.10%	1,529
2018	10,075,000	15,165,494	25,240,494	46,618,132	4.73%	1,805
2019	9,810,000	22,305,600	32,115,600	52,880,085	4.85%	2,037
2021	9,111,838	24,356,298	33,468,136	57,241,137	4.90%	2,242
2022	8,450,000	23,259,518	31,709,518	54,896,593	4.30%	2,123

NOTE: Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of Hercules
State of California, Department of Finance (population)
U.S. Department of commerce, Bureau of the Census (income)

(a) Demographic Statistics for personal income and population data.

(b) Upon the dissolution of the Hercules Redevelopment Agency effective January 31, 2012, a Successor Agency assumed the liabilities of the former Hercules Redevelopment Agency, including the Tax Allocation Bonds.





City of Hercules

Computation of Direct and Overlapping Debt

June 30, 2022

2021-22 Assessed Valuation: \$4,310,186,035

	Total Debt 6/30/22	% Applicable (a)	City's Share of Debt 6/30/22
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 2,521,570,000	0.484%	\$ 12,204,399
Contra Costa Community College District	568,780,000	1.848%	10,511,054
John Swett Unified School District	74,206,426	7.837%	5,815,558
West Contra Costa Unified School District	1,244,985,065	11.298%	140,658,413
West Contra Costa Healthcare Parcel Tax Obligations	44,580,000	11.205%	4,995,189
East Bay Regional Park District	184,590,000	0.774%	1,428,727
California Statewide Communities development Authority Assessment Districts	4,041,898	100.000%	4,041,898
City of Hercules 1915 Act Bonds	2,617,966	100.000%	2,617,966
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 182,273,204
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$ 224,500,000	1.842%	\$ 4,135,291
Contra Costa County Pension Obligation Bonds	-		-
West Contra Costa Unified School District Certificates of Participation	6,005,000	11.298%	678,445
City of Hercules General Fund Obligations	23,791,100	100.000%	23,791,100
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 28,604,835
Less: Contra Costa County obligations supported from revenue funds			1,062,708
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 27,542,127
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$80,690,000	100%	\$ 80,690,000
TOTAL DIRECT DEBT			23,791,100
TOTAL GROSS OVERLAPPING DEBT			\$ 267,776,939
TOTAL NET OVERLAPPING DEBT			\$ 266,714,231
GROSS COMBINED TOTAL DEBT			\$ 281,818,782 (b)
NET COMBINED TOTAL DEBT			\$ 280,756,074

(a) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(b) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	4.24%
Total Direct Debt (\$14,041,843)	0.33%
Gross Combined Total Debt	6.54%
Net Combined Total Debt	6.51%

Ratios to Redevelopment Successor Agency Incremental Valuation

Total Overlapping Tax Increment Debt	4.68%
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Source: Avenue Insights & Analytics
California Municipal Statistics, Inc.



City of Hercules **Legal Debt Margin Information** **Last Ten Fiscal Years**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assessed Valuation	\$ 2,386,706,268	\$ 2,432,853,667	\$ 2,823,697,070	\$ 3,035,240,481	\$ 3,279,761,098
Conversion Percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted Assessed Valuation	\$ 596,676,567	\$ 608,213,417	\$ 705,924,268	\$ 758,810,120	\$ 819,940,275
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	\$ 89,501,485	\$ 91,232,013	\$ 105,888,640	\$ 113,821,518	\$ 122,991,041
Total net debt applicable to limit: General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 89,501,485</u>	<u>\$ 91,232,013</u>	<u>\$ 105,888,640</u>	<u>\$ 113,821,518</u>	<u>\$ 122,991,041</u>

Total debt applicable to the limit
as a percentage of debt limit ¹

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department
County Tax Assessor's Office

¹ Section 43605 of the California Government Code for General Obligation Bonds.



City of Hercules
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Assessed Valuation	\$ 3,505,792,898	\$ 3,655,023,232	\$ 3,873,427,943	\$ 4,107,894,266	\$ 4,278,246,435
Conversion Percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted Assessed Valuation	\$ 876,448,225	\$ 913,755,808	\$ 968,356,986	\$ 1,026,973,567	\$ 1,069,561,609
Debt Limit Percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt Limit	\$ 131,467,234	\$ 137,063,371	\$ 145,253,548	\$ 154,046,035	\$ 160,434,241
Total net debt applicable to limit: General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 131,467,234</u>	<u>\$ 137,063,371</u>	<u>\$ 145,253,548</u>	<u>\$ 154,046,035</u>	<u>\$ 160,434,241</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

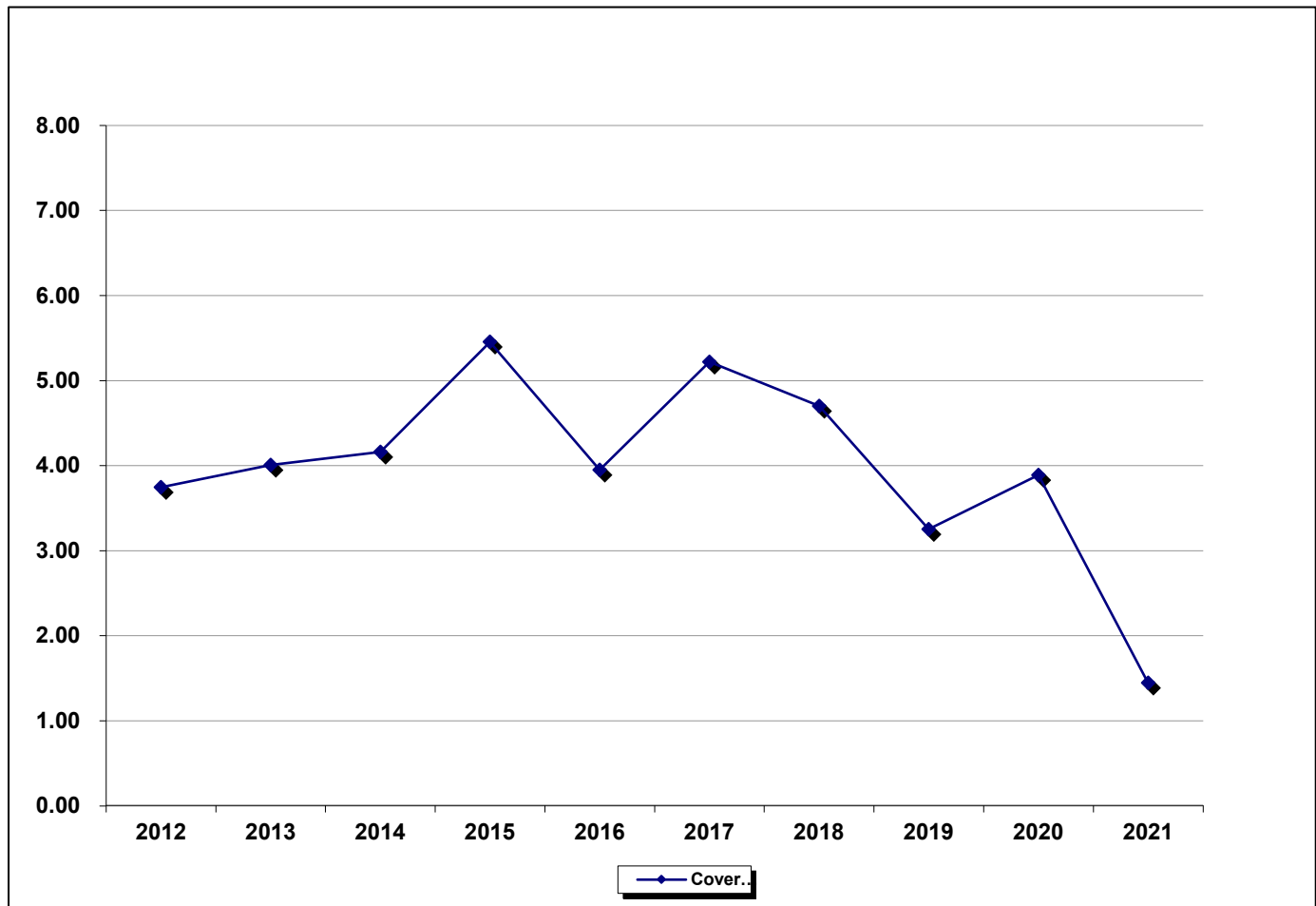
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Source: City Finance Department
County Tax Assessor's Office

¹ Section 43605 of the California Government Code for General Obligation Bonds.



City of Hercules Wastewater Fund Debt Coverage Last Ten Fiscal Years



Fiscal Year	Gross Revenue (a)	Revenues Not Available for Debt Service (b)	Operating Expenses (c)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2012	\$ 5,067,181	\$ -	\$ 2,306,754	\$ 2,760,427	\$ 230,000	\$ 507,013	\$ 737,013	3.75
2013	5,318,437	-	2,383,009	2,935,428	230,000	502,413	732,413	4.01
2014	5,656,760	-	2,606,826	3,049,934	235,000	497,763	732,763	4.16
2015	6,144,342	372,165	1,773,138	3,999,039	240,000	493,013	733,013	5.46
2016	5,629,550	-	2,733,393	2,896,157	245,000	487,856	732,856	3.95
2017	5,845,188	155,367	1,868,853	3,820,968	250,000	481,975	731,975	5.22
2018	6,345,495	510,645	2,380,221	3,454,629	260,000	474,950	734,950	4.70
2019	6,648,269	299,022	3,968,987	2,380,260	265,000	467,075	732,075	3.25
2020	6,220,998	-	3,367,478	2,853,520	275,000	458,631	733,631	3.89
2021	5,769,396	-	2,692,326	3,077,070	1,391,780	735,166	2,126,946	1.45
2022	5,852,278	-	3,493,308	2,358,970	1,096,780	515,729	1,612,509	1.46

NOTE: (a) Includes all Sewer Service Charges operating revenues, non-operating interest revenue, other non-operating revenue
 (b) Sewer Connection Fees and Sewer Facilities Fees
 (c) Includes all Sewer operating expenses, less depreciation and interest

Source: City of Hercules Annual Financial Statements



City of Hercules

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Total Personal Income	Per Capita Personal Income ⁽²⁾	Median Age	Public School Enrollment ⁽³⁾	County Unemployment Rate (%) ⁽⁴⁾	City Unemployment Rate (%) ⁽⁴⁾	County Population
2013	24,640	914,612,160	37,119	37.2	30,398	8.9%	6.0%	1,086,731
2014	24,826	913,423,018	36,793	37.3	30,720	7.5%	5.0%	1,099,843
2015	25,021	950,247,538	37,978	37.4	30,596	6.2%	4.1%	1,113,759
2016	25,299	942,311,853	37,247	37.6	30,973	5.0%	3.3%	1,128,574
2017	25,833	985,089,789	38,133	37.7	31,267	4.5%	4.0%	1,139,746
2018	25,964	1,089,501,368	41,962	37.8	31,649	3.8%	3.5%	1,147,879
2019	26,224	1,153,383,968	43,982	40.3	31,760	2.6%	2.3%	1,155,879
2020	25,530	1,167,844,320	45,744	40.2	32,143	13.6%	13.7%	1,153,561
2021	25,864	1,277,053,622	49,376	41.2	31,027	8.9%	8.8%	1,153,854
2022	26,091	1,479,733,584	56,714	41.7	30,071	2.7%	2.5%	1,156,555

Source: MuniServices, LLC / Avenu Insights & Analytics

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- (1) Population Projections are provided by the California Department of Finance Projections.
- (2) Income Data is provided by the U.S. Census Bureau and is adjusted for inflation.
- (3) Student Enrollment reflects the total number of students enrolled in the West Contra Costa School District only. Any other school districts within the City are not accounted for in this statistic.
- (4) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.



City of Hercules **Principal Employers** **Current Fiscal Year and One Year Ago**

Business Name	2021-22		2020-21	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,052	14.8%	2,406	17.3%
West Contra Costa Unified School District	230	1.65%	234	1.68%
Home Depot	190	1.37%	79	0.57%
Safeway	162	1.17%		
Contra Costa County Social Services	124	0.89%	104	0.75%
Pacific Bio Labs Inc	95	0.68%	94	0.68%
Lucky Supermarkets	65	0.47%	100	0.72%
City of Hercules	56	0.40%	52	0.37%
Kinder's Meats & Deli BBQ & Catering	48	0.35%	40	0.29%
Benda Tool & Model Works Inc	43	0.31%	32	0.23%
A & B Die Casting			24	0.17%
Total Top 10 Employers	3,065	22.05%	3,165	22.77%
Total City Labor Force (1)	13,900		13,900	

Source: MuniServices, LLC \ Avenu Insights & Analytics

Source: 2019-20 previously published ACFR.

Results based on direct correspondence with city's local businesses.

(1) Total City Labor Force provided by EDD Labor Force Data.

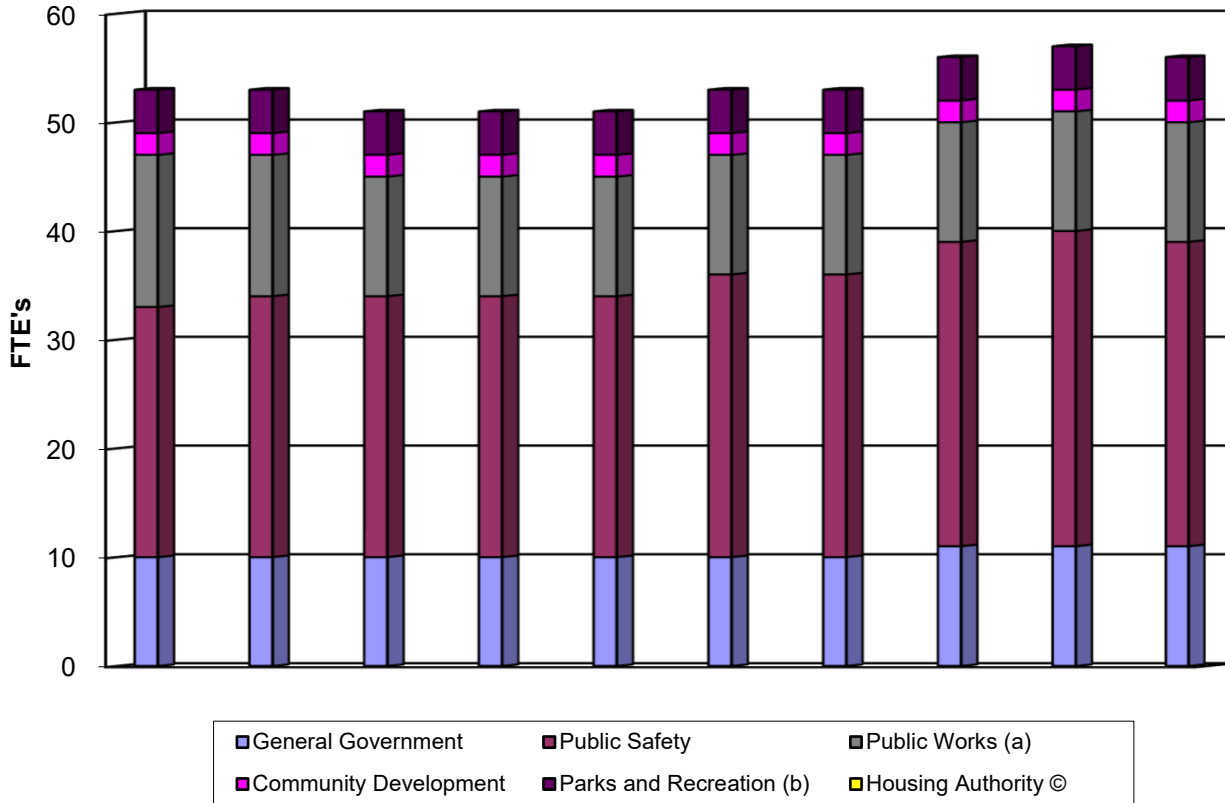
*2018-19 is the city's first CAFR Statistical publication,
therefore, prior year data is unavailable.



City of Hercules

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years



	For the Fiscal Year Ended June 30,									
Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	22
General Government	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	11.00
Public Safety	23.00	24.00	24.00	24.00	24.00	26.00	26.00	28.00	29.00	28.00
Public Works ^(a)	14.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Community Development	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation ^(b)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Housing Authority ©										
Total	53.00	53.00	51.00	51.00	51.00	53.00	53.00	56.00	57.00	56.00

NOTE:

- (a) Public Works includes Wastewater and Solid Waste
- (b) Parks and Recreation includes Library, Recreation and Park
- (c) The Housing Authority became a separate legal entity during Fiscal Year 2011-12

Source: City of Hercules Operating Budget



City of Hercules

Operating Indicators by Function/Program

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	21,862	-	17,280	2,671
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	3,042	3,007	2,928	2,799	2,823
Elementary schools	1,274	1,277	1,240	1,228	1,211
Junior high schools	767	724	673	636	632
High schools	1,001	1,006	1,015	935	980
Teachers (full & part time)	157	143	144	148	127
Function/Program					
Police:					
Police calls for Service	12,960	12,309	12,550	1,843	7,707
Law violations:					
Part I and Part II crimes	761	822	811	96	571
Physical arrests (adult and juvenile)	351	410	450	45	245
Traffic violations	1,142	792	1,000	85	518
Sewer					
Sewer service connections	8,235	8,235	8,235	8,235	8,265

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	18,738	-	14,804	-	14,213
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	2,823	2,825	2,797	2,753	2,717
Elementary schools	1,243	1,296	1,327	1,305	1,296
Junior high schools	584	594	603	596	623
High schools	996	935	867	852	798
Teachers (full & part time)	134	127	125	124	121
Function/Program					
Police:					
Police calls for Service	13,142	16,245	16,918	29,935	16,192
Law violations:					
Part I and Part II crimes	957	867	831	1,162	1,689
Physical arrests (adult and juvenile)	403	449	495	398	508
Traffic violations	793	1,074	1,383	975	607
Sewer					
Sewer service connections	8,271	8,326	8,327	8,327	8,410

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Planning & Building:					
Number of Building Permits issued	661	672	631	622	782
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	-	-	10	11	12
Number of youth attendees	-	-	534	723	519
Aquatics:					
Number of aquatics programs	4	4	4	4	4
Number of aquatics attendees	3,041	1,793	2,898	1,396	2,266
Recreation Classes:					
Number of recreation programs	7	7	7	7	6
Number of recreation attendees	1,990	1,598	2,569	2,366	709
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	12	10	11	12	9
Number of preschool/gradeschool attendees	3,241	2,880	3,151	3,358	2,900
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	10,368	10,186	18,873	10,415	10,707
Number of meals served	8,258	8,347	8,702	8,791	8,787
Finance:					
Number of Business Licenses issued	941	614	647	664	734

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Planning & Building:					
Number of Building Permits issued	778	753	389	675	1,016
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	12	10	38	8	-
Number of youth attendees	250	637	550	112	-
Aquatics:					
Number of aquatics programs	4	4	4	2	4
Number of aquatics attendees	1,739	1,390	1,686	533	1,098
Recreation Classes:					
Number of recreation programs	7	7	7	4	3
Number of recreation attendees	441	914	817	124	16
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	11	11	11	8	-
Number of preschool/gradeschool attendees	2,949	3,510	3,319	869	-
Seniors:					
Number of senior programs	14	14	14	14	-
Number of senior attendees	11,445	10,573	12,577	2,778	-
Number of meals served	9,811	8,880	7,259	3,399	8,212
Finance:					
Number of Business Licenses issued	665	819	995	971	1,103

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	For the Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Police:					
Police stations	1	1	1	1	1
Public works:					
Miles of streets	58	58	58	58	58
Miles of bike lanes	7	7	7	7	7
Street and parking lot fixtures	1,466	1,466	1,466	1,466	1,466
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	11	11	11
City parks acreage	98	98	98	98	98
Playgrounds	7	7	7	7	7
City trails/Bike paths	1	1	1	2	2
Community Swim Center	1	1	1	1	1
Community centers	2	2	2	2	2
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	2	2
Tennis courts (b)	8	8	8	8	8
diamonds	2	2	2	2	2
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules



City of Hercules

Capital Asset Statistics by Function/Program (Continued)

Last Ten Fiscal Years

Function/Program	For the Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
Police:					
Police stations	1	1	1	1	1
Public works:					
Miles of streets	58	58	58	58	58
Miles of bike lanes	7	7	7	7	7
Street and parking lot fixtures	1,494	1,494	1,494	1,494	1,494
Traffic Signals	14	14	14	14	14
Wastewater					
Miles of sanitary sewers	62	62	62	62	62
Recreation and Parks:					
City parks	11	11	11	13	13
City parks acreage	98	98	98	99	99
Playgrounds	7	7	7	8	8
City trails/Bike paths	2	2	2	2	2
Community Swim Center	1	1	1	1	4
Community centers	2	2	2	4	1
Performing arts centers					
Teen Center	1	1	1	1	1
Swimming pools (a)	2	2	2	2	3
Tennis courts (b)	8	8	8	8	2
diamonds	2	2	2	2	1
Soccer/football fields (c)	1	1	1	1	1
Library:					
City Libraries	1	1	1	1	1

Source: City of Hercules



Hercules Wastewater Fund

(An Enterprise Fund of the City of Hercules, California)

Hercules, California

Independent Auditors' Report and Basic Financial Statements

For the Year Ended June 30, 2022

Hercules Wastewater Fund
(An Enterprise Fund of the City of Hercules, California)
Basic Financial Statements
For the Year Ended June 30, 2022

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**INDEPENDENT AUDITORS' REPORT**www.pungroup.cpa

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of the Hercules Wastewater Fund (the “Fund”), an enterprise fund of the City of Hercules, California (the “City”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2022, and the changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and the Fund and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Emphasis of Matter

As described in Note 1 to the basic financial statements, these financial statements present only the Hercules Wastewater Fund and do not purport to and do not present fairly the financial position of the City as of June 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of the Plan's Net Pension Liability, the Schedules of Contributions to the Pension Plan, the Schedule of Proportionate Share of the Plan's Net Other Postemployment Benefits Liability (Asset) - PEHMCA, the Schedules of Contributions to the OPEB Plan - PEHMCA, the Schedule of Proportionate Share of the Plan's Net OPEB Liability (Asset) - SOMAR, and the Schedule of Contributions to the OPEB Plan - SOMAR as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Members of the City Council
of the City of Hercules
Hercules, California
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Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

The PwC Group, LLP

Santa Ana, California
January 31, 2023

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**INDEPENDENT AUDITORS' 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***

To the Honorable Mayor and Members of the City Council
of the City of Hercules
Hercules, 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 Hercules Wastewater Fund (the "Fund"), an enterprise fund of the City of Hercules, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 31, 2023.

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") to determine the 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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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. 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 or significant deficiencies may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Hercules
Hercules, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
January 31, 2023

BASIC FINANCIAL STATEMENTS

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Hercules Wastewater Fund
Statement of Net Position
June 30, 2022

ASSETS	
Current assets:	
Cash and investments	\$ 20,192,672
Cash and investments with fiscal agent	8,327,888
Total current assets	<u>28,520,560</u>
Noncurrent assets:	
Net OPEB asset (PEHMCA)	763
Capital assets:	
Nondepreciable	1,172,895
Depreciable, net	37,913,084
Total noncurrent assets	<u>39,086,742</u>
Total assets	<u>67,607,302</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related deferred outflows of resources	162,085
OPEB-related deferred outflows of resources (PEHMCA)	24,543
OPEB-related deferred outflows of resources (SOMAR)	14,776
Total deferred outflows of resources	<u>201,404</u>
LIABILITIES	
Current liabilities:	
Accounts payable	345,476
Salaries and benefits payable	32,561
Accrued interest payable	363,028
Long-term debt - due within one year	1,509,236
Total current liabilities	<u>2,250,301</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	30,252,031
Net pension liability	364,008
Net OPEB liability (SOMAR)	71,848
Total noncurrent liabilities	<u>30,687,887</u>
Total liabilities	<u>32,938,188</u>
DEFERRED INFLOWS OF RESOURCES	
Pension-related deferred outflows of resources	492,568
OPEB-related deferred outflows of resources (PEHMCA)	72,243
OPEB-related deferred outflows of resources (SOMAR)	35,306
Total deferred inflows of resources	<u>600,117</u>
NET POSITION	
Net investment in capital assets	
Restricted for debt services	15,704,349
Unrestricted	18,566,052
Total net position	<u>\$ 34,270,401</u>

See accompanying Notes to the Basic Financial Statements.

Hercules Wastewater Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

OPERATING REVENUES:

Charges for services	\$ 5,852,278
Total operating revenues	<u>5,852,278</u>

OPERATING EXPENSES:

Salaries and benefits	745,027
Services and supplies	2,748,281
Depreciation	<u>1,002,257</u>
Total operating expenses	<u>4,495,565</u>
Operating income	1,356,713

NONOPERATING REVENUES (EXPENSES):

Interest income	(157,318)
Interest (expense)	<u>(726,373)</u>
Total nonoperating revenues (expenses), net	<u>(883,691)</u>

CHANGES IN NET POSITION BEFORE SPECIAL ITEM 473,022

SPECIAL ITEM:

Loss on write off the Successor Agency advances (Note 9)	<u>(10,587,627)</u>
--	---------------------

CHANGE IN NET POSITION (10,114,605)

NET POSITION:

Beginning of year	<u>44,385,006</u>
End of year	<u>\$ 34,270,401</u>

Hercules Wastewater Fund
Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$ 5,863,100
Cash paid to suppliers for goods and services	(3,077,505)
Cash paid to employees for services	(647,271)
Net cash provided by operating activities	<u>2,138,324</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Proceeds from issuance of debt	8,450,000
Payments related to the acquisition of capital assets	(100,444)
Principal repayments related to capital purposes	(10,346,780)
Interest repayments related to capital purposes	(754,349)
Net cash (used in) capital and related financing activities	<u>(2,751,573)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earnings	(157,318)
Net cash (used in) investing activities	<u>(157,318)</u>

NET CHANGES IN CASH AND CASH EQUIVALENTS	(770,567)
---	-----------

CASH AND CASH EQUIVALENTS:

Beginning of year	29,291,127
End of year	<u><u>\$ 28,520,560</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO STATEMENT OF NET POSITION:**

Cash and investments	\$ 20,192,672
Cash and investments with fiscal agent	8,327,888
Total cash and cash equivalents	<u><u>\$ 28,520,560</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 1,356,713
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,002,257
(Increase) decrease in assets and deferred outflows	
Pensions-related deferred outflows	18,023
OPEB-related deferred outflows	(7,124)
Increase (decrease) in liabilities and deferred inflows	
Accounts receivable	10,822
Accounts payable	(329,224)
Salaries and benefits payable	1,681
Net pension liability	(415,809)
Net OPEB liability	12,472
Pensions-related deferred inflows	486,221
OPEB-related deferred inflows	(2,277)
Compensated absences	4,569
Total adjustments	781,611
Net cash provided by operating activities	<u><u>\$ 2,138,324</u></u>

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Hercules Wastewater Fund
Notes to the Basic Financial Statements
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Hercules Wastewater Fund (“Fund”), an enterprise fund of the City of Hercules, California (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant policies relating to the Fund:

A. Reporting Entities

The Hercules Wastewater Fund is an enterprise fund of the City’s financial statements. This Fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City’s sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

These financial statements present only the Wastewater Fund and do not purport to and do not present fairly the financial position of the City as of June 30, 2022, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

B. Measurement Focus and Basis of Accounting

Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. Cash and Investments

All cash and investments of the Fund are held in the City’s investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the Fund are considered cash and cash equivalents for statement of cash flows purposes.

Investments are stated at fair value (quoted market price or best available estimate thereof).

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Cash and Investments with Fiscal Agents

Cash and investments are held by fiscal agents for the redemption of bonded debt and maintaining required reserves.

E. Revenues

Wastewater revenues (wastewater disposal services) are recorded as billed to customers on a cyclical basis. All wastewater customers are billed annually by the Contra Costa County Treasurer-Tax Collector Office.

F. Capital Assets

Capital assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$2,500 for general capital assets and \$5,000 for infrastructure capital assets, and an estimated useful life of one year or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives used for depreciation purposes are as follows:

Wastewater structure	30 Years
Machinery and equipment	5-20 Years
Infrastructure	15-50 Years

G. Accounts Payable

Accounts payable consists of general administration costs incurred and construction services performed during the fiscal year, but paid after the fiscal year.

H. Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

I. Compensated Absences

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. Compensated absences are expensed in the period they are earned, and the unpaid liability is recorded as a long-term liability.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Pensions

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Pension benefits are expensed to the various funds in the period they are earned, and the unpaid liability is recorded as a long-term liability.

K. Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 8). For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting for PEMHCA and SOMAR:

<u>OPEB - PEMHCA and SOMAR</u>	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Net Position

Net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and related deferred charges on refunding capital debt, reduced by the related debt that are attributable to the acquisition, construction, or improvement of those items, net of unspent debt proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the City's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

M. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments at June 30, 2022 consisted of the following:

Cash and investments pooled with City	\$ 20,192,672
Cash and investments with fiscal agents	8,327,888
Total	\$ 28,520,560

A. Cash and Investments Pooled with City

The Fund pools its cash and investments with the City in order to achieve a higher return on investment. Certain funds which are held and invested by independent outside custodians through contractual agreements, are not pooled. Interest earned on investments is allocated using the LAIF factor and average quarterly balances. Required disclosure information regarding investments and other deposit, and related risk disclosures can be found in the City's financial statements. The City's financial statements may be obtained by contacting the City's Finance Department's office at 111 Civic Drive, Hercules, California.

At June 30, 2022, the Fund has deposited \$20,192,672 in the City's investment pool. Investments held in the City's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized by the City's investment policy and the California Government Code. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	5 Years	None	None
U.S. Government Agency Issues	5 Years	None	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	180 Days	40%	30%
Commercial Paper	270 Days	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	5 Years	None	\$100,000
Repurchase Agreements	30 Days	None	10%
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Money Market Mutual Funds	N/A	20%	10%
Insured or Passbook Savings Accounts	N/A	None	\$100,000

*The table is based on state law requirements or investment policy requirements, whichever is more restrictive.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the investment policy of the City. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	\$50 Million	\$50 Million
U.S. Treasury Obligations	30 Years	20%	None
U.S. Government Agency Issues	30 Years	20%	None
Insured Deposits with Banks and Savings and Loans	N/A	None	None
Bankers Acceptance (Must be Dollar Denominated)	6 Months	40%	30%
Commercial Paper	6 Months	15%	10%
Negotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Nonnegotiable Time Certificates of Deposits	5 Years	30%	\$100,000
Federally Issued Time Deposits	1 Years	20%	None
Repurchase Agreements	30 Days	None	None
Reverse Repurchase Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	15%
Mutual Funds	N/A	20%	None
Money Market Funds	N/A	None	None
Insured or Passbook Savings Accounts	N/A	None	\$100,000
Guaranteed Investment Contract	N/A	None	None

D. Fair Value Measurement

At June 30, 2022, the Fund's investment consisted of \$20,192,672 pooled with the City and the City invested in the State of California Local Agency Investment fund and \$8,327,888 invested in money market mutual funds, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the Fund's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's investments by maturity:

Investment Type	Total	Maturity 12 Months or Less
Cash and investments pooled with City	\$ 20,192,672	\$ 20,192,672
Investments with fiscal agents:		
Money Market Mutual Funds	8,327,888	8,327,888
Total	\$ 28,520,560	\$ 28,520,560

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio, not to exceed three years.

As a means of maintaining liquidity and minimizing interest rate risk, the City's investment policy limits are as follows:

Maturity	Percentage of Portfolio
Up to One Year	10% Minimum
One Year to Five Years	60% Maximum
More Than Five Years	30% Maximum

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Total	Minimum Legal Rating	S&P Rating as of Fiscal Year Ended	
			AAA	Not Rated
Cash and investments pooled with City	\$ 20,192,672	N/A	\$ -	\$ 20,192,672
Investments with fiscal agents:				
Money Market Mutual Funds	8,327,888	N/A	8,327,888	-
Total	\$ 28,520,560		\$ 8,327,888	\$ 20,192,672

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Fund has 100% of its cash and investments pooled with the City.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits as disclosed in Note 2A.

Note 3 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Reclassification/ Transfers	Balance June 30, 2022
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	968,587	12,608	-	981,195
Total nondepreciable assets	1,160,287	12,608	-	1,172,895
Depreciable assets:				
Structures and improvements	38,325,271	-	-	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	14,857,483	87,836	-	14,945,319
Subtotal	53,433,099	87,836	-	53,520,935
Less: accumulated depreciation:				
Structures and improvements	(10,869,547)	(137,484)	-	(11,007,031)
Machinery and equipment	(210,707)	(4,687)	-	(215,394)
Infrastructure	(3,525,340)	(860,086)	-	(4,385,426)
Subtotal	(14,605,594)	(1,002,257)	-	(15,607,851)
Total depreciable assets, net	38,827,505	(914,421)	-	37,913,084
Total capital assets, net	\$ 39,987,792	\$ (901,813)	\$ -	\$ 39,085,979

Depreciation expense in the amount of \$1,002,257 was charged to the Fund for the year ended June 30, 2022.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Publicly Offered:						
2010 PFA Wastewater Revenue Bonds	\$ 9,250,000	\$ -	\$ (9,250,000)	\$ -	\$ -	\$ -
Less: Discount on issuance	(138,162)	-	138,162	-	-	-
State Water Resources						
Construction Loan	24,356,298	-	(1,096,780)	23,259,518	1,115,425	22,144,093
Wastewater Revenue Bonds, Series 2021A	-	8,450,000	-	8,450,000	355,000	8,095,000
Compensated Absences	47,180	32,324	(27,755)	51,749	38,811	12,938
Total	<u>\$ 33,515,316</u>	<u>\$ 8,482,324</u>	<u>\$ (10,236,373)</u>	<u>\$ 31,761,267</u>	<u>\$ 1,509,236</u>	<u>\$ 30,252,031</u>

A. 2010 PFA Wastewater Revenue Bonds

The Public Financing Authority issued revenue bonds, series 2010, dated August 1, 2010, totaling \$11,765,000. The purpose of the bonds was to finance improvements to the City's wastewater system, fund a reserve fund for the bonds, and pay the costs of issuances of the bonds. The interest rates on the bonds range from 2.00% to 5.130%. Principal and interest payment are due annually beginning August 1, 2011, in amounts ranging from \$230,000 to \$700,000. The bonds mature on August 1, 2040. The City issued Wastewater Revenue Bonds, Series 2021 A to fully refund the bonds. The bonds were fully redeemed on July 14, 2021.

B. State Water Resources Construction Loan

In June 2016, the City entered into an installment sale agreement with the California State Water Resources Control Board in the amount of \$26,500,000. The funds are for construction costs for the Pinole-Hercules Wastewater Pollution Control Plant Improvement Project. The interest rate on the loan is 1.7%. The first principal and interest payment are due August 31, 2019, and is contingent on the total drawdowns at project completion. The loan matures on August 31, 2038. The City has drawn down \$25,457,695 of the loan principal including construction loan interest as of June 30, 2022. The outstanding balance as of June 30, 2022 was \$23,259,518.

The annual debt service requirements to maturity for the State Water Resources Construction Loan as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,115,425	\$ 395,412	\$ 1,510,837
2024	1,134,388	376,450	1,510,838
2025	1,153,672	357,165	1,510,837
2026	1,173,285	337,553	1,510,838
2027	1,193,230	317,606	1,510,836
2028-2032	6,277,411	1,276,774	7,554,185
2033-2037	6,829,444	724,742	7,554,186
2038-2039	4,382,663	149,849	4,532,512
Total	<u>\$ 23,259,518</u>	<u>\$ 3,935,550</u>	<u>\$ 27,195,068</u>

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Long-Term Debt (Continued)

C. Wastewater Revenue Bonds, Series 2021A

In July, 2021, the City issued the Direct Purchase Lease in the amount of \$8,450,000 and the proceeds were use to early pay off the 2010 PFA Wastewater Revenue Bonds.

The bonds bear interest at 2.38%. Interest on the bonds is payable semi-annually on February 1 and August 1 in each year, commencing February 1, 2022. Principal payments are due in annual installments ranging from \$355,000 to \$545,000, commencing August 1, 2022 through August 1, 2040.

In the event of default, the City shall declare the entire principal amount of the unpaid series 2021 installment payments and accrued inteest thereon to be due and payable immediately in wirting.

The annual debt service requirements to maturity for as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 355,000	\$ 196,886	\$ 551,886
2024	365,000	188,318	553,318
2025	375,000	179,512	554,512
2026	385,000	170,468	555,468
2027	395,000	161,186	556,186
2028-2032	2,100,000	659,855	2,759,855
2033-2037	2,365,000	394,545	2,759,545
2038-2041	2,110,000	101,864	2,211,864
Total	<u>\$ 8,450,000</u>	<u>\$ 2,052,632</u>	<u>\$ 10,502,632</u>

D. Compensated Absences

There is no fixed payment schedule for earned but unpaid compensated absences.

Note 5 – Risk Management

The Fund is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Fund participates in the City's insurance programs to insure against these losses.

General Liability Insurance

Coverage is maintained with the Municipal Pooling Authority (MPA) with coverage limits of \$1,000,000 with self-insured retention of \$10,000 and \$1,000,001 to \$29,000,000 covered by California Affiliated Risk Management Authority (CARMA).

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 5 – Risk Management (Continued)

Workers' Compensation

The City has coverage limits for the following without a deductible:

MPA	\$0 to \$500,000
PRISM	\$500,000 to \$50,000,000
Liberty Insurance Corporation	Statutory excess of \$50,000,000

Miscellaneous Coverages

The MPA provides additional coverage for the following risks incurred by the City:

Type	Deductibles	Coverage Limits
Auto - Physical Damage:		
Police Vehicles	\$ 3,000	\$ 250,000
All Other Vehicles	2,000	250,000
All Risk Fire & Property	25,000	1,000,000,000
Cyber Liability	50,000	3,000,000
Pollution Liability	250,000	25,000,000
Crime Coverage	2,500	5,000,000
Boiler and Machinery	5,000	100% of primary \$75,000,000; 100% of \$25,000,000 excess of \$75,000,000

The MPA is governed by a board consisting of representatives from member municipalities. The board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

The City's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. Audited financial statements can be obtained from the Municipal Pooling Authority, 1911 San Miguel Drive, #200, Walnut Creek, California 94596.

Note 6 – Public Employee Retirement System

A. General Information About the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Public Employee Retirement System (Continued)

A. General Information About the Pension Plans (Continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized below:

	Miscellaneous	Miscellaneous Tier 2
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426 - 2.148%	1.0 - 2.5%
Required employee contribution rate	7.0%	6.75%
Required employer contribution rate	10.484%	7.732%

Employees Covered

At June 30, 2021, the measurement date, the following employees were covered by the Plan's provisions:

	Miscellaneous	Miscellaneous PEPRA
Active employees	31	13
Transferred employees	48	13
Separated employees	95	17
Retired employees and beneficiaries	88	1
Total	262	44

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Public Employee Retirement System (Continued)

A. General Information About the Pension Plans (Continued)

Contributions (Continued)

The City contributed \$88,805 towards the Fund's share of the Miscellaneous Pension Plan during the year ended June 30, 2022.

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2020 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter.

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Public Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class¹	Assumed Asset Allocation	Real Return Years 1 - 10¹	Real Return Years 11 + ²
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity; Securities and Global Debt Securities.

¹ An expected inflation of 2.00% was used for this period.

² An expected inflation of 2.92% was used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Proportionate Share of Net Pension Liability

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/20 (Valuation date)	\$ 2,956,801	\$ 2,176,984	\$ 779,817
Balance at: 6/30/21 (Measurement date)	2,537,625	2,173,617	364,008
Net changes during 2019-2020	<u>\$ (419,176)</u>	<u>\$ (3,367)</u>	<u>\$ (415,809)</u>

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Public Employee Retirement System (Continued)

C. Proportionate Share of Net Pension Liability (Continued)

The Fund's proportionate share of the City's net pension liability for the retirement plans is measured as the proportionate share of the net pension liability. The net pension liability of the retirement plans is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The Fund's proportion of the net pension liability was based on a projection of the Fund's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Fund's proportionate share of the net pension liability as of the June 30, 2020 measurement date (June 30, 2021 reporting date) and 2021 measurement date (June 30, 2022 reporting date) was as follows:

	Fund's Proportion to City's Share Pool
Measurement date	
Proportion - June 30, 2020	0.00717%
Proportion - June 30, 2021	0.00673%
Change - Increase/(Decrease)	-0.00044%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Fund's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Plan's Net Pension Liability		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 699,053	\$ 364,008	\$ 87,031

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Public Employee Retirement System (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pension

For the year ended June 30, 2022, the Fund recognized pension expense of \$88,435. At June 30, 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 88,805	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(410,223)
Difference between expected and actual experience	46,766	-
Employer contributions in excess/(under) proportionate share of contributions	3,718	(73,533)
Adjustments due to difference in proportions	22,796	(8,812)
Total	<u>\$ 162,085</u>	<u>\$ (492,568)</u>

\$88,805 was reported as deferred outflows of resources related to pensions resulting from Fund's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30	Miscellaneous Plan
2022	\$ (83,277)
2023	(108,272)
2024	(111,805)
2025	(115,934)
2026	-
Thereafter	-
Total	<u>\$ (419,288)</u>

E. Payable to the CalPERS Pension Plans

At June 30, 2022, the Fund had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2022.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”)

A. Retiree Healthcare Plan (PEHMCA)

Plan Description and Administration

The City Retiree Healthcare Plan (Plan) is a single-employer benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees and their dependents. The Plan does not issue a financial report.

The City has prefunded a portion of its OPEB benefits in a Public Agency Retirement Services (PARS) trust. The PARS Trust is a tax qualified irrevocable trusts, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 75. PARS issues annual audited financial statements for each participating agency of the Trust. PARS is considered an agency agent multiple-employer plan, required to provide financial statements and required supplementary information (Schedule of Changes in Fiduciary Net Position by Plan) that are prepared in conformance with GASB statement 75.

These reports may be obtained by writing the plan at the following address: PARS 4350 Von Karman Ave., Suite 100, Newport Beach, CA 92660-2043.

Employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of service. The City contribution towards retiree health benefits is determined under the "Equal Contribution Method" under PEHMCA under which the City's nominal contribution to PEMHCA is the same for active employees and retirees (\$143/month for 2021 and \$149/moth for 2022).

Proportionate share of the City’s postemployment benefits liabilities and related deferred outflows and inflows have been allocated to the Fund.

Contributions

The contributions are based on pay-go for premiums and contributions to the PARS OPEB trust. The pay-go amount is the actual amount of retiree premiums. Total contributions (pay-go and trust contributions) for the year ended June 30, 2022 were \$7,721.

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of June 30, 2021 using the following actuarial assumptions:

Actuarial Assumptions:	
Cost Method	Entry age actuarial cost method
Discount Rate	5.15%
Inflation	2.50%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return	5.15%
Mortality, Termination, and Disability	2017 CalPERS Mortality
Healthcare Trend Rate	4%

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-2017 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The discount rate used to measure the total Plan’s OPEB liability was 5.15%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the City plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The expected long-term rate of return on OPEB plan investments of 5.15%, gross of expenses, was determined by Highmark Capital Management using a building-block method in which best-estimate ranges of expected future real rates of return, net of inflation, are developed for each major asset class. These ranges are combined to produce the term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return
All Domestic Equities	30.00%	7.25%
All Fixed Income	65.00%	4.25%
Short-Term Gov't Fixed	5.00%	3.00%
	<u>100.00%</u>	

Proportionate Share of Net OPEB Liability and OPEB Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability (asset) over the measurement period:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at: 6/30/21 (Valuation date)	\$ (142,774)	\$ (170,826)	\$ (28,052)
Balance at: 6/30/22 (Measurement date)	(136,327)	(137,090)	(763)
Net changes during 2021-2022	<u>\$ (6,448)</u>	<u>\$ (33,737)</u>	<u>\$ (27,289)</u>

The Fund’s proportionate share of the City’s net OPEB liability (asset) for the OPEB plan is measured as the proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) of the OPEB plans is measured as of June 30, 2021, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Proportionate Share of Net OPEB Liability and OPEB Expense (Continued)

The Fund’s proportion of the net OPEB liability (asset) was based on a projection of the Fund’s long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined. The Fund’s proportionate share of the net OPEB liability as of the June 30, 2022 measurement date and June 30, 2021 measurement date was as follows:

	Fund's Proportion to City's Share Pool
Proportion - June 30, 2021	5.87750%
Proportion - June 30, 2022	5.35664%
Change - Increase/(Decrease)	-0.52086%

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Plan, as well as what the City’s net OPEB liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Net OPEB Liability (Asset)		
Discount Rate - 1% (3.15%)	Current Discount Rate (4.15%)	Discount Rate + 1% (5.15%)
\$ 15,815	\$ (763)	\$ (14,744)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability (asset) of the Plan, as well as what the Plan’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that 1% lower or 1% higher than the current healthcare cost trend rate:

Net OPEB Liability (Asset)		
Healthcare Cost Trend Rates 3%	Healthcare Cost Trend Rates 4%	Healthcare Cost Trend Rates 5%
\$ (181,916)	\$ (763)	\$ 22,458

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2022, the Fund recognized OPEB expense of \$209 for the Plan. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2022, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 920	\$ (60,729)
Changes of assumptions	9,532	(11,514)
Net difference between projected and actual earning on OPEB plan investments	14,091	-
Total	<u>\$ 24,543</u>	<u>\$ (72,243)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30	Deferred Outflows/ (Inflows) of Resources
2023	\$ (1,400)
2024	(1,935)
2025	(5,308)
2026	(3,265)
2027	(8,404)
Thereafter	(27,388)
Total	<u>\$ (47,700)</u>

B. Retiree Cash Benefit Plan (SOMAR Plan)

Plan Description

The City provide an optional monetary allowance with an annual three (3%) adjustment each year to Public Safety and Executive employees who retire as regulated by the Public Employee’s Retirement System. To be eligible for the optional monies, an employee must retire as follows:

1. Service Retirement: Employees who have served the City for at least ten (10) consecutive years immediately prior to retirement and are at least fifty (50) years old when they separate service from the City.
2. Disability Retirement: Employees who retire with a disability retirement are not required to be a certain age, but must have at least twenty (20) years of service with the City.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Plan Description (Continued)

Employees must have the minimum amount of sick leave on the books, as outlined in the chart below. If an employee has below the amount of sick leave required for their years of service, then they will only be eligible for the percentage paid equivalent to the amount of sick leave they do have on the books.

Years of Service	Sick Leave Balance	% of Optional Money Available
10	480	50
11	528	55
12	576	60
13	624	65
14	672	70
15	720	75
16	768	80
17	846	85
18	864	90
19	912	95
20-24	960	100
25	No Minimum amount required	100

Employees must retire within one hundred twenty (120) days. In addition, employees who separate service but do not retire as a PERS annuitant, shall not be eligible under for SOMAR benefits.

The City will pay a portion of the optional money to a retiree until the retiree reaches age sixty-five (65), upon which they are required to enroll in Medicare. At that time, the optional money will drop to an amount equivalent to the Kaiser Supplemental to Medicare rate through PERS.

The SOMAR benefit is expected to last into perpetuity. Payments are made on a bi-annual basis.

Benefits Provided

The SOMAR plan’s provisions and benefits in effect at June 30, 2022, are summarized below:

	Executives	Police
Duration of benefits	Lifetime	Lifetime
Required service	50% at 10 years grading to 100% at 20 years	50% at 10 years grading to 100% at 20 years
Minimum age	Retirement	Retirement
Amount	\$263 per month pre-65; based on Kaiser premium post-65	\$350 per month pre-65; based on Kaiser premium post-65

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Contributions

For the year ended June 30, 2022, the Fund contributions recognized as part of OPEB expense for the SOMAR plan were \$2,338.

Actuarial Assumptions

The net pension liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2021 using the following actuarial assumptions:

Cost method	Entry age normal
Discount Rate	3.54%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2017 CalPERS tables
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.54%. This discount rate estimates investment earnings for assets earmarked to cover retiree cash benefit liabilities. Since the SOMAR plan is an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds.

Proportionate Share of Net OPEB Liability and OPEB Expense

The Fund proportionate share of the net OPEB liability as of June 30, 2022, measurement date, is as follows:

Plan's Proportion to Total Plan at June 30, 2022	Proportionate Share of Net OPEB Liability
5.357%	\$ 71,848

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net pension liability of the SOMAR Plan, as well as what the SOMAR Plan's net pension liability (asset) would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

SOMAR Plan's Total OPEB Liability		
Discount Rate - 1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate + 1% (4.54%)
\$ 85,469	\$ 71,848	\$ 62,082

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to Pension

For the year ended June 30, 2022, the City recognized pension expense of \$2,862 for the SOMAR plan. OPEB expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, and actuarial assumptions or method. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources for the SOMAR plan:

	SOMAR Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (17,556)
Changes of assumptions	14,776	(17,750)
Total	<u>\$ 14,776</u>	<u>\$ (35,306)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Measurement Period Ending June 30	SOMAR Plan Deferred Outflows/ (Inflows) of Resources
2023	\$ (1,810)
2024	(1,810)
2025	(1,810)
2026	(1,810)
2027	(1,810)
Thereafter	(11,480)
Total	<u>\$ (20,530)</u>

Payable to the OPEB Plan

At June 30, 2022, the Fund had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2022.

Note 8 – Contingencies

A. Lawsuits

The Fund is not involved in any matters of litigation that have arisen in the normal course of conducting business. Additionally, management believes that the City’s insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

Note 9 – Special Item Advances to the Former Hercules Redevelopment Agency

After the negotiation with the Department of Finance, the Fund recognized the loan write off in the amount of \$10,587,627 during the year ended June 30, 2022 and it was reported as a special item on the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2022

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2021¹	June 30, 2020¹	June 30, 2019¹	June 30, 2018¹	June 30, 2017¹
Proportion of the Net Pension Liability	0.0067%	0.0072%	0.0068%	0.0066%	0.0067%
Proportionate Share of the Net Pension Liability	\$ 364,008	\$ 779,817	\$ 694,727	\$ 637,000	\$ 659,623
Covered Payroll	\$ 229,694	\$ 335,827	\$ 331,260	\$ 321,063	\$ 301,916
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	158.48%	232.21%	209.72%	198.40%	218.48%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	85.66%	73.63%	75.07%	77.69%	75.39%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Plan's Net Pension Liability (Continued)
For the Year Ended June 30, 2022

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans		
	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
Proportion of the Net Pension Liability	0.0065%	0.0070%	0.0057%
Proportionate Share of the Net Pension Liability	\$ 562,902	\$ 481,238	\$ 462,583
Covered Payroll	\$ 251,715	\$ 265,380	\$ 319,046
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	223.63%	181.34%	144.99%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.87%	78.32%	78.10%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions to the Pension Plan
For the Year Ended June 30, 2022

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2021-22 ¹	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ¹
Actuarially Determined Contribution ²	\$ 88,805	\$ 102,423	\$ 95,532	\$ 91,514	\$ 63,159
Contribution in Relation to the Actuarially Determined Contribution ²	(88,805)	(102,423)	(95,532)	(91,514)	(63,159)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ³	\$ 374,018	\$ 364,008	\$ 335,827	\$ 331,260	\$ 321,063
Contributions as a Percentage of Covered Payroll	23.74%	28.14%	28.45%	27.63%	19.67%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-2022; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of the Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2022

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans		
	2016-17 ¹	2015-16 ¹	2014-15 ¹
Actuarially Determined Contribution ²	\$ 52,105	\$ 52,884	\$ 34,760
Contribution in Relation to the Actuarially Determined Contribution ²	(52,105)	(52,884)	(34,760)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll ³	\$ 301,916	\$ 251,715	\$ 265,380
Contributions as a Percentage of Covered Payroll	17.26%	21.01%	13.10%

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Plan's Net OPEB Liability (Asset) - PEHMCA
For the Year Ended June 30, 2022

	Last Ten Fiscal Years ¹				
Measurement Date:	<u>June 30, 2021¹</u>	<u>June 30, 2020¹</u>	<u>June 30, 2019¹</u>	<u>June 30, 2018¹</u>	<u>June 30, 2017¹</u>
Proportion of the Net OPEB Liability (Asset)	<u>5.36%</u>	<u>5.88%</u>	<u>6.80%</u>	<u>5.16%</u>	<u>5.19%</u>
Proportionate Share of the Net OPEB Liability (Asset)	<u>\$ (763)</u>	<u>\$ (28,052)</u>	<u>\$ (11,718)</u>	<u>\$ 66,474</u>	<u>\$ 75,521</u>
Covered Payroll	<u>\$ 335,827</u>	<u>\$ 335,827</u>	<u>\$ 331,260</u>	<u>\$ 321,063</u>	<u>\$ 301,916</u>
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	<u><u>-0.23%</u></u>	<u><u>-8.35%</u></u>	<u><u>-3.54%</u></u>	<u><u>20.70%</u></u>	<u><u>25.01%</u></u>
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u><u>100.56%</u></u>	<u><u>119.65%</u></u>	<u><u>106.92%</u></u>	<u><u>65.60%</u></u>	<u><u>59.11%</u></u>

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions to the OPEB Plan - PEHMCA
For the Year Ended June 30, 2022

	Last Ten Fiscal Years ¹				
Fiscal Year:	2021-22²	2020-21²	2019-20²	2018-19	2017-18
Actuarially Determined Contribution	\$ 7,721	\$ 1,179	\$ 11,571	\$ 18,642	\$ 10,641
Contribution in Relation to the Actuarially Determined Contribution	(7,721)	(1,179)	(11,571)	(18,642)	(10,641)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 374,018	\$ 364,008	\$ 335,827	\$ 331,260	\$ 321,063
Contributions as a Percentage of Covered Payroll	2.06%	0.32%	3.45%	5.63%	3.31%

¹ Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

² Effective for the year ended June 30, 2020, PEHMCA Plan is valued separately.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of the Proportionate Share of the Plan's Net OPEB Liability (Asset) - SOMAR
For the Year Ended June 30, 2021

Last Ten Fiscal Years ¹

Measurement Date:	June 30, 2021^{1 2}	June 30, 2021^{1 2}	June 30, 2020^{1 2}
Proportion of the Net OPEB Liability (Asset)	5.36%	5.36%	5.36%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 71,848	\$ 86,665	\$ 99,901
Covered Payroll	\$ 364,008	\$ 345,902	\$ 335,827
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	19.74%	25.05%	29.75%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.00%	0.00%	0.00%

¹ Historical information is presented only for periods for which GASB 73 is applicable.

² SOMAR Plan is now valued separately from PEHMCA Plan effective June 30, 2020.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions to the OPEB Plan - SOMAR
For the Year Ended June 30, 2022

Last Ten Fiscal Years ¹

Fiscal Year:	2021-22²	2020-21²	2019-20²
Actuarially Determined Contribution	\$ 2,342	\$ 2,332	\$ 2,182
Contribution in Relation to the Actuarially Determined Contribution	(2,342)	(2,332)	(2,182)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 364,008	\$ 345,902	\$ 33,587
Contributions as a Percentage of Covered Payroll	0.64%	0.67%	6.50%

¹ Historical information is presented only for measurement periods for which GASB No. 73 is applicable.

² Effective for the year ended June 30, 2020, SOMAR Plan is valued separately.

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City of Hercules

Hercules, California

Independent Accountants' Report on Applying Agreed-Upon Procedures on Measure B Transactions and Use Tax 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 the City of Hercules (the "City") in evaluating whether the Measure B – Transactions and Use Tax Revenues is in accordance with the provisions of this measure for the year ended June 30, 2022. The City is responsible for compliance with the Measure B – Transactions and Use Tax.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Measure B – Transactions and Use Tax revenues is in accordance with the provisions of this measure. The City is responsible for receipt of Measure B - Transactions and Use Tax Revenues and deposit of such proceeds into the City's General Fund. 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 ends 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 confirmed Measure B payments with the California State Board of Equalization ("BOE") and calculated variances to the receipts summarized per the general ledger of the City for the year ended June 30, 2022.

Findings: We traced from the BOE on-line confirmation to the City's general ledger with a variance noted and details as below:

Date Posted to G/L	Receipts per G/L	Payments per BOE	Variance
08/04/2021*	\$ 190,077	\$ 190,077	\$ -
09/13/2021*	53,913	53,913	-
09/29/2021	242,061	242,061	-
N/A **	-	189,154	(189,154.00)
12/06/21	115,929	115,929	-
1/6/2022	181,314	181,314	-
2/1/2022	131,125	131,125	-
3/4/2022	193,070	193,070	-
4/14/2022	163,519	163,519	-
4/28/2022	107,075	107,075	-
6/8/2022	152,434	152,434	-
6/30/2022***	521,141	521,141	-
	<u>\$ 2,051,658</u>	<u>\$ 2,240,812</u>	<u>\$ (189,154)</u>

* The City accrued \$243,990 for the fiscal year ended June 30, 2021. These payments apply to part of that accrual.

** The City did not receive the payment from the State and requested the State to re-issue the check.

*** California Department of Tax and Fee Administration (CDTFA) confirmed \$178,272, \$126,798, and \$216,071 were paid towards accruals subsequent to the year end.

2. We traced the proceeds of the tax levied and confirmed at procedure 1 to the City's General Fund for use by the City, in accordance with Ordinance 470 Sec 8-9.12 Use of Tax Proceeds and Ordinance 481 Sec 8-9.12 Use of Tax Proceeds (amends ordinance 470).

Findings: Proceeds of taxes levied and confirmed under Measure B 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 revenue received by the City from Measure B – Transactions and Use Tax. 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

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**

www.pungroup.cpa



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

City of Hercules

Hercules, California

Independent Accountants' Report on Applying Agreed-Upon Procedures to Appropriations Limit Schedule

For the Year Ended June 30, 2022

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**www.pungroup.cpa

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

We have performed the procedures enumerated below on the accompanying Appropriations Limit Schedule of the City of Hercules, California (the "City") for the year ended June 30, 2022. The City is responsible for the Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution, which was agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*). 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 performed and associated findings are as follows:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the year ended June 30, 2022, and determined that the limit and annual calculation factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and agreed the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the City Council.

Finding: No exceptions were noted as a result of our procedures.

To the Honorable Mayor and Members of City Council
of the City of Hercules
Hercules, California
Page 2

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, respective on the accompanying Appropriation Limit Schedule. 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 management of the City 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

City of Hercules
Appropriations Limit Schedule
For the Year Ended June 30, 2022

	<u>Amount</u>	<u>Source</u>
A. Appropriations Limit FY 2020-2021	\$ 443,397,340	Prior year appropriation limit adopted by the City
B. Calculation Factors:		
1) Population increase %	1.0573	California Department of Finance
2) Inflation increase %	1.0145	California Department of Finance
3) Total adjustment %	<u>1.0726</u>	(B1 x B2)
C. Annual Adjustment Increase	32,204,325	{(B3-1) x A}
D. Other Adjustments:		
1) Loss responsibility (-)	-	N/A
2) Transfer to private (-)	-	N/A
3) Transfer to fees (-)	-	N/A
4) Assumed responsibility (+)	-	N/A
E. Total Adjustments	<u>32,204,325</u>	(C+D)
F. Appropriations Limit FY 2021-2022	<u><u>\$ 475,601,665</u></u>	(A+E)

See Accompanying Notes to Appropriations Limit Schedule.

City of Hercules
Notes to Appropriations Limit Schedule
For the Year Ended June 30, 2022

Note 1 – Purpose of Limited Procedures Review

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII B, the annual calculation of the appropriations limit is subject to the agreed-upon procedures in connection with the annual audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City of Hercules, California (the "City") for the year ended June 30, 2022, represents the annual percentage change in population for the City.

Note 4 – Inflation factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year ended June 30, 2022, represents the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ended June 30, 2022.

City of Hercules

AU-C 260 Communication With Those Charged With Governance

For the Year Ended June 30, 2022

February 14, 2023



CONTENTS

- Scope of Work
- Required Communications (AU-C 260)
- Overview of Financial Statements
- Audit Results
- Thank You!

SCOPE OF WORK

SCOPE OF WORK

- Audit of the Comprehensive Annual Financial Report
- Audit of the Hercules Wastewater Fund
- Report on internal control over financial reporting and on compliance in accordance with *Government Auditing Standards*
- Agreed Upon Procedures:
 - GANN Limit
 - Measure B – Transactions and Use Tax Revenues
 - Measure C – Utility Users Tax Rate Revenues
- Communication with Those Charged with Governance

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Our responsibility is to plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

Required Communications (AU-C 260) (Report to the City Council)

Required Communications (AU-C 260)

- **Ethics and Independence**

- Complied with ALL relevant ethical requirements regarding independence

- **Significant Accounting Policies**

- The City disclosed all significant accounting policies in Note 1 to the financial statements.
- The City implemented GASB Statement No. 87, *Leases*

- **Significant Estimates**

- Fair Value on Investments
- Depreciation and Amortization on Capital and Lease Assets
- Lease Receivable and related Deferred Inflows of Resources
- Lease Payable
- Net Pension Liability
- Net OPEB Liability

Required Communications (AU-C 260)

- **Sensitive Disclosures**

- Note 4 – Lease Receivable
- Note 8 – Retirement Plans
- Note 9 – Deferred Compensation Plan
- Note 10 – Other Postemployment Benefits
- Note 11 – Risk Management
- Note 12 – Commitments and Contingencies
- Note 13 – Joint Powers Agreements
- Note 17 – Special Items
- Note 18 – Restatement

Required Communications (AU-C 260)

- **Misstatements**

- There were uncorrected misstatement reported.

- **Consultation with Other Accountants**

- Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.

- **Significant Difficulties**

- We encountered no significant difficulties in dealing with management.

- **Disagreement with Management**

- We did not have any disagreement with management in terms of accounting treatments nor audit procedures performed.

OVERVIEW OF THE FINANCIAL STATEMENTS

Net Position @ June 30, 2022

	Governmental Activities	Business-type Activities	Total
Total Assets	\$ 132,113,254	\$ 67,607,302	\$ 199,720,556
Total Deferred Outflows of Resources	4,431,651	201,404	4,633,055
Total Liabilities	38,550,171	32,938,188	71,488,359
Total Deferred Inflows of Resources	20,020,393	600,117	20,620,510
Net Position:			
Net investment in capital assets	60,257,709	15,704,349	75,962,058
Restricted	9,237,967	-	9,237,967
Unrestricted	8,478,665	18,566,052	27,044,717
Total Net Position	<u>\$ 77,974,341</u>	<u>\$ 34,270,401</u>	<u>\$ 112,244,742</u>

Changes in Net Position

	Governmental Activities	Business-type Activities	Total
Expenses	\$ 24,483,746	\$ 5,221,938	\$ 29,705,684
Program revenues:			
Charges for services	2,827,552	5,852,278	8,679,830
Operating grants and contributions	16,934,012	-	16,934,012
Total program revenues	19,761,564	5,852,278	25,613,842
Net cost of services	(4,722,182)	630,340	(4,091,842)
General revenues	17,206,844	(157,318)	17,049,526
Special items	(39,586,347)	(10,587,627)	(50,173,974)
Net change in net position	\$ (27,101,685)	\$ (10,114,605)	\$ (37,216,290)

General Fund Balance @ June 30, 2022 and 2021

	2022	2021	Variance
Nonspendable			
Prepaid items	\$ 10,806	\$ 10,112	\$ 694
Long-term receivable	-	27,787,637	(27,787,637)
Total nonspendable	10,806	27,797,749	(27,786,943)
Restricted			
Pension Section 115 Trust	2,054,252	2,237,248	(182,996)
Total restricted	2,054,252	2,237,248	(182,996)
Assigned			
Earthquake insurance deductible	500,000	500,000	-
Fiscal neutrality reserve	4,034,517	4,034,517	-
Capital projects	450,000	450,000	-
Planning and building	953,800	846,800	107,000
Reusable bags	13,930	13,930	-
Public, Education, and Government (PEG)	70,000	70,000	-
Total assigned	6,022,247	5,915,247	107,000
Unassigned	22,926,831	10,008,178	12,918,653
Total fund balance	\$ 31,014,136	\$ 45,958,422	\$ (14,944,286)

Net Pension Liability

	Plan's Net Pension Liability		
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous	\$ 8,669,259	\$ 4,514,222	\$ 1,079,312
Safety	10,627,918	5,378,400	1,066,569
Total	<u>\$ 19,297,177</u>	<u>\$ 9,892,622</u>	<u>\$ 2,145,881</u>

Net OPEB Liability (Asset)

	Plan's Net OPEB Liability (Asset)		
	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
PEHMCA (5.15%)	\$ 295,249	\$ (14,244)	\$ (275,253)
SOMAR (3.54%)	\$ 1,595,392	\$ 1,341,133	\$ 1,158,833

AUDIT RESULTS

Audit Results

- **Financial Statements**

- Unmodified Opinions
 - Financial Statements are fairly presented in all material respects
 - Significant accounting policies have been consistently applied
 - Estimates are reasonable
 - Disclosures are properly reflected in the financial statements

- **Agreed Upon Procedures – GANN, Measure B, and Measure C**

- No exceptions were noted

- **AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit***

- None Reported



Thank You

**HQ - ORANGE COUNTY**

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4365 Executive Drive
Suite 710
San Diego, CA 92121

BAY AREA

2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1050 Indigo Drive
Suite 110
Las Vegas, NV 89145

PHOENIX

4742 North 24th Street
Suite 300
Phoenix, AZ 85016



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: FY 22-23 Midyear Budget Review and Recommended Midyear Budget Appropriations and Adjustments

RECOMMENDATION ACTION:

Receive a report on the FY 22-23 midyear budget review and adopt a resolution approving various midyear budget appropriations and adjustments, as summarized and detailed in attachment 2 and 3, respectively.

EXECUTIVE SUMMARY:

The Midyear Budget review allows the City to adjust the current fiscal year budget (FY 22-23) for changes in projected revenues and expenditures levels that may have occurred since the adoption of the Annual Budget on June 28, 2022. Those changes are contained in this report along with a detailed justification for each recommended change.

BACKGROUND:

This report updates the Fiscal Year 22-23 financial projections and proposes current year budget amendments for various City funds to reflect and respond to the City's current financial condition. Also, this report provides the City Council with updates on the financial status of the City's General Fund by comparing budget projections for revenues and expenditures to actual receipts and expenses as of December 31, 2022.

The discussion below is presented in the following sections:

- I. General Fund Revenues
- II. General Fund Expenditures
- III. General Fund Net Annual Results
- IV. General Fund Operating Reserve
- V. American Rescue Plan Act (ARPA) Fund
- VI. Non-General Fund Programs

ANALYSIS:

As part of the budget process, the City staff must report to the City Council at midyear, examining revenues and expenditures and adjustments if necessary. The process provides an opportunity to review the status of the Budget at midyear to make adjustments to the City's planned operations and Budget. This year's report is attached and includes the following:

- A summary of recommendations.
- Assessments of both operating and capital budgets.
- A schedule showing the recommended midyear budget adjustments for each fund.

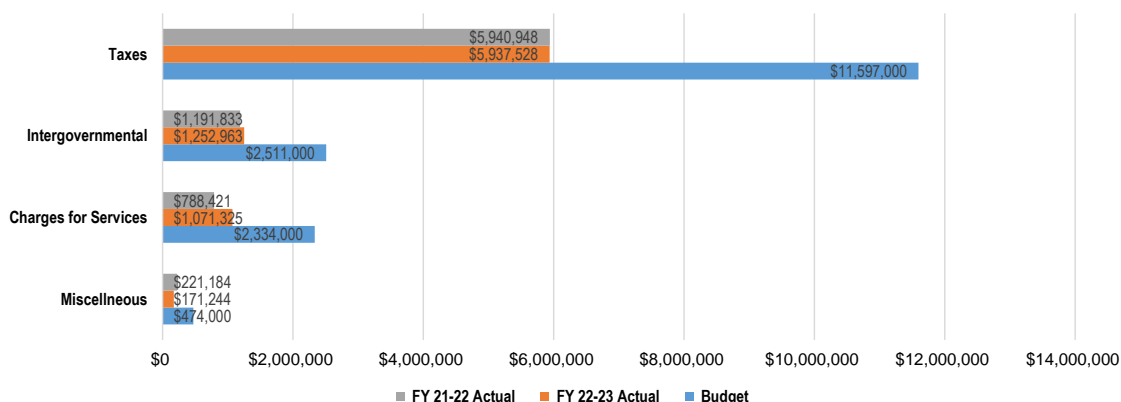
The Midyear Budget Review begins with the good news that at the six-month mark (December 31, 2022), most of the General Fund revenues are above 50%. Expenditures are slightly higher than the original budget due to the outcome of labor negotiations being 1.5% higher COLA than budgeted and upfront payments on insurance and debt service.

General Fund

In accordance with the City's Financial Policies, the annual operating budget was conservative when adopted. This was particularly true as we faced the many uncertainties created by the COVID-19 pandemic. The Policies also call for one-time, non-operating expenditures to be funded from one-time revenues. The City's practice of budgeting conservatively and living within our means remains effective at ensuring that we maintain good fiscal health, and the recommended changes in this Midyear Budget Review remain true to these practices.

I. General Fund Revenues

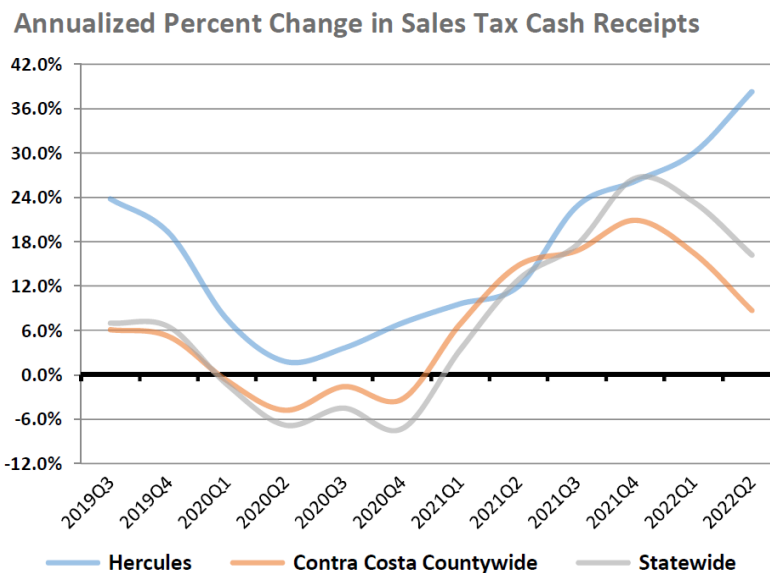
As of December 31, 2022, the General Fund operating revenues were \$8.4 million or 50% of the FY 22-23 adopted budget. Revenues from business licenses, franchise fees, and other taxes are received bi-annually and towards the end of the fiscal year. This accounts for why revenues are below 50% as of December 31, 2022. Also, the revenues received from program fees fluctuate each year. However, these revenues are offset by expenditures incurred by fees. The chart below represents revenue by source compared to the same period last year as of December 31 and how much was collected compared to the budget.



	FY 22-23			FY 21-22		
	Budget	Actual Receipts 12/31/2022	% Collected	Actual Receipts 12/31/2021	\$ Change Compared to PY	% of Change Compared to PY
Taxes						
Utility User Tax	\$3,589,000	\$1,754,196	49%	\$1,790,358	(\$36,162)	-2%
Sales Tax	4,998,000	2,908,360	58%	2,910,540	(2,180)	0%
Property Taxes	1,571,000	886,096	56%	822,033	64,063	8%
Franchise Fees	905,000	270,863	30%	281,963	(11,100)	-4%
Business Licenses	274,000	56,918	21%	48,415	8,503	18%
Transfer Tax	146,000	51,101	35%	80,591	(29,490)	-37%
Transient Occupancy Tax	114,000	9,994	9%	7,048	2,946	42%
Intergovernmental	2,511,000	1,252,963	50%	1,191,833	61,130	5%
Fines & Forefeitures	38,000	16,627	44%	18,325	(1,698)	-9%
Program Revenues						
Community Development	306,000	101,169	33%	111,896	(10,727)	-10%
Parks and Recreation	1,156,000	547,330	47%	294,282	253,048	86%
Police	139,000	50,903	37%	56,394	(5,491)	-10%
Public Works	38,000	25,194	66%	6,418	18,776	293%
Other	11,000	4,729	43%	3,253	1,476	45%
Use of Money & Property	286,000	79,617	28%	127,859	(48,242)	-38%
Cost allocated to other funds	684,000	342,000	50%	316,178	25,822	8%
Transfers In	150,000	75,000	50%	75,000	0	0%
Total, Revenues	\$16,916,000	\$8,433,060	50%	\$8,142,386	\$290,674	4%

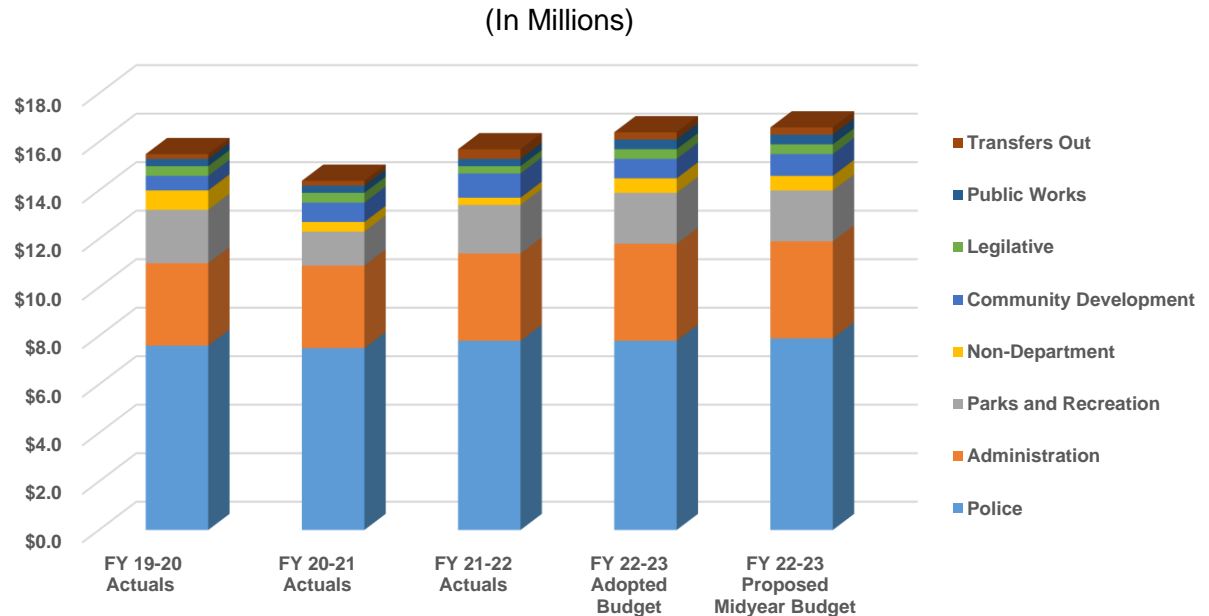
The following are the proposed midyear budget adjustments for the General Fund revenues:

- **Sales Tax:** The pandemic did lead to very conservative estimates for Sales Tax revenues with the adopted Budget. Sales Tax revenues continue to rebound in major tax groups. An annual reduction in general retail (-2%) is offset by growth in all other sectors, especially in Business to Business (22.9%) and Food Products (161%) based on the first quarter review of sales tax activities. Hercules's sales tax revenue is projected to increase by 38.3%. Based on the data analysis and conservatively estimated, based on the current economic climate, Sales Tax revenue is projected to exceed the original annual Budget by \$400,000.



II. General Fund Expenditures

A summary and year-to-date status of General Fund expenditures are presented in Attachment 3, as shown in the following graph. Payments on the insurance premium and debt service payment on equipment leases are due at the beginning of the fiscal year and due to the outcome of labor negotiation being 1.5% higher COLA than budgeted, which accounts for why expenditures are higher than 50% as of December 31, 2022.



Typically, the mid-year budget review and adjustments recommended are to make corrections to the adopted budget and to address required modifications. New initiatives or programs are not often contemplated unless necessary.

General Fund revenue and expenditure budget amendments are proposed to reflect the following adjustments and summarized and detailed in attachment 2 and 3, respectively:

	Increase in Revenues	Increase in Expenditures	Net Impact
Sales Tax	\$400,000		\$400,000
Salary and Benefits (COLA Adjustments) All Bargaining Groups		94,500	(94,500)
New Senior Planner Community Development		44,000	(44,000)
Implementation of Standby and Call Back Public Works		1,000	(1,000)
Pool Maintenance Contract Parks & Recreation		15,000	(15,000)
	\$400,000	\$154,500	\$245,500

III. General Fund Net Annual Results

The General Fund ended last fiscal year (FY21-22) with \$3.9 million in available cash, \$2.9 million better than projections. With the better-than-expected revenue at

the end of the FY 21-22, staff is assigning the available cash balance as follows based on the reserve policy, as amended by the City Council last fiscal year:

- \$977,256 – 25% to Pension Liability
- \$1,954,511 – 50% to Capital Reserve

This will reduce the beginning available cash balance to \$977,255.

The General Fund, excluding ARPA funds, Midyear review is projected to end FY 22-23 with a positive ending available balance of a little over \$900,000, which is \$180,000 better than projected in the adopted FY 22-23 budget. Most of the increase was attributed to the actual financial result of the audited FY 21-22 Financial Statements.

IV. General Fund Operating Reserve

Fiscal stability is an essential factor for all cities. Sound financial management includes the practice and discipline of maintaining adequate reserve funds for known and unknown contingencies. The City's operating reserve policy equals 16.66% of total operating expenditures, or two months equivalent. The General Fund operating reserve exceeded that requirement and maintained a \$4.2 million (including interest income earned) operating reserve equal to 26% of the total operating budget.

V. American Recovery Plan Act (ARPA)

To further assist government entities with the pandemic response and recovery, on March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law, making funding available through the State and Local Fiscal Recovery Funds (SLFRF) to assist states, tribal governments, and local governments. On May 10, 2021, the United States Department of Treasury released regulations and updated the local government allocation. As part of the \$1.9 trillion relief package, the City of Hercules became eligible for \$6,285,778 to be paid in two installments. The City received the first payment equal to one-half of the City of Hercules' allocation for \$3,142,889 was received on August 5, 2021. The second half was received on September 1, 2022. Effective April 1, 2022, the Secretary of the Treasury adopted a final interim rule. This rule implements the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA). The following is the summary for the use of Fiscal Recovery Funds based on the final rule:

- General Fund Revenue Loss: The final rule offers a standard allowance for revenue loss of \$10 million. Hercules staff selected the standard allowance as permissible under the revenue loss category and may use the total amount allocated of \$6.2 million for government services.

Currently, the following summary represents the ending balance on ARPA funds:

ARPA funding received	\$3,142,889	\$3,142,889	\$6,285,778
Appropriated:			
Strategic Communication Plan	50,000		50,000
Willow/Palm Sidewalk Installation (Transit Center)	250,000		250,000
Refugio Tennis Court Tree Maintenance	6,000		6,000
Sidewalk and Safe Walkways	100,000		100,000
Community Swim Center Safety Fence Replacement	100,000		100,000
Community Swim Center Gym Floor Replacement & Other Building and Deferred Maintenance	250,000		250,000
Increase appropriation on All Abilities Swing Set	50,000		50,000
Reserve for COVID related expenses	50,000		50,000
E-Gift Card Program	65,000		65,000
HdL Contract - ARPA Administration	164,500		164,500
Building Facilities Plan	75,000		75,000
Parks Master Plan	150,000		150,000
Business Assistance Program	150,000		150,000
Business Rental Assistance Grants	150,000		150,000
			-
Total, Use of Fund	1,610,500	-	1,610,500
Ending Balance	\$1,532,389	\$3,142,889	\$4,675,278

A budget workshop is scheduled in mid-March to discuss Capital Improvement Plan and project priorities. Subsequently, staff will present a proposed ARPA spending plan to the Council for consideration during the FY 23-24 Budget.

VII. Non-General Fund Programs

These funds are driven by grants or other funding sources and are used for specific purposes, such as transportation, gas tax, Measure C "Street Fund," etc. Such funding sources are restricted, requiring revenues and expenditures to be tracked differently from the City's primary operating fund, the General Fund. There is sufficient funding to complete current projects or programs and fund the following proposed mid-year adjustments as summarized and detailed in attachment 2 and 3, respectively.

		Increase in Revenues	Increase in Expenditures	Net Impact
Salary and Benefits (COLA Adjustments) All Bargaining Groups			30,000	(30,000)
New Senior Planner	Community Development			-
Implementation of Standby and Call Back	Public Works		37,000	(37,000)
Pool Maintenance Contract	Parks & Recreation			-
Uniform and Equipment for Special Response Team (SRT)	Police		30,000	(30,000)
Additional Training	Police		20,000	(20,000)
Pedestrian Sidewalk Improvement at Willow and Palm	Capital Projects	1,058,000	1,058,000	-
		1,058,000	1,175,000	(117,000)

Next Step

Staff is currently in the process of preparing the FY 23-24 budget which will be introduced to the City Council on May 9, 2023.

The table below outlines key Council meeting dates at which budget information will be provided.

Date	Action/Topic
February 14, 2023	FY 22-23 Midyear Review & Budget Amendments
March 28, 2023	Budget Workshop to discuss the Five-Year CIP and project priorities, including recommendations for the ARPA funds spending plan
April 11, 2023	Budget Workshop to discuss the Preliminary draft of the FY 23-24 Sewer Enterprise and Internal Service Funds budgets
April 15, 2023	Budget Workshop to discuss the Preliminary draft of the FY 23-24 General Fund Operating budget and other funds (Special Revenues, Debt Service, Agency and Successor Agency) budget
May 9, 2023	Introduction and First Public Hearing of the FY 23-24 Budget and Five-Year Capital Improvement Plan (CIP), including the appropriation of ARPA funds
June 6, 2023	Second Public Hearing and Adoption of the FY 23-24 Budget and Five-Year Capital Improvement Plan (CIP), including the appropriation of ARPA funds

Budget Award

The City of Hercules FY 21-22 Budget was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the third time. This award is the highest form of recognition in government budgeting. Its attainment represents a significant achievement by the organization. Staff submitted the FY 22-23 Budget documents for award consideration.

FISCAL IMPACT:

The proposed budget amendment to the FY 22-23 Budget, as summarized and detailed in Attachment 2 and 3, respectively, will increase the General Fund revenue by \$400,000 on sales tax after the adoption of the FY 22-23 Budget and will increase General Fund expenditures by \$154,500. The General Fund also updated its beginning fund balance based on the year-end results to \$3.9 million and implemented the reserve policy adopted by the City Council last year. Also, as summarized and detailed in Attachments 2 and 3, the net impact of the proposed amendments on all other funds is a reduction in the available fund balance of \$117,000.

The following summarizes the Midyear Budget Adjustments:

	Revenue	Expenditure	Net Impact
General Fund	400,000	169,500	230,500
Non-General Fund	1,058,000	1,175,000	(117,000)
Total	1,458,000	1,344,500	113,500

ATTACHMENTS:

1. Budget Resolution
2. Proposed Budget Amendment
3. Budget Request Detail
4. General Fund Summary
5. Non-General Fund Summary

RESOLUTION NO. 22-

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES APPROVING
FY 22-23 MIDYEAR BUDGET APPROPRIATIONS AND ADJUSTMENTS**

WHEREAS, the City Council adopted the FY 22-23 Budget on June 28, 2022, representing the financial plan for conducting the affairs of the City of Hercules; and

WHEREAS, the following recommended appropriations and adjustments have been evaluated and reviewed by the City Manager and Finance Director. The detailed budget amendment proposal is presented in Attachment 3 in the accompanying staff report; and

WHEREAS, staff is requesting approval for FY 22-23 budget appropriations and adjustments as set forth in Attachment 2; and

WHEREAS, staff is implementing the following General Fund reserves or designations:

- a. 25% to fund pension liabilities.
- b. 50% to capital reserve.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hercules as follows:

1. The City Council hereby approves FY 22-23 Budget appropriations and adjustments as set forth in Attachment 2.
2. The City Council hereby makes or confirms the following General Fund reserves or designations:
 - a. 25% to fund pension liabilities.
 - b. 50% to capital reserve.

The foregoing Resolution was duly and regularly adopted at a regular meeting of the City Council of the City of Hercules held on the fourteenth day of February 2023, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

Alexander Walker-Griffin, Mayor

ATTEST:

Eibleis Melendez, Acting City Clerk

City of Hercules
FY 22-23 Mid-Year Budget Review
Proposed Budget Amendments

	<u>Revenues/ Transfers In</u>	<u>Expenditures/ Transfers Out</u>	<u>Add(Draw) on Fund Balance</u>
<u>GENERAL FUND (Fund #100)</u>			
<u>Department Revenues and Expenditures</u>			
Sales Tax	400,000		400,000
Salaries and Benefits			
Increase COLA from 3% to 4.5% of base salary		94,500	(94,500)
Public Works			
Implement Standby and Call back pay		1,000	(1,000)
Community Development			
Senior Planner position		44,000	(44,000)
Parks & Recreation			
Pool maintenance		15,000	(15,000)
Total, General Fund	<u>400,000</u>	<u>154,500</u>	<u>245,500</u>
<u>NON-GENERAL FUND PROGRAMS</u>			
Salaries and Benefits			
Increase COLA from 3% to 4.5% of base salary		30,000	(30,000)
Asset Seizure Fund			
Safety Equipment (One-Time)		30,000	(30,000)
Increase appropriation for Training (One-Time)		20,000	(20,000)
Public Works			
Implement Standby and Call back pay			
Gas Tax - Fund 262		6,000	(6,000)
Measure J - Fund 263		4,000	(4,000)
Facilities Maintenance - Fund 470		11,000	(11,000)
Sewer - Fund 420		16,000	(16,000)
Capital Projects			
Pedestrian Sidewalk Improvement Willow & Palm (63042) - CCTA Grant	1,058,000	1,058,000	-
Total, Other Funds	<u>1,058,000</u>	<u>1,175,000</u>	<u>(117,000)</u>
Total, All Funds	<u><u>1,458,000</u></u>	<u><u>1,329,500</u></u>	<u><u>128,500</u></u>

**FY 22-23 MIDYEAR BUDGET REQUESTS**

Sales tax revenue – The pandemic did lead to very conservative estimates for Sales Tax revenues with the adopted Budget. Sales Tax revenues continue to rebound in major tax groups. A slight reduction in general retail (-2%) revenues is offset by growth in all other sectors, especially in Business to Business (22.9%) and Food Products (161%) based on the first quarter review of sales tax activities. Overall and conservatively estimated based on the current economic climate, Sales Tax revenue is projected to exceed the original annual Budget by \$400,000.

Revenue Increase:

- **General Fund - \$400,000**

Salaries and Benefits (All Departments) – The budget amendment request is due to the outcome of the labor negotiations for all bargaining groups. The midyear budget adjustment will increase the Cost-of-Living Adjustments (COLA) from 3% to 4.5%.

Expense Increase:

- **General Fund - \$94,500**
- **Non-General Fund - \$30,000**

Senior Planner (Community Development) – This request is to create a new, permanent Senior Planner position in the Community Development Department, reporting to the Community Development Director. The Senior Planner would perform professional land use and urban planning work, including current and long range (advanced) planning, implementation of the General Plan, review of complex zoning and development applications, and coordination of special projects.

This position is requested to enable the Department to successfully manage the volume of professional work required to respond to inquiries from the public; process the City's Planning applications; develop and update the City's long-range plans; maintain and update the Zoning ordinance and other City regulations; staff the Planning Commission, regional advisory committees, and interdepartmental planning efforts; implement new requirements of state law, such as online permitting; and develop and implement new programs, policies, and resources to further fair housing and otherwise implement the City's 2023-31 Housing Element, once adopted. The Senior Planner would also assist the Director in implementing Council priorities such as business recruitment, additional community engagement, and development of user-friendly handouts explaining common Planning application types and requirements.

Ongoing Expense Increase:

- **General Fund - \$44,000.**

Implementation of Standby and Call Back (Public Works) – Implement a rotation for the 7 Public Works Maintenance Workers to join with the Maintenance Superintendent in providing emergency/urgent coverage during non-working hours. This would be in accordance with Article 8.4 "Standby" and 8.5 "Call Back Pay" of the MOU with Teamsters Local 315. Currently the Public Works Superintendent is "on-call" 24 hours a day 365 days a year. Hercules is one of the last remaining agencies in the County adhering to this practice. With the rotation, each staff person will be on standby for a 1-week rotation. Implementing a rotation will make urgent/emergency coverage during non-working hours more sustainable, provide employees a professional growth opportunity, include cross training, and based upon experience gained



be a step forward for succession planning and raise the level of performance of the Maintenance & Operations Division overall. Additionally, it will be more effective as it will allow the Superintendent to focus on higher level duties, such as management, supervision, and operational planning.

Ongoing Expense Increase:

- ***General Fund - \$1,000***
- ***Non-General Fund \$37,000***

Pool Maintenance Contract– When the pool was built, Public Works and Parks and Recreation shared the responsibility to maintain the pool. Public Works would work on mechanical items, and Parks and Recreation would order and check proper chemical levels. Over the course of time, changes in personnel, changes in requirements to work on equipment, and the aging of equipment, have led to a need for more technical help. Neither department possesses this level of expertise, nor the available hours needed based on the growing needs of the community and aging equipment. Staff recommends in winter to use the 3-day, and in the spring/summer use the 5-day service. The overall cost would be approximately \$15,000 for the remainder of the year.

Ongoing Expense Increase:

- ***General Fund - \$15,000***

Uniform and Equipment for Special Response Team (SRT) (Police) – The SRT was created over 30 years ago for several high-risk investigations in the City and other bay area cities. The program was suspended in 2018 due to a lack of personnel. Most of the equipment previously used, including tactical vests, helmets, gas masks have expired and must be replaced.

One-time Expense Increase:

- ***Asset Seizure Fund - \$30,000***

Additional Training (Police) – Since the pandemic started in 2020, training has been challenging to find due to cancellations leaving many agencies, including Hercules, to meet basic training requirements, which could be vulnerable to potential litigation and liability issues. The department is requesting an additional training appropriation for this fiscal year. This additional appropriation will help limit the exposure and bridge the training gap.

One-time Expense Increase:

- ***Asset Seizure Fund - \$20,000***

Pedestrian Sidewalk Improvement at Willow and Palm (Capital Projects) – Currently there is no sidewalk available for pedestrians. This project will provide connectivity to the HTC from the southeast part of town. This project will install sidewalk from the Hercules Transit Center (HTC) to Palm Avenue, and then from Palm Avenue to Sycamore Avenue. A Measure J TLC grant was originally assigned to this project but was rescinded due to a drop in revenue from the pandemic. City staff is successfully secured a grant with the Contra Costa Transportation Authority (CCTA).

One-time Revenue Increase:

- ***Capital Projects Fund (CCTA Grant) - \$1,058,000***

One-time Expenditure Increase:

- ***Capital Projects Fund Project #63042 - \$1,058,000***



FY 22-23 Mid-Year Budget Update

General Fund - Budget Summary

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 22-23 Activities thru 12/31/2022		FY 22-23	Proposed Mid-Year Adjustments
	Audited Actuals	Audited Actuals	Audited Actuals	Adopted Budget	6-Months Actuals	% Used	Mid-Year Update	
General Fund								
Beginning Available Balance	\$2,412,068	\$1,847,113	\$2,138,828	\$953,025			\$3,909,022	
Reserve per Council policy:								
25% to Pension							(977,256)	
25% to Operating Reserve (Not applied)							-	
50% to Capital Reserve							(1,954,511)	
Beginning Available Balance, as adjusted	2,412,068	1,847,113	2,138,828	953,025			\$ 977,255	
Revenues								
Taxes								
Utility User Tax	3,483,843	3,590,649	3,828,410	3,589,000	1,754,196	49%	3,589,000	-
Sales Tax	4,212,285	4,775,496	6,263,066	4,998,000	2,908,360	58%	5,398,000	400,000
Property Taxes	1,415,995	1,451,716	1,524,791	1,571,000	886,096	56%	1,571,000	-
Franchise Fees	948,503	862,104	970,054	905,000	270,863	30%	905,000	-
Business Licenses	251,418	268,697	257,289	274,000	56,918	21%	274,000	-
Transfer Tax	142,850	126,488	199,673	146,000	51,101	35%	146,000	-
Transient Occupancy Tax	6,179	7,635	25,778	114,000	9,994	9%	114,000	-
Intergovernmental	2,151,433	2,285,392	2,391,327	2,511,000	1,252,963	50%	2,511,000	-
Fines & Forefeitures	62,582	36,586	48,663	38,000	16,627	44%	38,000	-
Program Revenues								
Community Development	675,556	824,891	644,862	306,000	101,169	33%	306,000	-
Parks and Recreation	1,020,758	396,290	1,034,173	1,156,000	547,330	47%	1,156,000	-
Police	483,367	65,915	136,878	139,000	50,903	37%	139,000	-
Public Works	28,978	46,908	10,464	38,000	25,194	66%	38,000	-
Other	6,770	10,571	6,723	11,000	4,729	43%	11,000	-
Use of Money & Property	600,707	511,188	347,905	286,000	79,617	28%	286,000	-
Cost allocated to other funds	534,346	602,677	624,568	684,000	342,000	50%	684,000	-
Transfers In	227,335	150,000	396,816	150,000	75,000	50%	150,000	-
	16,252,905	16,013,203	18,711,440	16,916,000	8,433,060	50%	17,316,000	400,000
Expenditures								
Police	7,564,927	7,549,028	7,759,504	7,821,727	4,255,489	54%	7,881,727	60,000
Public Works	305,464	292,525	313,571	382,857	199,527	52%	383,857	1,000
Community Development	611,297	792,456	1,039,919	810,561	238,243	29%	858,561	48,000
Parks and Recreation	2,165,547	1,434,988	1,952,419	2,077,537	1,191,985	57%	2,108,537	31,000
City Council	376,082	407,588	330,296	358,645	163,152	45%	358,645	-
City Manager	385,675	360,115	496,216	490,186	251,509	51%	493,186	3,000
Legal	284,709	154,562	209,134	273,000	94,218	35%	273,000	-
Administrative Services	700,608	682,878	685,122	766,299	349,620	46%	772,299	6,000
Finance	1,054,307	1,119,462	1,114,284	1,191,122	620,795	52%	1,196,622	5,500
Workers Comp/General Liability	1,084,650	1,077,619	1,135,659	1,265,554	1,047,167	83%	1,265,554	-
Non-Department	756,736	362,474	260,000	615,934	399,983	65%	615,934	-
Transfers Out	205,099	214,976	423,542	330,000	328,981	100%	330,000	-
	15,495,101	14,448,671	15,719,666	16,383,422	9,140,669	56%	16,537,922	154,500



FY 22-23 Mid-Year Budget Update

General Fund - Budget Summary

Net Annual Activity

Baseline Operations
One-Time Revenues
One-Time Expenditures
Net of One-Time Activities
Ending Available Balance (Before ARPA)

FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 22-23 Activities thru 12/31/2022		FY 22-23	Proposed Mid-Year Adjustments
Audited Actuals	Audited Actuals	Audited Actuals	Adopted Budget	6-Months Actuals	% Used	Mid-Year Update	
757,804	\$ 1,564,532	\$ 2,991,774	\$ 532,578	\$ (707,609)		\$ 778,078	245,500
1,723,486	600,750	1,431,000	-	-		-	-
(3,046,245)	(1,873,567)	(2,652,580)	(786,025)	(125,000)	16%	(786,025)	-
(1,322,759)	(1,272,817)	(1,221,580)	(786,025)	(125,000)	16%	(786,025)	-
1,847,113	2,138,828	3,909,022	699,578			969,308	245,500

American Rescue Plan Act (ARPA)

Beginning Available Balance
One-Time ARPA (Loss of Revenue)
One-Time ARPA Expenditures
Net of ARPA
Ending Available Balance

\$0	\$0	\$0	\$1,897,838			2,057,389	
		3,142,889	-	-		3,142,889	
		(1,085,500)	(225,000)	-	0%	(525,000)	
-	-	2,057,389	(225,000)	-		2,617,889	
-	-	2,057,389	1,672,838			4,675,278	

Operating Reserve:

Beginning Balance
Interest Earned
Ending Balance
% of Projected Operating Expenditures

3,797,650	\$ 2,764,975	\$ 4,209,129	\$ 4,209,129			\$ 4,222,158	
	174,612	13,029					
2,764,975	\$ 4,209,129	\$ 4,222,158	\$ 4,209,129			\$ 4,222,158	
18%	29%	27%	26%			26%	



FY 22-23 MIDYEAR BUDGET REVIEW NON-GENERAL FUND SUMMARY

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes.

		FY 21-22	FY 22-23	FY 22-23	FY 22-23	FY 22-23	FY 22-23
		Beginning Available Balance	Revenue Estimate	Appropriations	Midyear Request	Net Activities	Ending Available
Fund No.	Fund Name	Audited Results	As Adopted	As Adopted		As adjusted	Balance As adjusted
101	ASSET FORFEITURE	69,395	33,000	45,000		(62,000)	7,395
201	AB 3229 COPS Program	18,011	150,000	150,000	50,000	-	18,011
220	CITYWIDE L&L DIST 83-2	(282,558)	2,107,899	2,079,326	7,000	21,573	(260,985)
221	VICTORIA BY THE BAY L&L DIST 2002-1	(319,153)	482,897	584,542	1,000	(102,645)	(421,798)
222	HERCULES VILLAGE L&L DIST 2002-2	178,036	166,305	206,619		(40,314)	137,722
223	BAYWOOD ASSESS 04-1 L&L DIST 2004-1	53,278	157,261	148,033		9,228	62,506
224	BAYSIDE ASSESS DIST L&L DIST 2005-1	140,352	149,231	132,686		16,545	156,897
225	ARTERIAL ROADWAYS	574,312	314,000	333,123		(19,123)	555,189
231	STORMWATER ASSESSMENT	(212,953)	376,000	374,577	2,000	(577)	(213,530)
VARIOUS	DEVELOPMENT IMPACT FEES	1,696,035		60,000		(60,000)	1,636,035
VARIOUS	DEVELOPMENT SERVICES	237,830				-	237,830
VARIOUS	CAPITAL PROJECTS	1,998,781				-	1,998,781
262	STATE GAS TAX FUND	476,487	1,434,597	1,760,817	9,000	(335,220)	141,267
263	MEASURE "C" STREET FUND	42,356	450,000	593,805	7,000	(150,805)	(108,449)
291	SOLID WASTE AND RECYCLING	821,785	178,000	236,881		(58,881)	762,904
521	REGIONAL WATER QUALITY	51,144				-	51,144
266	BART (PARK & RIDE)	275,689	45,000	17,000		28,000	303,689
		<u>5,818,827</u>	<u>6,044,190</u>	<u>6,722,409</u>	<u>76,000</u>	<u>(754,219)</u>	<u>5,064,608</u>

Enterprise Funds

This fund accounts for wastewater treatment to the cities of Hercules and Pinole and for the maintenance of the City's sewer lines and related facilities. It is a self-supporting activity which provides services on a user charge basis to residences and businesses.

		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning Available Balance	Revenue Estimate	Appropriations	Midyear Request	Net Activities	Ending Available
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted		As adjusted	Balance As adjusted
420	WASTEWATER	7,647,028	6,053,000	7,417,750	24,000	(1,388,750)	6,258,278



FY 22-23 MIDYEAR BUDGET REVIEW NON-GENERAL FUND SUMMARY

Internal Service Funds

These funds account for activities related to vehicle replacement, IT equipment replacement, and facilities maintenance.

		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning Available Balance	Revenue Estimate	Appropriations	Midyear Request	Net Activities	Ending Available
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted		As adjusted	Balance As adjusted
450	VEHICLE REPLACEMENT FUND	645,987	148,300	276,000		(127,700)	518,287
460	IT OPERATING FUND	381,649	1,271,986	1,271,686	4,000	(3,700)	377,949
470	FACILITY MAINTENANCE FUND	344,730	787,000	787,192	13,000	(13,192)	331,538
480	IT EQUIPMENT REPLACEMENT FUND	416,031		25,000		-	416,031
490	FACILITY REPLACEMENT FUND	368,298				(25,000)	343,298
		<u>2,156,694</u>	<u>2,207,286</u>	<u>2,359,878</u>	<u>17,000</u>	<u>(169,592)</u>	<u>1,987,102</u>

Debt Service Funds

These funds are used to account for money that will be used to pay the interest and principal of long-term debts. Bonds used by a government to finance major construction projects, to be paid by tax levies over a period of years, require a debt service fund to account for their repayment. The debts of special

		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning Available Balance	Revenue Estimate	Appropriations	Midyear Request	Net Activities	Ending Available
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted		As adjusted	Balance As adjusted
672	2003B DEBT SERVICE PFA	157,066	355,934	513,000		(157,066)	-
673	2009 DEBT SERVICE PFA	-	908,000	908,000		-	-
383	SUNTRUST LEASE	-	103,000	103,000		-	-
388	EQUIPMENT LEASE	-	227,000	227,000		-	-
		<u>157,066</u>	<u>1,593,934</u>	<u>1,751,000</u>	<u>-</u>	<u>(157,066)</u>	<u>-</u>

Capital Projects Funds

These funds are used to account for the construction or acquisition of fixed assets, such as buildings, equipment and roads. Depending on its use, a fixed asset may instead be financed by a special revenue fund or a proprietary fund. A capital project fund exists only until completion of the project.

		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning Available Balance	Revenue Estimate	Appropriations	Midyear Request	Net Activities	Ending Available
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted		As adjusted	Balance As adjusted
295	STREET CIP GRANTS	-	492,000	492,000		-	-
300	CITY CAPITAL PROJ-SINGLE	804,329	247,000	247,000		-	804,329
301	ENERGY CONSERVATION PROJECT	-				-	-
340	GRANT FUND / STIP / RIP	-	360,000	360,000		-	-
387	WATER QUALITY RET BASIN	179,222				-	179,222
		<u>983,551</u>	<u>1,099,000</u>	<u>1,099,000</u>	<u>-</u>	<u>-</u>	<u>983,551</u>



FY 22-23 MIDYEAR BUDGET REVIEW NON-GENERAL FUND SUMMARY

Agency Funds

These funds are used to account for assets held in trust by the City for the benefit of individuals or other entities. Financial Statements may further distinguish fiduciary funds as either trust or agency funds; a trust fund generally exists for a longer period of time than an agency fund.

		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning	Revenue	Appropriations	Midyear Request	Net Activities	Ending Available
		Available Balance	Estimate	As Adopted		As adjusted	Balance
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted			As adjusted
382	ASSMT DIST 05-01 DEBT SVC	415,829	232,910	232,910		-	415,829
501	TAYLOR WOODROW MAINT LMOD	70,251				-	70,251
511	GASB 45 OPEB LIABILITY	2,629,051	118,000	102,000		16,000	2,645,051
		<u>3,115,131</u>	<u>350,910</u>	<u>334,910</u>	<u>-</u>	<u>16,000</u>	<u>3,131,131</u>

Private Purpose Trust Funds

A Fiduciary fund type used by the City to report trust arrangement under which principal and income benefit other governments. This fund report the activities of the Hercules Redevelopment Successor Agency. The sole purpose of this fund is to retire debt of the former redevelopment agency.

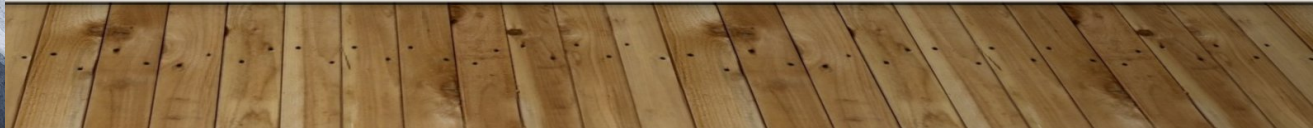
		FY 21-22	FY 22-23	FY 22-23	FY 22-23		
		Beginning	Revenue	Appropriations	Midyear Request	Net Activities	Ending Available
		Available Balance	Estimate	As Adopted		As adjusted	Balance
Fund Numl	Fund Name	Audited Results	As Adopted	As Adopted			As adjusted
620	SUCCESSOR AGENCY	-	16,935,736	16,935,736		-	-
Total		<u>19,878,297</u>	<u>34,284,056</u>	<u>36,620,683</u>	<u>117,000</u>	<u>(2,453,627)</u>	<u>17,424,670</u>



MIDYEAR BUDGET UPDATE FY 22-23

CITY COUNCIL MEETING

FEBRUARY 14, 2023



PURPOSE OF MIDYEAR REVIEW/UPDATE

The Midyear Budget Review is an essential element in maintaining financial stability.

It provides the City Council an opportunity to:

- Review the General Fund operating results for the first half of the year.
- Make adjustments to achieve a more accurate budget for the current fiscal year (resulting in a greater budget transparency); and
- Help shape the development of next year's budget

TONIGHT'S OBJECTIVES

Presentation

- Receive update on General Fund financial projections
- Proposed Midyear budget amendment request
- American Rescue Plan Act (ARPA) fund status

Action

- Consider resolution to amend the FY 22-23 budget

FY 22-23 MIDYEAR BUDGET REVIEW

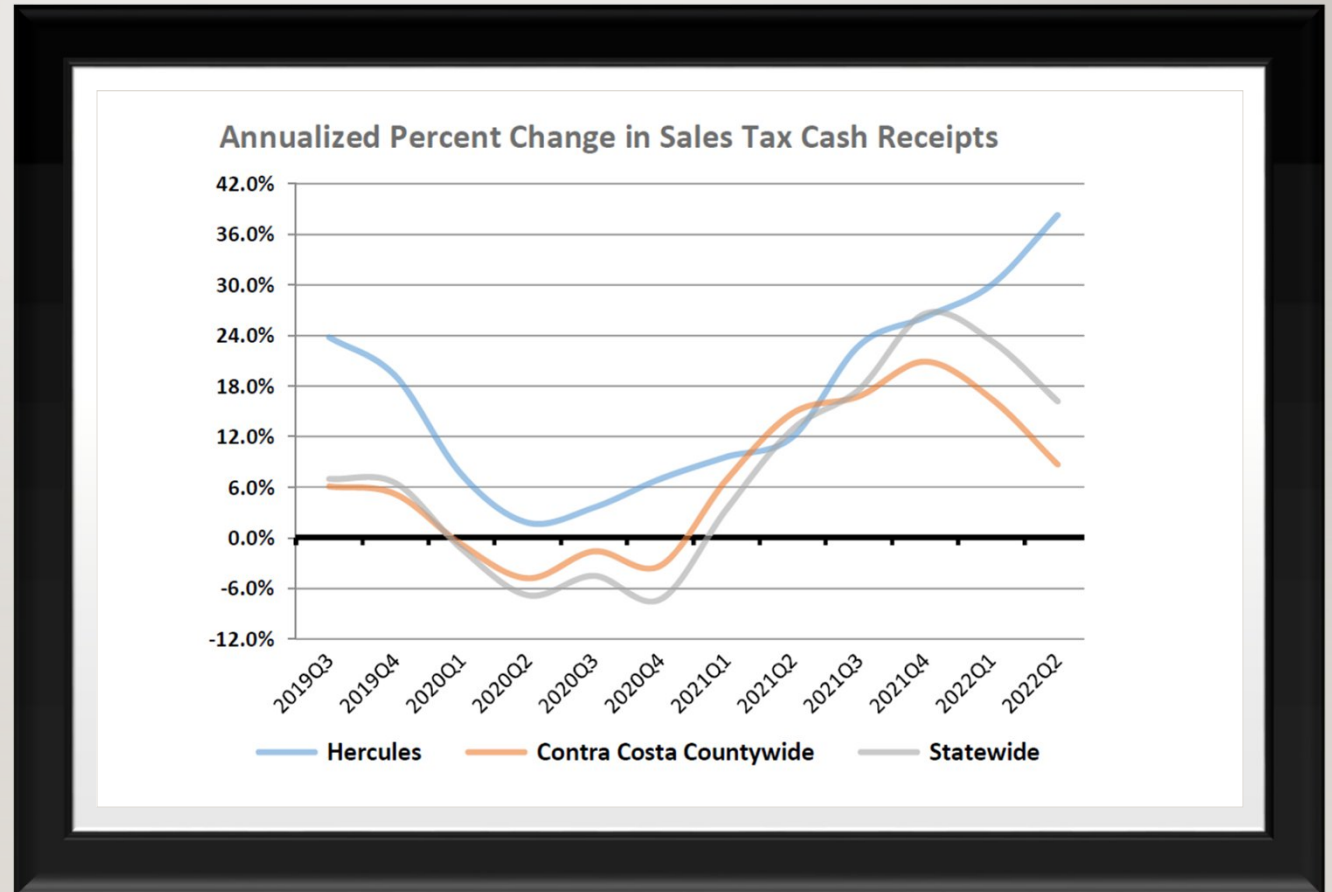
- General Fund Highlights

- Sales Tax revenues continue to grow in major tax groups
- Minimal midyear operating expenditure requests
- The General Fund ended last fiscal year with \$3.9 million of available cash balance, \$2.9 million better than projected

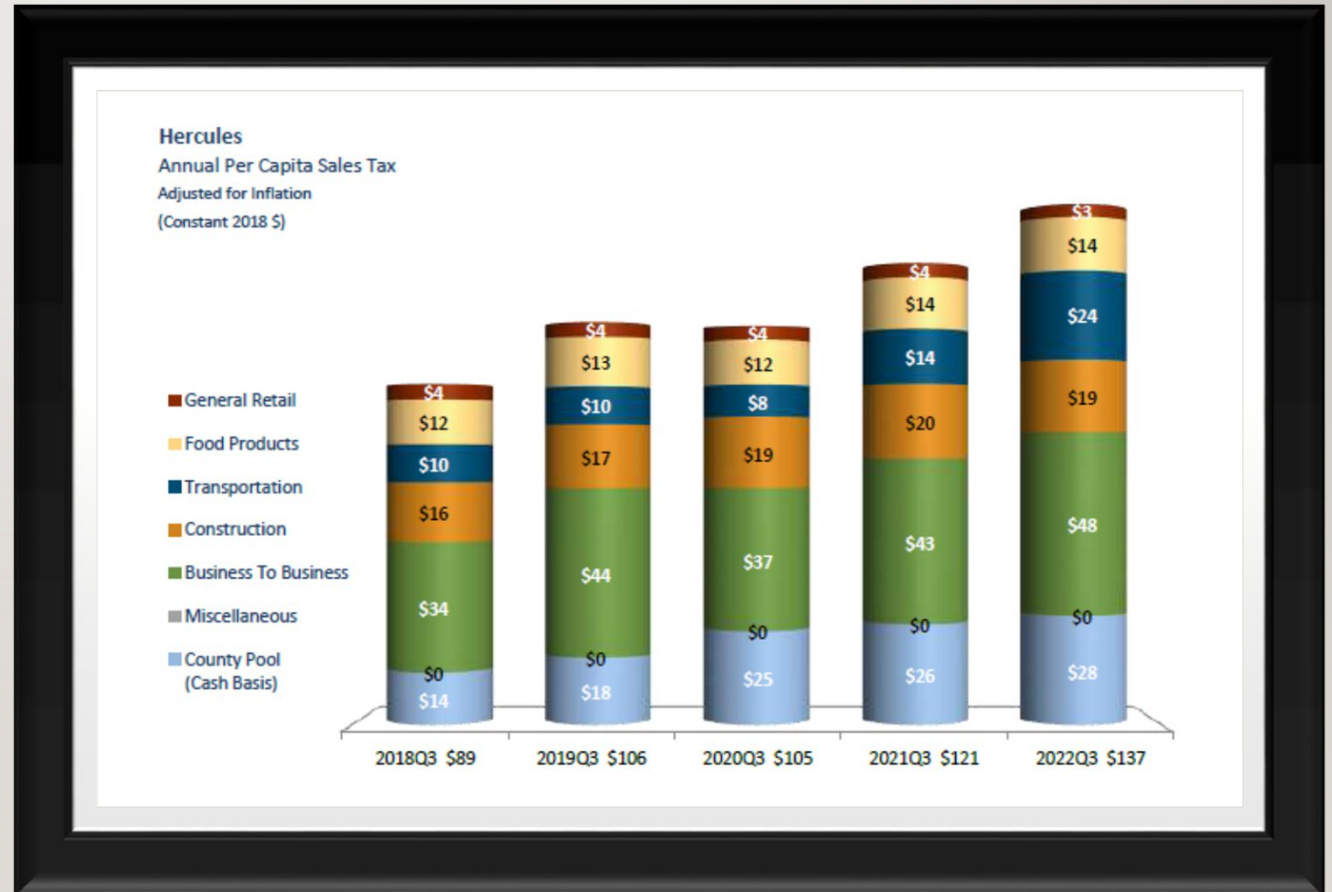
		Increase in Revenues	Increase in Expenditures	Net Impact
Sales Tax		\$400,000		\$400,000
Salary and Benefits (COLA	All Bargaining Groups		94,500	(94,500)
New Senior Planner	Community Development		44,000	(44,000)
Implementation of Standby and Call	Public Works		1,000	(1,000)
Pool Maintenance Contract	Parks & Recreation		15,000	(15,000)
		\$400,000	\$154,500	\$245,500

PROPOSED FY 22-23 MIDYEAR BUDGET ADJUSTMENTS
GENERAL FUND

ANNUALIZED PERCENT CHANGE IN SALES TAX CASH RECEIPTS



HERCULES ANNUAL PER CAPITAL SALES TAX



	Adopted Budget	Midyear Adjustments	Midyear Projections
Revenues			
Taxes	11,597,000	400,000	11,997,000
Intergovernmental	2,511,000		2,511,000
Program Revenues	1,650,000		1,650,000
Miscellaneous	1,158,000		1,158,000
	<u>16,916,000</u>	<u>400,000</u>	<u>17,316,000</u>
Expenditures			
Police	7,821,727	60,000	7,881,727
Public Works	382,857	1,000	383,857
Community Development	810,561	48,000	858,561
Parks and Recreation	2,077,537	31,000	2,108,537
City Council	358,645	14,500	373,145
Administration	2,720,607		2,720,607
Workers Comp/General Liability	1,265,554		1,265,554
Miscellaneous	945,934		945,934
	<u>16,383,422</u>	<u>154,500</u>	<u>16,537,922</u>
Net Annual Activity	<u>532,578</u>	<u>245,500</u>	<u>778,078</u>

FY 22-23 MIDYEAR BUDGET PROJECTIONS GENERAL FUND

		Increase in Revenues	Increase in Expenditures	Net Impact
Salary and Benefits (COLA	All Bargaining Groups		30,000	(30,000)
Implementation of Standby and Call	Public Works		37,000	(37,000)
Uniform and Equipment for Special Response Team (SRT)	Police		30,000	(30,000)
Additional Training	Police		20,000	(20,000)
Pedestrian Sidewalk Improvement at Willow and Palm	Capital Projects	1,058,000	1,058,000	-
		1,058,000	1,175,000	(117,000)

PROPOSED FY 22-23 MIDYEAR BUDGET ADJUSTMENTS NON-GENERAL FUND

AMERICAN RECOVERY PLAN ACT (ARPA) REMAINING BALANCE

	First Installment	Second Installment	Total
ARPA funding received	\$3,142,889	\$3,142,889	\$6,285,778
Appropriated:			
Communication Services	50,000		50,000
Willow/Palm Sidewalk Installation (Transit Center)	250,000		250,000
Refugio Tennis Court Tree Maintenance	6,000		6,000
Sidewalk and Safe Walkways	100,000		100,000
Community Swim Center Safety Fence Replacement	100,000		100,000
Community Swim Center Gym Floor Replacement & Other Building and Deferred Maintenance	250,000		250,000
Increase appropriation on All Abilities Swing Set	50,000		50,000
Reserve for COVID related expenses	50,000		50,000
E-Gift Card Program	65,000		65,000
HdL Contract - ARPA Administration	164,500		164,500
Building Facilities Plan	75,000		75,000
Parks Master Plan	150,000		150,000
Business Assistance Program	150,000		150,000
Business Rental Assistance Grants	150,000		150,000
Total, Use of Fund	1,610,500	-	1,610,500
Ending Balance	\$1,532,389	\$3,142,889	\$4,675,278

NEXT STEP

- Staff is currently in the process of preparing the FY 23-24 budget which will be introduced to the City Council on May 9, 2023. The table below outlines key Council meeting dates at which budget information will be provided.

Date	Action/Topic
February 14, 2023	FY 22-23 Midyear Review & Budget Amendments
March 28, 2023	Budget Workshop to discuss the Five-Year CIP and project priorities, including recommendations for the ARPA funds spending plan
April 11, 2023	Budget Workshop to discuss the Preliminary draft of the FY 23-24 Sewer Enterprise and Internal Service Funds budgets
April 15, 2023	Budget Workshop to discuss the Preliminary draft of the FY 23-24 General Fund Operating budget and other funds (Special Revenues, Debt Service, Agency and Successor Agency) budget
May 9, 2023	Introduction and First Public Hearing of the FY 23-24 Budget and Five-Year Capital Improvement Plan (CIP), including the appropriation of ARPA funds
June 6, 2023	Second Public Hearing and Adoption of the FY 23-24 Budget and Five-Year Capital Improvement Plan (CIP), including the appropriation of ARPA funds



QUESTIONS?



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 14, 2023

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Michael Roberts, Public Works Director/City Engineer

SUBJECT: Initiation of FY 2023/24 Landscape and Lighting Assessment District Proceedings, Completion of Capital Replacement Analysis, Preparation of 5-Year Financial Projections, and Authorization to Execute Agreement in the amount of \$34,380 with Francisco and Associates including an Appropriation of \$9,930 to complete said Analysis and Projection

RECOMMENDATION ACTION:

It is recommended by City staff that City Council: 1) Adopt a Resolution initiating the Fiscal Year (FY) 2023/24 Landscaping and Lighting Assessment District proceedings and directing the filing of the Engineer's Reports for Landscaping and Lighting Assessment District No. 83-2, Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1, Hercules Village Landscaping and Lighting Assessment District No. 2002-2, Baywood Landscaping and Lighting Assessment District No. 2004-1, and Bayside Landscaping and Lighting Assessment District No. 2005-1 ("LLAD" or collectively "LLADs") pursuant to the Landscaping and Lighting Act of 1972, and 2) Adopt a Resolution authorizing the City Manager to execute an agreement with Francisco & Associates for FY 2023/24 LLAD Administration, completion of Capital Replacement Analysis, and preparation of a 5-Year Financial Projection in the amount of \$34,380 including an appropriation of \$9,930 for the completion of said Analysis and Projection.

BACKGROUND:

The City of Hercules annually levies and collects special assessments to maintain certain improvements within the City's five established Landscaping and Lighting Assessment Districts (LLADs). Each LLAD provides and ensures continued maintenance, servicing,

administration and operations of various landscape and lighting improvements and other facilities benefitting parcels within each LLAD. Each property is assessed only for the cost of the improvements from which benefit is received.

The five established Landscaping and Lighting Assessment Districts in Hercules provide for well-maintained, attractive landscaping and serviceable streetlighting along public streets as well as fire breaks adjacent to open space. They also provide for the upkeep of playgrounds, fields, park furniture, tennis courts, graffiti abatement, lighting, landscaping, water features, and trails in City parks. The expenses associated with the maintenance of these LLADs includes labor, material, equipment, utilities, repairs and administration.

Pursuant to the California Streets and Highways Code, commencing with Section 22500, (also known as the Lighting and Landscape Act of 1972) (“Act”), the City Council must annually approve Engineer’s Reports for the LLADs in order to continue to levy assessments that fund this maintenance work. This process involves the development of the ensuing fiscal year’s LLADs budgets, a review of all parcel changes from the previous fiscal year, preparation of the Engineer’s Reports, and submittal of the assessments to the County Auditor in their required electronic format. City staff is recommending utilizing the services of Francisco and Associates (F&A) to administer the City’s LLADs for FY 2023/24 as they have successfully served as the City’s LLAD District Engineer for over a decade and the LLAD Districts are very complex .

Extreme drought conditions over the last several years have required a significant increase in irrigation watering to keep landscaping maintained by the LLADs alive and healthy. Additionally, there have been large increases in East Bay Municipal Utility District (“EBMUD”) water rates. From FY 2017/18 to date, EBMUD’s water rates have increased 46% as compared to an allowable assessment rate increase of 22% for the LLADs. As a result, water costs have increased dramatically for LLAD maintained areas, especially areas with large amounts of turf, which has a very high water demand.

Additionally, trees in the new urbanist developments north of I-80 have matured, both in height and width, such that they now need to be pruned regularly by a contract tree trimming company. This is new, additional work beyond the scope of the current landscaping contract and is an additional cost to the LLADs. Victoria by the Bay LLAD No. 2002-1 has been most impacted by these increases in cost and is now in a deficit.

At the May 10, 2022 City Council meeting, City Council directed City staff to further evaluate how these emerging costs are impacting the LLADs and to bring this item back to City Council for an in-depth discussion, including recommendations that may be implemented during the FY 2023-24 LLAD approval process. To assist with this evaluation, City staff is also recommending F&A perform a Capital Replacement Analysis and prepare a 5-Year Financial Projection through FY 2027-28 for the LLADs. The Capital Replacement Analysis will be performed using best available data, including elements

from the City's proposed Parks Master Plan, to establish the appropriate reserve levels for each LLAD. The 5-Year Financial Projection will be used to evaluate the long-term financial health of the LLADs by forecasting revenues and expenditures including information gained from the Capital Replacement Analysis. The findings of the Capital Replacement Analysis and the 5-Year Financial Projection will be presented to City Council at a subsequent City Council meeting in April 2023. At this Council meeting, City staff may also provide recommendations to conduct Proposition 218 proceedings to increase LLAD assessments commencing with FY 2023-24.

ANALYSIS:

Due to significant cost increases and the need for additional maintenance, certain LLADs are not generating sufficient assessment revenues and are experiencing or are expected to experience funding shortfalls in the short-term. City staff is evaluating all options to alleviate these funding shortfalls, including but not limited to, conducting Proposition 218 proceedings to increase LLAD assessments, and reducing levels of service if necessary. Performing a Capital Replacement Analysis and preparing a 5-Year Financial Projection for the City's LLADs will provide a comprehensive picture that will assist City staff in its decision-making process going forward. If adjustments are not made, some LLADs are expected to go further into deficit and will require additional City funding from other sources to continue the same service levels.

Adoption of the resolutions attached to this agenda item will initiate the process to approve FY 2023-24 assessments for the LLADs and authorize the City manager to execute an agreement with F&A to assist the City with the FY 2023-24 LLAD administration, including performing a Capital Replacement Analysis and preparing a 5-Year Financial Projection. The next step in this year's process will be to present the findings from the Capital Replacement Analysis and 5-Year Financial Projection to City Council in April 2023.

FISCAL IMPACT:

If assessments for the LLADs are not levied, there would be an estimated revenue loss of \$3.2 million for FY 2023-24 to fund the maintenance and operations associated with the City's public parks, landscaping, streetlighting, and open space areas. Adoption of the first attached resolution (Attachment 1) is the first required Council action to proceed with approval of FY 2023-24 LLAD assessments.

Adoption of the second attached resolution (Attachment 2) will authorize the City manager to execute an agreement with F&A and appropriate additional funding in the current fiscal year's budget to complete this project as follows:

Funding Source Description	City Account	February 7, 2023* F&A Proposal	Appropriation from Current Budget
LLAD No. 83-2 (Benefit Zone 1)	232-5411-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 2)	233-5412-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 3 & 4)	234-5413-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5A)	235-5414-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5B)	236-5415-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 5C)	237-5416-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 6)	238-5417-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 7)	239-5418-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 8)	251-5419-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 9)	253-5420-611.40-00	\$1,146	\$331
LLAD No. 83-2 (Benefit Zone 10)	220-5410-611.40-00	\$3,438	\$993
LLAD No. 2002-1 (Victoria by the Bay)	221-5421-611.40-00	\$5,730	\$1,655
LLAD No. 2002-2 (Promenade)	222-5422-611.40-00	\$3,438	\$993
LLAD No. 2004-1 (Baywood)	223-5423-611.40-00	\$3,438	\$993
LLAD No. 2005-1 (Bayside)	224-5424-611.40-00	\$3,438	\$993
LLADs (Arterial/Major Roadways)	225-5425-611.40-00	<u>\$3,438</u>	<u>\$993</u>
	Totals:	\$34,380	\$9,930

*Includes reimbursable expenses not-to-exceed \$500.

ATTACHMENTS:

Attachment 1	Resolution initiating FY 2023/24 LLAD proceedings and directing the filing of the Engineer's Reports
Attachment 2	Resolution authorizing City Manager to execute agreement with F&A
Attachment 3	F&A Agreement including Proposal

RESOLUTION 23-__

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES DIRECTING THE FILING OF THE ANNUAL ENGINEER'S REPORT FOR CITY OF HERCULES LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT NO. 83-2, VICTORIA BY THE BAY LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT NO. 2002-1, HERCULES VILLAGE LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT NO. 2002-2, BAYWOOD LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT NO. 2004-1, AND BAYSIDE LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT NO. 2005-1 PURSUANT TO THE LANDSCAPING AND LIGHTING ACT OF 1972

WHEREAS, the City Council through previous resolutions has established and levied annual assessments for the City of Hercules Landscaping and Lighting Assessment District No. 83-2, Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1, Hercules Village Landscaping and Lighting Assessment District No. 2002-2, Baywood Landscaping and Lighting Assessment District No. 2004-1, and Bayside Landscaping and Lighting Assessment District No. 2005-1 (hereinafter referred to as the "Districts"), pursuant to the provisions of the *Landscaping and Lighting Act of 1972, Part 2, Division 15* of the California Streets and Highways Code (commencing with *Section 22500*) (hereinafter referred to as the "Act") that provides for the collection of assessments by the County of Contra Costa on behalf of the City of Hercules to pay the maintenance and services of improvements and facilities related thereto; and

WHEREAS, the City Council desires to initiate proceedings for the levy of annual assessments against certain lots and parcels of land within the Districts for fiscal year 2023/24 for the landscape and lighting improvements and services that will provide benefit to the properties within the Districts pursuant to the provisions of the Act; and

WHEREAS, the City has retained Francisco & Associates (hereinafter referred to as the "Engineer of Work"), for the purpose of assisting with the levy of such assessments, including the preparation, and filing of the required Engineer's Reports with the City Clerk in accordance with the Act.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hercules as follows:

1. The above recitals are true and correct.
2. Engineer's Report: The City Council hereby orders the Engineer to prepare and file with the City Clerk Engineer's Reports concerning the improvements and services within the Districts and the levy of assessments within the Districts for the fiscal year commencing July 1, 2023 and ending June 30, 2024, in accordance with *Chapter 3 Section 22623* of the Act. Said Engineer's Reports shall contain a description of the improvements and services, an estimate of the costs financed by the levy of the assessments, the properties benefiting from the improvements, the method of apportioning the assessments, and any substantial changes to the existing improvements and assessments.

3. Proposed Improvements: The improvements and services include but are not limited to the maintenance, operation and incidental expenses related to: streetlighting, street trees; turf; ground cover and shrubs; irrigation and electrical systems; monuments; fountains; hardscape improvements; masonry walls and other fencing, and all necessary appurtenances and services connected with the landscaped channel ways, medians, parkways, entryways, parks and public easements and facilities designated and maintained as part of District improvements. The Engineer's Reports prepared in connection with these proceedings shall provide a more detailed description of the improvements and services to be provided by the Districts and which properties are proposed to be assessed.

The foregoing Resolution was duly and regularly adopted at a regular meeting of the City Council of the City of Hercules held on the fourteenth day of February 2023, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

Alexander Walker-Griffin, Mayor

ATTEST:

Eibleis Melendez, City Clerk

RESOLUTION 23-____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH FRANCISCO & ASSOCIATES TO PROVIDE LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT ADMINISTRATION FOR FY 2023/2024, COMPLETE A CAPITAL REPLACEMENT ANALYSIS, AND PREPARE A 5-YEAR FINANCIAL PROJECTION IN AN AMOUNT NOT TO EXCEED \$34,380 AND APPROPRIATING \$9,930 FROM THE CURRENT LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT BUDGETS TO COMPLETE SAID ANALYSIS AND PROJECTION

WHEREAS, the City Council adopted a resolution on February 14, 2023 initiating proceedings for the levy of annual assessments against certain lots and parcels of land within the the City's five (5) Landscaping and Lighting Assessment Districts ("Districts") for fiscal year 2023/24 pursuant to the provisions of the Landscaping and Lighting Act of 1972 ("Act"); and

WHEREAS, the City desires to retain Francisco & Associates (hereinafter referred to as the "Engineer of Work"), for the purpose of assisting with the levy of such assessments, including the preparation, and filing of the required Engineer's Reports with the City Clerk in accordance with the Act; and

WHEREAS, the Engineer of Work will also perform a Capital Replacement Analysis and prepare a 5-year Financial Projection for each Landscaping & Lighting Assessment District and Zone that will assist the City in evaluating the financial health of the City's Districts; and

WHEREAS, findings and recommendations from the Capital Replacement Analysis and 5-year Financial Projection will be presented to Council at a future City Council meeting.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hercules as follows:

1. The City Council hereby authorizes the City Manager to execute an agreement with Francisco and Associates for an amount not to exceed \$34,380 for the fiscal year 2023/24 administration of the City's Districts, completion of a Capital Replacement Analysis, and preparation of 5-year Financial Projection related to the City's Districts; and
2. The City Council hereby authorizes an appropriation from the current fiscal year 2022/23 District budgets in an amount of \$9,930 for the following City Account Numbers: 232-5411-611.40-00, 233-5412-611.40-00, 234-5413-611.40-00, 235-5414-611.40-00, 236-5415-611.40-00, 237-5416-611.40-00, 238-5417-611.40-00, 239-5418-611.40-00, 251-5419-611.40-00, 253-5420-611.40-00, 220-5410-611.40-00, 221-5421-611.40-00, 222-5422-611.40-00, 223-5423-611.40-00, 224-5424-611.40-00, and 225-5425-611.40-00.

The foregoing Resolution was duly and regularly adopted at a regular meeting of the City Council of the City of Hercules held on the fourteenth day of February 2023, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

Alexander Walker-Griffin, Mayor

ATTEST:

Eibleis Melendez, City Clerk

CITY OF HERCULES PROFESSIONAL SERVICES AGREEMENT

This Agreement (“**Agreement**”) for professional services is made on February 14, 2023, between the City of Hercules, a California municipality (“**City**”), and **Francisco and Associates**, a corporation (“**Consultant**”) (individually, a “**Party**,” and collectively, the “**Parties**”).

1. Scope of Services. Consultant will provide to City the professional services described in the Scope of Services, attached as **Attachment A** and incorporated in this Agreement (the “**Services**”). Only the City Council or the City Manager may authorize any change or addition to the Scope of Services specified in Attachment A.

2. Term. This Agreement will become effective on February 14, 2023 (“**Effective Date**”), and will terminate upon the full and satisfactory completion of the Services or as otherwise specified in Attachment A, unless terminated sooner in accordance with Section 10 of this Agreement. Time is of the essence with respect to all provisions of this Agreement that specify a time for performance.

3. Compensation. For the full and satisfactory completion of the Services, City will pay Consultant in an amount not to exceed **\$34,380**, without prior written authorization by City, pursuant to the terms set forth in **Attachment B** on Payment, which is attached to and incorporated in this Agreement. Consultant's compensation is intended to encompass all costs required for performing the Services, including overhead and indirect costs. Except as expressly provided in Attachment B, Consultant will not be entitled to reimbursement for expenses it incurs to provide the Services.

3.1 Payment. City will pay Consultant for Services satisfactorily provided during each calendar month within 30 days following City receipt and approval of a detailed invoice. The invoice must include, at a minimum: a description of the specific Services provided; the name of the individual providing the Services; the date(s) upon which the Services were provided; the time spent providing the Services; the amount due for the Services; and the basis for calculating the amount due.

3.2 Additional Services. If the City requests related services beyond the Scope of Services described in Attachment A, the Consultant will provide City a written estimate for the additional services (“**Additional Services**”). Consultant will not provide Additional Services until Consultant has received written authorization from the City to perform the Additional Services. Consultant will not be entitled to payment for Additional Services performed without City's prior written authorization or for costs to correct Consultant's errors or omissions.

4. Independent Contractor. The Parties agree that Consultant will act as an independent contractor under this Agreement and will have control of its work and the manner in which the Services are performed. Consultant is not an employee of City and is not entitled to participate in any health, retirement, or similar employee benefits from the City.

5. Consultant's Warranties.

5.1 Consultant warrants that all Services provided under this Agreement will be performed in accordance with generally accepted professional practices and standards for Consultant's profession in the Bay Area.

5.2 Consultant warrants that all Services provided under this Agreement will be performed in accordance with applicable federal, state, and local laws and regulations, including, but not limited to, conflict of interest laws and City ordinances and policies.

5.3 Consultant warrants that Consultant has no present interest which would conflict in any manner with the performance of Services on the City's behalf.

5.4 Consultant warrants that it will comply with the City's Nepotism and Cronyism Policy.

6. Notice. Any notice, billing, or payment required by this Agreement must be made in writing, and sent to the other Party by personal delivery, U.S. Mail, a reliable overnight delivery service, or by email as a PDF (or comparable) file. Notice is effective upon delivery unless otherwise specified. Notice for each Party will be given as follows:

City:

City of Hercules
111 Civic Drive

Hercules, CA 94547
(510) 799-8200
Attn: City Clerk

Copy to: _____
Email: _____

Consultant:

Name: Francisco and Associates
Address: 5927 Balfour Court,
Suite 109
Carlsbad, CA 92008
Phone: (925) 867-3400
Attn: Ed Espinoza, P.E.
ede@franciscoandassociates.com

Copy to: _____
Email: _____

7. Indemnity. Subsection 7.1 is not applicable to this Agreement if Consultant's Services are "design professional" services as that term is used and defined in Civil Code section 2782.8. Subsection 7.2 is applicable to this Agreement if Consultant's Services are "design professional" services as used and defined in Civil Code section 2782.8.

7.1 To the full extent permitted by law, Consultant will indemnify, defend with counsel acceptable to City, and hold harmless City, its governing body, officers, agents, employees, and volunteers (collectively, "**City Indemnitees**") from and against any and all liability, demands, loss, damage, claims, settlements, expenses, and costs (including, without limitation, attorney fees, expert witness fees, and costs and fees of litigation) (collectively, "**Liability**") of every nature arising out of or in connection with Consultant's acts or omissions with respect to this Agreement, except such Liability caused by the active negligence, sole negligence, or willful misconduct of any of the City Indemnitees. This indemnification obligation is not limited by any limitation on the amount or type of damages or compensation payable under Workers' Compensation or other employee benefit acts, or by insurance coverage limits, and will survive the expiration or early termination of this Agreement. This Subsection 7.1 does not apply if the Services to be provided

under this Agreement are design professional services provided by a licensed architect, landscape architect, professional engineer, or professional land surveyor.

7.2 To the full extent permitted by law, Consultant will indemnify, defend, and hold harmless City, its City Council, officials, officers, agents, employees, and volunteers from and against any and all liability, loss, damage, claims, expenses and costs (including, without limitation, attorney fees and costs and fees of litigation) (collectively, “**Liability**”) of every nature which arises out of, pertains to, or relates to the negligence, recklessness, or willful misconduct of Consultant in the performance of this Agreement, except such Liability caused by the active negligence, sole negligence or willful misconduct of City. This indemnification obligation is not limited by any limitation on the amount or type of damages or compensation payable under Workers’ Compensation or other employee benefit acts, or by insurance coverage limits, and will survive the expiration or early termination of this Agreement. This Subsection 7.2 is applicable if the Services to be provided under this Agreement are design professional services provided by a licensed architect, landscape architect, professional engineer, or professional land surveyor.

8. Insurance. Before providing any Services under this Agreement, Consultant is required to procure and provide proof of the insurance coverage required by this Section in the form of certificates and endorsements. Each certificate of insurance must state that the coverage afforded by the policy or policies will not be reduced, cancelled or allowed to expire without at least 30 days written notice to City, unless due to nonpayment of premiums, in which case at least 10 days written notice will be made to City. The required insurance must cover the activities of Consultant and its employees or subcontractors relating to or arising from the performance of the Services, and must remain in full force and effect at all times during the term of the Agreement. All required insurance must be issued by an insurer licensed to do business in the State of California, and each such insurer must have an A.M. Best financial strength rating of “A” or better and a financial size rating of “VIII” or better. If Consultant fails to provide any of the required coverage, City may, at its sole discretion, purchase such coverage at Consultant’s expense and deduct the cost from payments due to Consultant.

8.1 The following insurance policies and limits are required for this Agreement:

8.1.1 Commercial General Liability Insurance (“CGL”). CGL insurance issued on an occurrence basis, including coverage of liability arising from Consultant’s acts or omissions in the performance of Services under this Agreement, with limits of at least \$1,000,000.00 per occurrence.

8.1.2 Automotive. Commercial automotive liability coverage for owned, non-owned and hired vehicles must provide coverage of at least \$1,000,000.00 combined single limit per accident for bodily injury, death, or property damage.

8.1.3 Workers’ Compensation Insurance and Employer’s Liability. The policy must comply with the requirements of the California Workers’ Compensation Insurance and Safety Act, with limits of at least \$1,000,000.00. If Consultant is self-insured, Consultant must provide its duly authorized Certificate of Permission to Self-Insure.

8.1.4 Professional Liability. This insurance must insure against Consultant's errors and omissions in the provision of Services under this Agreement, in an amount no less than \$1,000,000.00 combined single limit.

8.2 Subrogation Waiver. Each required policy must include an endorsement that the insurer agrees to waive any right of subrogation it may have against City or the City's insurers.

8.3 The CGL policy and the automotive liability policy must include the following endorsements:

(1) The City, including its Council, officials, officers, employees, agents, volunteers and consultants (collectively, "**Additional Insured**") must be named as an additional insured for all liability arising out of the operations by or on behalf of the named insured, and the policy must protect the Additional Insured against any and all liability for personal injury, death or property damage or destruction arising directly or indirectly in the performance of the Agreement.

(2) The inclusion of more than one insured will not operate to impair the rights of one insured against another, and the coverages afforded will apply as though separate policies have been issued to each insured.

(3) The insurance provided is primary and no insurance held or owned by City will be called upon to contribute to a loss.

(4) Any umbrella or excess insurance must contain or be endorsed to contain a provision that such coverage will also apply on a primary or non-contributory basis for the benefit of City before the City's own insurance or self-insurance will be called upon to protect it as a named insured.

9. Dispute Resolution. In the event that any dispute arises between the Parties in relation to this Agreement, the Parties agree to meet face to face as soon as possible to engage in a good faith effort to resolve the matter informally. In the event that any dispute arises between the Parties in relation to this Agreement, and the dispute is not resolved by informal discussions, the Parties agree to submit the dispute to mediation.

9.1 Either Party may give written notice to the other Party of a request to submit a dispute to mediation, and a mediation session must take place within 60 days after the date that such notice is given, or sooner if reasonably practicable. The Parties will jointly appoint a mutually acceptable mediator. The Parties further agree to share equally the costs of the mediation, except costs incurred by each Party for representation by legal counsel.

9.2 Good faith participation in mediation pursuant to this Section is a condition precedent to either Party commencing litigation in relation to the dispute.

10. Early Termination.

10.1 Termination for Convenience. City may terminate this Agreement for convenience by giving 10 calendar days written notice to Consultant. In the event City elects to terminate the Agreement without cause, it will pay Consultant for Services satisfactorily provided up to that date.

10.2 Termination for Cause. If either Party breaches this Agreement by failing to timely or satisfactorily perform any of its obligations or otherwise violates the terms of this Agreement, the other Party may terminate this Agreement by giving written notice five calendar days prior to the effective date of termination, specifying the reason and the effective date of the termination. Consultant will be entitled to payment for all Services satisfactorily provided up to the effective date of termination, except that the City may deduct from that payment the amount of costs the City incurred, if any, because of Consultant's breach of the Agreement.

11. Work Product. City will be the sole owner of all rights to any work product in any form which has been prepared by Consultant on City's behalf pursuant to this Agreement, unless otherwise specified in writing by the Parties.

12. Records. Unless otherwise specified in Attachment A, Consultant will maintain records related to this Agreement for a period of four years from expiration or termination of this Agreement, including records of the Services performed, on a daily basis if necessary. Consultant's accounting systems will conform to generally accepted accounting principles, and all records will provide a breakdown of total costs charged under this Agreement, including properly executed payrolls, time records, invoices, and vouchers. Consultant will permit City to inspect and examine Consultant's books, records, accounts, and any and all data relevant to this Agreement at any reasonable time.

13. General Provisions.

13.1 Assignment and Successors. Consultant may not assign its rights or obligations under this Agreement, in part or in whole, without City's written consent. This Agreement is binding on Consultant's and City's lawful heirs, successors, and permitted assigns.

13.2 Third Party Beneficiaries. There are no intended third-party beneficiaries to this Agreement.

13.3 Nondiscrimination. Consultant will not discriminate in the employment of persons under this Agreement because of race, color, ancestry, national origin, religion, sex, marital status, age, medical condition, disability, or other prohibited basis. All nondiscrimination rules or regulations required by law to be included in this Agreement are incorporated by this reference.

13.3.1 Avoidance of Cronyism and Nepotism. Consultant shall comply with regulations adopted by the City of Hercules to avoid favoritism in the award of contracts. Consultant shall submit a fully executed copy of the "Contractor Acknowledgment of City of Hercules Nepotism and Cronyism Policy" as Attachment C to this Agreement.

13.3.2 Compliance with the California Equal Pay Act. Consultant shall comply with regulations adopted by the City of Hercules to allow for verification of Consultant compliance with

the requirements of the California Equal Pay Act. Consultant shall submit a fully executed copy of the "Contractor Acknowledgment of Compliance with the California Equal Pay Act" as Attachment D to this Agreement.

13.4 Choice of Law and Venue. This Agreement will be governed by California law, and venue will be in the Superior Court of Contra Costa County, and no other place.

13.5 Integration. This Agreement and the documents incorporated in this Agreement constitute the final, complete, and exclusive terms of the agreement between the City and the Consultant.

13.6 Severability. If any provision of this Agreement is determined to be illegal, invalid, or unenforceable, in part or in whole, the remaining provisions of the Agreement will remain in full force and effect.

13.7 Amendment. No amendment or modification of this Agreement will be binding unless it is in a writing duly authorized and signed by the Parties to this Agreement.

13.8 Provisions Deemed Inserted. Every provision of law required to be inserted in this Agreement will be deemed to be inserted, and this Agreement will be construed and enforced as though included. If it is discovered that through mistake or otherwise that any required provision is not inserted, or not correctly inserted, this Agreement will be amended to make the insertion or correction.

13.9 Precedence. If any provision in any document attached to or incorporated in this Agreement conflicts with or is inconsistent with the provisions set forth in the body of this Agreement, the provisions set forth in the body of this Agreement will control over any such conflicting or inconsistent provisions.

13.10 Waiver. No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Agreement will be effective unless it is in writing and signed by the Party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right, or remedy will be deemed a waiver of any other breach, failure, right, or remedy, whether or not similar, nor will any waiver constitute a continuing waiver unless the writing so specifies.

13.11 Force Majeure. If either Party is delayed or hindered in or prevented from the performance of any act required under this Agreement because of strikes, lockouts, inability to procure labor or materials, failure of power, riots, insurrection, war, fire or other casualty, or other reason beyond the reasonable control of the Party delayed, excluding financial inability ("**Force Majeure Event**"), performance of that act will be excused for the period during which the Force Majeure Event prevents such performance, and the period for that performance will be extended for an equivalent period. Delays or failures to perform resulting from lack of funds will not be Force Majeure Events.

13.12 Headings. The headings in this Agreement are included for convenience only and will not affect the construction or interpretation of any provision in this Agreement or any of the rights or obligations of the Parties to this Agreement.

13.13 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original, but all of which together will constitute one instrument.

13.14 Authorization. Each individual signing below warrants that he or she is authorized to do so by the Party that he or she represents, and that this Agreement is legally binding on that Party. If Consultant is a corporation, signatures from two officers of the corporation are required pursuant to California Corporation Code section 313.

[Signature page follows.]

The Parties agree to this Agreement as witnessed by the signatures below:

CITY:

Approved as to form:

s/ _____

s/ _____

Dante Hall, City Manager

Patrick Tang, City Attorney

Date: _____

Date: _____

Attest:

s/ _____

Eibleis Melendez, Acting City Clerk

Date: _____

CONSULTANT: Francisco and Associates

Business Name

s/  _____

Ed Espinoza/Vice President

Name/Title

Date: February 8, 2023

s/  _____

Brian Brown/Secretary

Name/Title

Date: February 8, 2023

Attachments:

Attachment A: Scope of Services and Payment



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February 7, 2023

Mike Roberts, P.E.
Director of Public Works/City Engineer
City of Hercules
111 Civic Drive
Hercules, CA 94547

Subject: City of Hercules LLADs FY 2023-24 Administration, Capital Replacement Analysis, and Preparation of 5-Year Projections

Dear Mike:

Francisco & Associates appreciates the opportunity to submit this proposal to the City of Hercules to administer LLAD Nos. 83-2, 2002-1, 2002-2, 2004-1, and 2005-1 for FY 2023-24, including performing a Capital Replacement Analysis and preparing 5-year financial projections. The proposed scope of services is attached.

If you have any questions or comments regarding our proposal, please call me at 925-867-3400.

Sincerely,

FRANCISCO & ASSOCIATES

A handwritten signature in blue ink, appearing to read "Ed Espinoza", is placed over a light blue rectangular background.

Ed Espinoza, P.E.
Principal

SCOPE OF SERVICES

FY 2023-24 ADMINISTRATION OF THE LLADs

Francisco & Associates will prepare the FY 2023-24 Engineer's Reports for the City's Landscaping & Lighting Assessment District Nos. 83-2, 2002-1, 2002-2, 2004-1 and 2005-1 ("LLAD" or collectively "LLADs"). The reports will include: a description of improvements, the annual budget for each LLAD and Benefit Zone, the benefit spread methodology, assessment district diagrams detailing each LLAD and Benefit Zone and a listing of each parcel's assessment within each LLAD. Following the required public hearings, Francisco & Associates will complete the tasks needed to place the FY 2023-24 assessments on the County's secured property tax roll, perform all work associated with the preparation of the County Auditor's Reports, and field property owner phone calls throughout the fiscal year. The specific tasks are as follows:

Task 1 – Project Meetings

Meet with City staff to review scope of work, project schedule, discuss increases in the assessment rates from the previous fiscal year, identify if there were any annexations or de-annexations to the LLADs, identify if there have been any changes in the number and types of improvements the City will be maintaining for the ensuing year.

Task 2 – Initiation of the FY 2023-24 Assessment Levies

Prepare the draft staff report and resolutions for the City Council meeting regarding the initiation of the FY 2023-24 assessment approval process for each of the City's five (5) LLADs.

Task 3 – Collect Available Data

Collect available data from the County Assessor and County Auditor office that is pertinent to the annual administration of the LLADs, including land use information, building permit information, and assessor parcel maps. This required data includes the secured closed property tax roll from the County, the proposed budgets by LLAD/Benefit Zone and annexation/de-annexation information for each LLAD/Benefit Zone from City staff.

Task 4 – Update Parcel Databases

Update the parcel databases to include the most current parcel information such as property owner name, mailing address, situs address, use code, Benefit Zone, acreage, units, and any other pertinent parcel attributes that are needed to calculate assessments.

Task 5 – Update Assessment Diagrams

Update Assessment Diagrams identifying each LLAD/Benefit Zone as needed. This includes updating the assessment diagrams to include all new parcels that have been created from the prior fiscal year and identifying any new Benefit Zones that have been created.

Task 6 – Update Maintenance Improvement Maps

Update Maintenance Improvement Maps as needed to identify each improvement being maintained within each LLAD/Benefit Zone. This includes updating the Maintenance Improvement Maps to include all new parcels that have been created from the prior fiscal year, identifying any new Benefit Zones that have been created and adding any new improvements to be maintained.

Task 7 – Prior Year's LLAD Budgets

Coordinate with the City's Finance Department to help them determine if the prior year's revenues and expenditures were allocated to each LLAD/Benefit Zone correctly. This will entail a review of invoices, contractor invoices, water charges, administration charges, etc.

Task 8 – Ensuing Year's LLAD Budgets

Assist City staff with the development of the LLAD budgets utilizing the previous fiscal year's estimated expenditures and the ensuing year's estimated expenditures. The budgets will include maintenance contract costs, utility costs, capital improvement costs, incidental costs (engineering, legal, administration, etc.). If requested, assist with reviewing projected fiscal year ending fund balance calculations. Obtain budget approval from City staff prior to the preparation of the Preliminary Engineer's Reports.

Task 9 – Draft Preliminary Engineer's Reports

Based upon the information received at the project kick-off meeting and other team meetings, prepare the Draft Preliminary Engineer's Reports. The Draft Preliminary Engineer's Reports will include a description of improvements, the ensuing year's maintenance budget for each LLAD/Benefit Zone, the benefit spread methodology, Assessment Diagram identifying each LLAD/Benefit Zone and a listing of individual assessments for the ensuing year.

Task 10 – Preliminary Engineer's Reports

Based upon the comments received from City staff on the Draft Preliminary Engineer's Reports, prepare the Final Preliminary Engineer's Reports and submit to City staff for City Council approval.

Task 11 – Resolution of Intention and Approval of the Preliminary Engineer's Reports

Prepare the draft staff report and resolutions for the City Council meeting regarding acceptance of the Preliminary Engineer's Reports and adoption of the Resolution of Intention for each of the five (5) LLADs.

Task 12 – Resolution of Intention City Council meeting

If requested, attend City Council meeting regarding adoption of the Resolution of Intention. Be available to assist City staff with questions from City Council or the public.

Task 13 – Final Engineer's Reports

Based upon the comments received from City staff and City Council at the City Council meeting referenced in Task 12 above, prepare the Final Engineer's Reports and Assessment Diagrams and submit to the City for City Council approval.

Task 14 – Public Hearing

Prepare the draft staff report and resolutions for the City Council meeting regarding approval of the Final Engineer's Reports and adoption of the Resolution authorizing the levy of assessments for each of the five (5) LLADs. Be available to assist City staff with questions from City Council or the public.

Task 15 – Public Hearing City Council Meeting

If requested, attend the City Council meeting regarding adoption of the Resolution confirming the levy of assessments to assist City staff with questions from City Council or the public.

Task 16 – Filing of Engineer's Reports, Assessment Diagram, and Resolution Authorizing the Levy of Assessments

In accordance with the County's annual submittal requirements, file the Engineer's Reports, Assessment Diagram, and Resolution authorizing the levy of assessments with the County Auditor's office.

Task 17 – Auditor’s Reports

Prepare the annual Auditor's Reports in County approved hard and electronic formats. If there are any rejected parcels resulting from the first submittal, we will research them and resubmit to the County to ensure the City receives all the assessment revenue they are entitled to.

Task 18 – Final Assessment Roll

Provide the City with Final Assessment Rolls in electronic format for City records.

Task 19 – Field Property Owner Inquiries

Provide a phone number to be placed on property tax bills and field property owner inquiries throughout the year.

CAPITAL REPLACEMENT ANALYSIS

Francisco & Associates will perform a Capital Replacement Analysis for each Benefit Zone within LLAD No. 83-2 and LLAD Nos. 2002-1, 2002-2, 2004-1 and 2005. The Capital Replacement Analysis will assist the City to determine the appropriate capital reserve amounts for each LLAD/Benefit Zone. The specific tasks to complete the Capital Replacement Analysis are as follows:

Task 1 – Project Meetings

Meet with City staff to review scope of work and collect project information to conduct the capital replacement analysis. This information will include, but not be limited to, City parks master plan, PG&E data, asset inventory, and available improvement plans/cost estimates.

Task 2 – Capital Replacement Inventory

For each LLAD/Benefit Zone, compile an inventory of improvements with a useful life of five or more years. These improvements will include, but are not limited to, fencing, medians, streetlights, irrigation systems, etc. Park improvements included in the Capital Replacement Analysis will be based on the City's parks master plan.

Task 3 – Capital Replacement Analysis Report

Prepare a Capital Replacement Analysis Report which will include a listing of improvements by LLAD/Benefit Zone, useful and remaining life, estimated replacement cost at the end of its useful life, and the recommended capital reserve amount for each LLAD/Benefit Zone.

Task 4 – Findings of Capital Replacement Analysis

Present findings of Capital Replacement Analysis to City staff and address comments and questions as needed. Assist City staff in preparing recommendations to City Council based on findings of Capital Replacement Analysis.

Task 5 – City Council meeting regarding Capital Replacement Analysis

Attend City Council meeting to present the findings and recommendations related to the Capital Replacement Analysis and assist City staff as needed to address questions from City Council and the public.

5-YEAR FINANCIAL PROJECTIONS

Francisco & Associates will perform a 5-year financial projection for each Benefit Zone within LLAD No. 83-2 and LLAD Nos. 2002-1, 2002-2, 2004-1 and 2005. The 5-year financial projections will be used by City staff to evaluate the financial health of the LLADs by providing a comprehensive picture that will assist the City in its decision-making process going forward, including the need and timing for conducting Proposition 218 proceedings to increase LLAD assessments. The specific tasks to complete the 5-year financial projections are as follows:

Task 1 – Project Meetings

Meet with City staff to review scope of work and collect project information to conduct the 5-year projections. This information will include, but not be limited to, maintenance contracts, listing of CIP projects, and cost increase data.

Task 2 – Prepare 5-Year Financial Projections

For each LLAD/Benefit Zone, prepare 5-year financial projections based on latest cost allocation methodologies, desired reserve levels per the Capital Replacement Analysis, schedule of new capital improvement projects, assessment revenue and cost increase assumptions, etc.

Task 3 – Findings of 5-Year Financial Projections

Present findings of 5-year financial projections to City staff and address comments and questions as needed. Assist City staff in preparing recommendations to City Council that may include conducting Proposition 218 proceedings, implementing alternative cost allocation methodologies, or reducing service levels if needed.

Task 4 – City Council meeting regarding 5-year Financial Projections

Attend City Council meeting to present the findings and recommendations related to the 5-year financial projections and assist City staff as needed to address questions from City Council and the public.

RESPONSIBILITIES OF THE CITY

- 1) Provide best available data per the task descriptions above;
- 2) Provide qualified legal counsel to review and approve all LLAD documents;
- 3) Prepare and publish all notices;
- 4) Review and approve all staff reports and resolutions; and
- 5) Schedule and agendize the required City Council meetings.

FEE SCHEDULE

Francisco & Associates proposes a time and materials fee not to exceed \$33,880 at the hourly rates shown below to perform the scope of services described in this proposal.

F&A Hourly Labor Rates	
Principal/Project Manager	\$200/hour
Quality Control/Senior Engineer	\$195/hour
Associate Engineer	\$175/hour
Senior Project Analyst	\$150/hour
Project Analyst	\$130/hour
Clerical	\$65/hour

The estimates of staff time and corresponding estimated fee are summarized in the table below.

Scope of Services Description	Principal/Project Manager (Hours)	Quality Control/Senior Engineer (Hours)	Senior Project Analyst (Hours)	Clerical (Hours)	Total Hours	Total Estimated Fee
FY 2023-24 Administration	54	4	80	8	146	\$24,100.00
Capital Replacement Analysis	16	2	16	0	34	\$5,990.00
5-year Financial Projections	<u>8</u>	<u>2</u>	<u>12</u>	<u>0</u>	<u>22</u>	<u>\$3,790.00</u>
Totals:	78	8	108	8	202	\$33,880.00

Reimbursable expenses such as mileage pursuant to current IRS rates, overnight mail, production of report hardcopies, and County Assessor data will be billed at cost plus 15% with a not-to-exceed fee of \$500.00.