



IMPORTANT NOTICE ABOUT PUBLIC COMMENTS AND MEETING PARTICIPATION

Due to concerns with security of the Zoom format, effective October 10, 2023, **Remote Public Comment will not be accepted. Public comment may be provided in-person or via email, as set forth below.** Members of the public desiring to provide comments as a part of the meeting are encouraged to either submit written comments by 3:00 p.m. prior to the meeting or to attend the meeting in person.

How to Participate:

IN PERSON: Members of the public are invited to attend and participate in Person: **City of Hercules Council Chambers, 111 Civic Drive, Hercules, CA.** **A speaker card must be filled out if you wish to make a public comment. The cards are located on the side table. Please submit the completed card to the City Clerk.**

VIA ZOOM: **At this time remote public comment is suspended and will not be accepted.** **To watch and listen only:** Download the Zoom mobile app from the Apple Appstore or Google Play. If you are using a desktop computer, you can test your connection to Zoom by clicking here or go to: <https://www.zoom.us/join>. Zoom also allows you to join by phone at +1-669-444-9171.

Zoom Webinar ID: 889 8503 5080 **Zoom Passcode:** 638103

EMAIL: Public comments can also be submitted via email to **emelendez@herculesca.gov**. Please note that emailed comments will not be read aloud by staff. Any public comments received up until 3:00 p.m. of the meeting date will be:

1. distributed to the Council before the meeting,
2. posted online for public inspection and
3. inserted into the meeting record.

As emails containing public meeting comments are part of the official record, note that personal contact information may be published if it is included with your email.

City of Hercules

111 Civic Drive
Hercules, CA 94547



Meeting Agenda

Tuesday, March 12, 2024

SPECIAL MEETING - 6:30 P.M., REGULAR MEETING - 7:00 P.M.

In-Person in Council Chambers or To Watch or Listen only:

Zoom ID: 889 8503 5080 Zoom Passcode: 63813

City Council

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

Dante Hall, City Manager
Patrick Tang, City Attorney
Eibleis Melendez, 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 - NONE

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. SPECIAL MEETING – CONVENE TO OPEN SESSION - ROLL CALL - 6:30 P.M.

**V. REPORT ON ACTION TAKEN IN CLOSED SESSION-
NO CLOSED SESSION**

VI. PLEDGE OF ALLEGIANCE

VII. MOMENT OF SILENCE

VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS

Recognizing Hercules High School Students Black History Month Poetry

Recognizing Lupine Elementary School Spelling Bee Finalist

Herculean Mile Awards Program Winners

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.

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

XII. CONSENT CALENDAR

1. [22-793](#) **Meeting Minutes for the Regular Meeting of February 27, 2024**

Attachments: [Meeting Minutes for the Regular Meeting of February 27, 2024](#)

2. [22-794](#) **2023 Annual Housing Element Progress Report and 2023 Annual General Plan Progress Report**

RECOMMENDATION:

Accept and direct staff to submit the following to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR) via minute action:

1. The 2023 Annual Housing Element Progress Report (Attachment 1)
2. The 2023 Annual General Plan Progress Report (Attachment 2)

Attachments: [Staff Report - 2023 GP and Housing Element Annual Reports](#)
[Attach 1 - Housing Element Annual Progress Report 2023](#)
[Attach 2 - General Plan APR 2023](#)

3. [22-795](#) **Resolution Approving the Continuance of an Annual Parcel Assessment to be Adopted by the County Flood Control District for the Contra Costa Clean Water Program for FY 24-25**

RECOMMENDATION:

City Council adopt a resolution approving the continuance of the parcel assessment rate of \$35.00 per Equivalent Runoff Unit (ERU) for FY 2024-2025 and requesting the Contra Costa County Flood Control and Water Conservation District adopt this annual parcel assessment for drainage maintenance and the National Pollution Discharge Elimination System (NPDES) Program.

Attachments: [Staff Report - FY 23-24 Annual Stormwater Assessment](#)
[Attach 1 - Resolution - 2024-2025 Annual Stormwater Assessment](#)
[Attach 2 - Request to MC for ERU Resolutions](#)
[Attach 3 - Clean Water Program Cost Allocation By City](#)

XIII. DISCUSSION AND/OR ACTION ITEMS

1. [22-796](#) **Acceptance of the FY 22-23 Annual Comprehensive Financial Report and other regulatory financial reports.**

RECOMMENDATION:

Receive the Fiscal Year (FY) 22-23 Annual Comprehensive Financial Report (ACFR) and Accept the Audited Financial Statements.

Attachments: [Staff Report - FY 22-23 Annual Audit](#)

[Attach 1 - 2023 - City of Hercules - ACFR - Final Report](#)

[Attach 2 - 2023 - City of Hercules - Wastewater Fund - Final Report](#)

[Attach 3 - 2023 - City of Hercules - Measure B - Final Report](#)

[Attach 4 - 2023 - City of Hercules - Measure N - Final Report](#)

[Attach 5 - 2024 Hercules Cit of GANN FINAL Report](#)

[Presentation](#)

2. [22-799](#) **Memorandum of Understanding with Recyclemore Regarding the Implementation of SB1383 Requirements**

RECOMMENDATION:

Adopt a resolution approving a Memorandum of Understanding (MOU) between West Contra Costa Integrated Waste Management Authority (Recyclemore) and the City of Hercules regarding implementation of SB 1383 regulatory requirements

Attachments: [Staff Report - Hercules MOU](#)

[Attach 1 - Resolution - SB 1383 MOU](#)

[Attach 2 - SB 1383 Hercules MOU](#)

[Attach 3 - SB1383 Work Plan Final](#)

3. [22-800](#) **Consideration of Establishing a City-Sponsored Event Policy**

RECOMMENDATION:

Approve a resolution establishing a policy for City-sponsored events that allows the City Manager to fully or partially waive permit fees as an in-kind contribution to community events that the City co-sponsors with City-recognized nonprofit groups.

Attachments: [Staff Report - City-Sponsored Event Policy](#)

[Attach 1 - Resolution Adopting City-Sponsored Event Policy](#)

[Attach 2 - City-Sponsored Event Policy](#)

[Attach 3 - City Recognized Nonprofit Groups](#)

XIV. PUBLIC COMMUNICATIONS

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

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.

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

XVI. ADJOURNMENT

The next Regular Meeting of the City Council will be held on Tuesday, March 26, 2024 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) 799-8200

(Posted: March 7, 2024)

INSTRUCTIONS ON HOW TO PARTICIPATE AND WATCH THE HERCULES CITY COUNCIL AND PLANNING COMMISSION HYBRID MEETINGS

Attend in Person: Hercules City Council Chambers – 111 Civic Drive, Hercules, CA 94547

Attend via Zoom Teleconference: Details provided below and zoom webinar login, passcode and phone numbers provided on the agenda cover.

How to Submit Public Comments

In Person: Attend meeting at the Hercules City Council Chambers, fill out a public speaker card located on the side table and submit it to the City Clerk.

Via Zoom: At this time remote public comment is suspended and will not be accepted. To watch and listen only Download the Zoom mobile app from the Apple Appstore or Google Play. If you are using a desktop computer, you can test your connection to Zoom by clicking here or go to: <https://www.zoom.us/join>. Zoom also allows you to join by phone at +1-669-900-6833 or +1-929-205-6099 or +1-253-215-8782.

Written Comments Submitted Electronically: All comments received before 3:00 p.m. the day of the meeting will be provided to the City Council prior to the meeting and posted to the City's agenda website and located by clicking on the "meeting details" tab. Written comments received after 3:00 p.m. will be provided to City Council and posted to the agenda website the following day. Written comments will not be read aloud during the meeting. Email comments to emelendez@ci.hercules.ca.us. Please indicate which item on the agenda you are commenting on in the subject line of your email.

Written comments submitted in person or via mail: Additional ways to provide your public comment is to either drop off your comment in person to the front desk receptionist located in the City Hall lobby or to mail your comment to City of Hercules, ATTN: City Clerk – Public Comment (Meeting Date), 111 Civic Drive, Hercules, CA 94547 in time to reach the City Clerk no later than 3:00 p.m. on the day of the meeting or you can submit your comment by telephone by calling (510) 799-8208 no later than 3:00 p.m. on the meeting date.

If you need assistance with public comment, please contact: Eiblis Melendez City Clerk at emelendez@herculesca.gov or by calling (510) 799-8208.

All public comments will become part of the official meeting record. As email containing public meeting comments are part of the official record, note that personal contact information may be published if it is included with your email. The City cannot guarantee that its network and/or the website will not be interrupted. To ensure that the City Council receives your written comments, you are strongly encouraged to submit your comments in writing in advance of the meeting by 3:00 p.m. on the day of the Council or Commission meeting.

OTHER WAYS TO WATCH THE MEETING

Live on Channel 28: City Council meetings will replay the following Thursday at 7:00 p.m. and Saturday at 1:00 p.m. Planning Commission meetings will replay the following Wednesday at 7:00 p.m. and Saturday at 9:00 a.m.

Video Streamed Live on the City's Website:

To view City Council and Planning Commission meeting videos online go to: Hercules Meeting Videos.

Instructions to view Live or On-Demand Videos from the City's website:

1. Go to: Hercules Meeting Videos or <https://hercules.legistar.com/calendar.aspx>.
2. Locate the desired meeting and date.
3. Click the associated "Video" link (Video status is as follows):
 - Video = Video is available for on demand viewing.
 - In Progress = Video is available for viewing during live recording.
 - Not Available = Video is either unavailable or has not been recorded.

**THE HERCULES CITY COUNCIL ADHERES TO THE FOLLOWING POLICIES,
PROCEDURES AND REGULATIONS REGARDING CITY COUNCIL MEETINGS**

1. SPECIAL ACCOMMODATIONS: In compliance with the Americans with Disabilities Act, if you require special accommodations to participate at a City Council meeting, please contact the City Clerk at 510-799-8208 at least 48 hours prior to the meeting.

2. AGENDA ITEMS: Persons wishing to add an item to an agenda must submit the final written documentation 12 calendar days prior to the meeting. The City retains the discretion whether to add items to the agenda. Persons wishing to address the City Council otherwise may make comments during the Public Communication period of the meeting.

3. AGENDA POSTING: Agendas of regular City Council meetings are posted at least 72 hours prior to the meeting at City Hall, the Hercules Swim Center, Ohlone Child Care Center, and on the City's website (www.ci.hercules.ca.us),

4. PUBLIC COMMUNICATION: Persons who wish to address the City Council should complete the speaker form prior to the Council's consideration of the item on the agenda.

Anyone who wishes to address the Council on a topic that is not on the agenda and is relevant to the Council should complete the speaker form prior to the start of the meeting. Speakers will be called upon during the Public Communication portion of the meeting. In accordance with the Brown Act, the City Council may not take action on items not listed on the agenda. The Council may refer to staff any matters brought before them at this time and those matters may be placed on a future agenda.

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.

CONSENT CALENDAR AGENDA ITEMS

- 1. 22-793**
- 2. 22-794**
- 3. 22-795**



City of Hercules

111 Civic Drive
Hercules, CA 94547

Meeting Minutes

City Council

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

Dante Hall, City Manager
Patrick Tang, City Attorney
Eibleis Melendez, City Clerk

Tuesday, February 27, 2024

6:00 PM

CLOSED SESSION - 6:00 P.M., REGULAR MEETING- 7:00 P.M

In-Person in Council Chambers or to Listen Only:

Zoom ID: 826 3556 0622

Zoom Passcode:728808 Zoom Phone Number:1-669-444-9171

I. CLOSED SESSION – CALL TO ORDER - ROLL CALL - 6:00 P.M.

Council Member Walker-Griffin joined the closed session late.

Present: 3 - Council Member C. Kelley, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 2 - Council Member T. Grimsley, and Council Member A. Walker-Griffin

II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS

NONE

III. CONVENE INTO CLOSED SESSION

City Attorney, Patrick Tang, read the items that will be discussed in Closed Session. Council Members and staff convened into Close Session.

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

Meeting went into Recess

1. [22-778](#) Pursuant to Government Code Section 54957.6 Conference With Labor Negotiators - City Negotiators: Dante Hall, City Manager; Edwin Gato, Director of Finance; relative to the following employee groups:
 - a. Teamsters Local 315 Employee Organizations
 - b. Hercules Police Officers Association
 - c. Hercules Senior Manager Employee Group
 - d. Confidential Unrepresented Employee Group

e. Mid Management Employee Group

2. [22-779](#) Pursuant to Government Code Section 54957(b) PUBLIC EMPLOYEE EVALUATION - Title: City Manager

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

Present: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

V. REPORT ON ACTION TAKEN IN CLOSED SESSION

City Attorney, Patrick Tang, reported out on Closed Session items. There was no final or reportable action on either one of the Closed Session items that were discussed.

VI. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was lead by Vice Mayor Bailey.

VII. MOMENT OF SILENCE

NONE

VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS

Mayor Romero wants to proclaim the following acknowledgement for the month of March:

American Red Cross Month

Irish American Heritage Month

Women's History Month

Prescription Drug Abuse Awareness Month

National Vietnam Veterans Day - March 29th

Cesar Chavez Day - March 31st

Mayor Romero recognized the following groups and days for the month of March.

IX. AGENDA ADDITIONS/DELETIONS

NONE

X. PUBLIC COMMUNICATIONS

Earl McKelvy, Veronica Wood and Peter Myers provided public comment.

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

1. [22-781](#) Mandatory Garbage/Solid Waste Disposal - Delinquent Accounts
RECOMMENDATION:
Conduct a Public Hearing and upon conclusion, consider adopting a Resolution confirming the report of delinquent accounts and placing liens on said properties and special assessments upon property taxes pursuant to City of Hercules Municipal Code Section 5-2.01 to 5-2.16, Mandatory Garbage/Solid Waste Disposal.

Attachments: [Staff Report - Garbage Liens](#)

[Attach 1 - Resolution](#)

[Attach 2 - Lien List](#)

City Clerk, Eibleis Melendez, introduced and presented the item. Mayor Romero opened the Public Hearing. No public comment. Mayor Romero closed the Public Hearing. Council Members asked questions. City Clerk Melendez provided a response. Action was taken on this item.

MOTION: A motion was made by Council Member Kelley, seconded by Vice Mayor Bailey, to adopt Resolution 24-010. The motion carried by the following vote:

Aye: 3 - Council Member C. Kelley, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

Abstain: 1 - Council Member A. Walker-Griffin

XII. CONSENT CALENDAR

MOTION: A motion was made by Vice Mayor Bailey, seconded by Council Member Walker-Griffin, to adopt the Consent Calendar. The motion carried by the following vote:

1. [22-776](#) Meeting Minutes for the Regular Meeting of February 13, 2024

Attachments: [Meeting Minutes for the Regular Meeting of February 13, 2024](#)

APPROVED

2. [22-777](#) Grant Funding Request for the Sycamore Avenue Bicycle & Pedestrian

East-West Connector Project under I-80 and the BNSF Railroad.

RECOMMENDATION:

The City Council adopt a resolution requesting the Metropolitan Transportation Commission allocate \$150K in Transportation Development Act Article 3 Pedestrian/Bicycle Project funding in FY 2024 for the Sycamore Avenue Bicycle & Pedestrian East-West Connector Project.

Attachments: [Staff Report - Hercules TDA3 -Sycamore Avenue](#)
[Attach 1 - Hercules TDA3 Resolution - Sycamore Ave](#)
[Attach 2 - Preliminary Plans-Sycamore \(7-12-22\)](#)

Resolution 24-011 APPROVED

XIII. DISCUSSION AND/OR ACTION ITEMS

1. [22-780](#) Victoria by the Bay Landscaping and Lighting Assessment District - Adopt a Resolution Declaring the Results of the Property Owner Protest Ballot Proceedings and Discuss Options to Balance the Budget and Eliminate the Fund Deficit.

RECOMMENDATION:

It is recommended that City Council:

- a) Adopt a resolution declaring the results of the property owner protest ballot tabulation conducted on December 5, 2023 regarding a proposed increase in the maximum assessment for the Victoria by the Bay Landscaping and Lighting Assessment District No. 2002-1 (Victoria by the Bay LLAD) commencing Fiscal Year (FY) 2024/25; and
- b) Receive a staff report, discuss options to balance the budget and eliminate the fund deficit for the Victoria by the Bay LLAD, and provide direction to staff on the next steps to take.

Attachments: [Staff Report - Victoria by the Bay LLAD](#)
[Attach 1 - Resolution Declaring Results of The Protest Balloting 2002-1](#)

City Manager, Dante Hall, Introduced the item. Public Works Director, Mike Roberts and Ed Espinoza from Francisco and Associates, presented. Council Members asked questions and provided comment. Director Roberts, Mr. Espinoza and City Manager Hall provided a response. Public comment was provided by Veronica Wood. The following direction was provided by Council:

At the March 26th meeting, Staff will come back with answers to Council questions. Once questions are answered staff will proceed with the 218 process. Council members will begin community outreach in Victoria by the Bay informing residents what services will be cut if the 218 process is not approved.

Action was taken on this item.

MOTION: A motion was made by Council Member Kelley, seconded by Council Member Walker-Griffin, to adopt Resolution 24-012. The motion carried by the following vote:

Aye: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

2. [22-783](#) Consideration of a Resolution Adopting the Hercules Parks & Recreation Facilities Master Plan

RECOMMENDATION:

Staff recommends that the City Council review, discuss, and consider approving a resolution adopting the Hercules Parks and Recreation Facilities Master Plan.

Attachments: [Staff Report - Consideration of a Resolution Adopting the Park System Master Plan](#)
[Attach 1 - Resolution](#)

[Attach 2 - Draft Hercules Parks and Recreation Facilities Master Plan](#)

[Attach 3 - Draft Master Plan Appendices](#)

[Presentation - Draft Plan](#)

[Attach 5 - Joint Commission Meeting Comments](#)

City Manager, Dante Hall, introduced the item. Rachel Edmonds from MIG, presented. Council members asked questions and provided comment. Public comment was provided by Tyler Darke, Bob Redlo, Luke Dunn, Peter Myers, Krista Perryman and Emily Wilson. Staff and Council provided a response. Action was taken on this item.

MOTION: A motion was made by Vice Mayor Bailey, seconded by Council Member Kelley, to adopt Resolution 24-013. The motion carried by the following vote:

Aye: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

3. [22-786](#) Requested Report on Business License Taxes

RECOMMENDATION:

Staff requests that the City Council receive this report, discuss, and provide direction, if any.

Attachments: [Staff Report - Business License Tax Update](#)

[Attach 1 - Municipal Code Chapter 6 - Business License Tax](#)

[Attach 2 - List of Businesses - Renewal Notices](#)

[Attach 3 - Hercules Fee Schedule and FAQs](#)

Finance Director, Edwin Gato, introduced and presented the item.

Representatives from Avenue attended the meeting to answer questions. Council asked questions and provided comment. Director Gato and Avenue provided a response. Public comment was provided by Veronica Wood. Staff will follow up with a memo to Council in the future with an update on Avenue's communication improvements. This item does not need to come back to Council at a future date. No action was taken on this item.

4. [22-785](#)

Consideration of Adopting a Resolution Electing to Retain the Housing Assets and Functions Previously Performed by the Hercules Redevelopment Agency

RECOMMENDATION:

Adopt a resolution electing to retain the housing assets and functions previously performed by the Hercules Redevelopment Agency pursuant to Health and Safety Code Section 34176.

Attachments: [Staff Report - Elect to be Housing Successor](#)

[Attach 1 - Resolution - Elect to be Housing Successor](#)

[Exhibit A - DOF Letter to CCC Housing Authority](#)

[Exhibit B - Contra Costa Response to 9-17-12 DOF Letter re Hercules RDA](#)

[Exhibit C - Hercules Housing Asset List Form - Redevelopment Agency](#)

City Manager, Dante Hall, introduced the item. Finance Director, Edwin Gato, presented the item. Suzy Kim, from RSG was in attendance to answer questions. Council asked questions and provided comment. Finance Director Gato and RSG provided a response. No public comment. Action was taken on this item.

MOTION: A motion was made by Council Member Kelley, seconded by Council Member Walker-Griffin, to adopt Resolution 24-014. The motion carried by the following vote:

Aye: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

5. [22-782](#)

FY 23-24 Midyear Budget Review and Recommended Midyear Budget Appropriations and Adjustments

RECOMMENDATION:

Receive a report on the FY 23-24 midyear budget review and adopt a resolution approving midyear budget appropriations and adjustments as summarized and detailed in Attachment 2.

Attachments: [Staff Report - FY 23-24 Mid-Year Budget Update](#)

[Attach 1 - Resolution](#)

[Attach 2 - Proposed Budget Amendment](#)

[Attach 3 - General Fund Summary](#)

[Attach 4 - Non-General Fund Summary](#)

Finance Director, Edwin Gato, Introduced and presented the item. Council asked questions and provided comment. Director Gato provided a response. No public comment. Action was taken on this item.

MOTION: A motion was made by Council Member Walker-Griffin, seconded by Council Member Kelley, to adopt Resolution 24-015. The motion carried by the following vote:

Aye: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

6. [22-787](#) Proposed Resolution to Amend City Manager Hall's Employment Agreement to Increase the Annual Salary from \$262,086 to \$285,000 and to Provide Education Incentive Pay of 3%
- RECOMMENDATION:
- Discuss and consider adoption of a resolution to amend City Manager Dante Hall's Employment Agreement to increase the current annual salary from \$262,086 to \$285,000 and to Provide Education Incentive Pay of 3%.

Attachments: [Staff Report - CM Employment Agreement Amendment](#)

[Attach 1 - 21-028 - Hall CM Employment Agreement](#)

[Attach 2 - 21-028 Hall- CM Employment Agreement Amendment1](#)

[Attach 3 - Amendment No. 2 CM Hall Agreement](#)

[Attach 4- Resolution Amending City Manager Employment Agreement](#)

City Attorney, Patrick Tang, Introduced and presented the item. Council did not have questions or comments. Public comment was provided by Veronica Wood. Action was taken on this item.

MOTION: A motion was made by Council Member Kelley, seconded by Council Member Walker-Griffin, to adopt Resolution 24-016. The motion carried by the following vote:

Aye: 4 - Council Member C. Kelley, Council Member A. Walker-Griffin, Mayor D. Romero, and Vice Mayor D. Bailey

Absent: 1 - Council Member T. Grimsley

7. [22-784](#) Request for Information Regarding a Welcome Baby Event
- RECOMMENDATION:
- Staff recommends that the City Council receive information regarding a Welcome Baby event and provide direction, if any.

Attachments: [Staff Report - Welcome Baby](#)

[Attach 1 - Welcome Baby event - City of Montebello](#)

Parks and Recreation Director, Christopher Roke, introduced and presented the item. Council Members asked questions and provided comment. Director Roke and City Manager Hall provided a response. Council Member Walker-Griffin and Director Roke will work together in planning an event and finding partners to put this event on in the future. No action was taken on this item.

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

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.

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

City Manager, Dante Hall, and City Attorney, Patrick Tang, did not have any announcements or updates.

1.Regional Committee

Council Member Kelley reported out on the February Contra Costa Transit Authority (CCTA) and West Contra Costa Transportation Advisory Committee (WCCTAC) meetings. Mayor Romero reported out on issues that were discussed at the West County Mayors and Supervisors meeting.

2. City Council Committees and Subcommittees

No reports were provided

3. Commission Liaisons

No reports were provided

Community Events-

Council Members reported out on events they attended throughout the City

and County.

Future Agenda Items Requests-

There were no future agenda item requests.

XVI. ADJOURNMENT

Vice Mayor Bailey closed the meeting in memory of Felicia Phillips. Mayor Romero adjourned the meeting at 10:26 P.M.

Dan Romero, Mayor

Attest:

Eibleis Melendez, City Clerk

**CONSENT CALENDAR
AGENDA ITEM
2. 22-794**



STAFF REPORT TO THE CITY COUNCIL

DATE: Special Meeting of March 12, 2024

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Tim Rood, Community Development Director

SUBJECT: 2023 Annual Housing Element Progress Report and 2023 Annual General Plan Progress Report.

RECOMMENDED ACTION:

Accept and direct staff to submit the following to the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research (OPR) via minute action:

1. The 2023 Annual Housing Element Progress Report (Attachment 1)
2. The 2023 Annual General Plan Progress Report (Attachment 2)

BACKGROUND:

Government Code Section 65400 requires each local government to complete a General Plan and Housing Element Annual Progress Report (APR) on the status and progress in implementing the jurisdiction's General Plan and Housing Elements. These annual reports—the General Plan Annual Progress Report and Housing Element Annual Progress Report (APR)—are submitted to the State's Office of Planning and Research (OPR) and the Department of Housing and Community Development (HCD) by April 1st of each year for the prior calendar year. In the Bay Area, copies of the approved Housing Element APR report are also forwarded to the Association of Bay Area Governments (ABAG) and Contra Costa Transportation Authority (CCTA).

The reports must also be reviewed by the local governing body, which can be done before or after submitting to the state. After review by the City Council, staff will submit the APRs

to HCD and OPR to ensure compliance with the State deadline of April 1, 2024, for the 2023 reporting period. Updated versions of these reports may be resubmitted to the OPR at any time if the Council directs any revisions.

For the Housing Element APR, HCD provides a standard template that cities complete to fulfill statutory requirements for reporting on housing information – including housing production and affordability, implementation of Housing Element programs, and local efforts to remove governmental constraints to the development of housing.

The General Plan APR allows OPR to identify statewide trends and how local planning and development activities relate to statewide planning goals and policies. The General Plan APR may inform future updates to OPR's General Plan Guidelines and help track local jurisdictions' progress in updating General Plans. Unlike the Housing Element APR, the State does not prescribe a specific report format, and cities are advised to highlight measures associated with the implementation of the General Plan, such as General Plan and Zoning Ordinance amendments, policy actions by the City Council, Citywide initiatives, and City-initiated projects. The City's first General Plan APR was prepared and submitted in 2023. This second General Plan APR focuses on progress made in 2023.

The City Council may accept the report via minute action instead of by resolution.

ANALYSIS:

Housing Element APR

The draft Hercules 2023 Annual Housing Element Progress Report (Attachment 1) provides a comprehensive overview of the city's progress within the 2023-2031 Housing Element cycle. It effectively outlines the number of new residential units constructed during the reporting period, categorizing them by income levels. This breakdown allows for a detailed examination of how well the city is meeting the diverse housing needs of its residents.

One key aspect of the report is its comparison of the new residential units to the regional housing needs allocation (RHNA) assigned to the City for the entire Housing Element period (2023-2031). This comparison offers valuable insight into whether the city is on track to meet its mandated housing targets. By assessing progress against the RHNA, city planners and stakeholders can identify areas of success and areas that may require additional focus or resources.

Furthermore, the report delves into the city's housing policies, providing an analysis of the progress made in achieving the goals outlined within these policies. This evaluation allows for a more nuanced understanding of the effectiveness of current strategies and highlights any areas where adjustments may be necessary to better address housing needs.

Overall, the draft Hercules 2023 Annual Housing Element Progress Report serves as a vital tool for monitoring and evaluating the city's efforts to address housing challenges. Its detailed analysis provides valuable insights that can inform future policy decisions and resource allocations to ensure continued progress towards meeting the housing needs of Hercules residents.

Summary

Table A2 in the Annual Housing Report for 2023 requires the reporting of the following for every housing unit:

- When entitlements are approved;
- When building permits are issued;
- When certificates of occupancy are approved;
- Affordability of all units in any phase of development;
- Additional information regarding other ancillary information.

Key housing information for 2023 reflected in the report includes:

- Table A: Three (3) Accessory Dwelling Unit applications for housing were submitted in 2023.
- Table A2: Received entitlement, building permit or certificate of occupancy, including:
 - Three (3) accessory dwelling units received building permits.
- Table B: Progress on Regional Housing Needs Allocation (RHNA) for the 2023-2031 housing cycle:
 - Two (2) above-moderate affordable (i.e., market rate units), 325 units short of RHNA of 327 units;
 - Zero (0) moderate affordable units (i.e., affordable at up to 120% of area median income), 126 units short RHNA of 126 units;
 - Zero (0) low affordable units (i.e., affordable at up to 80% of area median income), 198 units short of RHNA of 198 units;
 - Zero (0) very low affordable units (i.e., affordable at up to 50% of area median income), 344 units short of RHNA of 344 units.
- Table C: No sites identified or rezoned to accommodate additional housing.
- Table D: The City made progress in implementing objectives contained in the 2015-2023 Housing Element and draft objectives of the 2023-2031 Housing Element. Key progress includes updates to the city website to provide project-specific checklists and webpages concerning ADUs, SB 9, SB 35, and SB 330. In addition, the City updated the Development Code to comply with AB 2162 (Supportive/Transitional Housing). Already in 2024, the City updated the Development Code to comply with AB 2339 (Emergency Shelters), and AB 101 (Low Barrier Navigation Centers).
- Table E: No commercial development bonuses approved.
- Table F: No affordable units rehabilitated, preserved, or acquired.
- Table G: No City-owned land sold, leased, or otherwise disposed.

- Table H: No City-owned surplus lands.
- Table I: No dwelling units or lot splits pursuant to Senate Bill 9
- Table J: No lower-income student housing.
- Table K: The City adopted a local tenant prioritization provision in 2021 as part of its Affordable Housing Policy.
- LEAP Reporting: Local Early Action Planning grant and other funding (Regional Early Action Planning (REAP)) received.
 - The city received a LEAP grant award in 2021 of \$150,000 to apply towards the update of the Housing Element for the 6th Cycle Housing Element update (2023–2031). On September 25, 2023, staff submitted the Request for Reimbursement of Funds (RRF) to the California Department of Housing & Community Development (HCD). The reimbursement is currently in process with HCD. The city was also granted and received reimbursement of \$20,000 in REAP grant funding.

General Plan APR

The General Plan of the City of Hercules encompasses seven State-mandated elements, covering Land Use, Circulation, Housing, Open Space, Conservation, Safety, and Noise. Additionally, it includes optional elements such as Hazardous Management, Economic Development, and Growth Management. The General Plan APR (Attachment 2) offers a condensed overview of the General Plan and highlights significant achievements made during the reporting period.

FISCAL IMPACT:

No direct financial impact of filing the annual housing report; however, failing to file the annual housing report can negatively impact the potential receipt of various grant and regional funds.

ATTACHMENTS:

Attach 1 - 2023 Annual Housing Element Progress Report
 Attach 2 - 2023 Annual General Plan Progress Report

Please Start Here

General Information	
Jurisdiction Name	Hercules
Reporting Calendar Year	2023
Contact Information	
First Name	Timothy
Last Name	Rood
Title	Community Development Director
Email	trood@herculesca.gov
Phone	5107998251
Mailing Address	
Street Address	111 Civic Drive
City	Hercules
Zipcode	94547

Optional: Click here to import last year's data. This is best used when the workbook is new and empty. You will be prompted to pick an old workbook to import from. Project and program data will be copied exactly how it was entered in last year's form and must be updated. If a project is no longer has any reportable activity, you may delete the project by selecting a cell in the row and typing ctrl + d.

[Click here to download APR Instructions](#)

Click here to add rows to a table. If you add too many rows, you may select a cell in the row you wish to remove and type ctrl + d.

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Jurisdiction	Hercules	
Reporting Year	2023	(Jan. 1 - Dec. 31)
Housing Element Planning Period	6th Cycle	01/31/2023 - 01/31/2031

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		3
Total Units		3

Note: Units serving extremely low-income households are included in the very low-income permitted units totals

Units by Structure Type	Entitled	Permitted	Completed
Single-family Attached	0	0	0
Single-family Detached	0	0	0
2 to 4 units per structure	0	0	0
5+ units per structure	0	0	0
Accessory Dwelling Unit	0	3	0
Mobile/Manufactured Home	0	0	0
Total	0	3	0

Infill Housing Developments and Infill Units Permitted	# of Projects	Units
Indicated as Infill	3	3
Not Indicated as Infill	0	0

Housing Applications Summary	
Total Housing Applications Submitted:	3
Number of Proposed Units in All Applications Received:	3
Total Housing Units Approved:	0
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions - Applications	
Number of SB 35 Streamlining Applications	0
Number of SB 35 Streamlining Applications Approved	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0

Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0

Streamlining Provisions Used - Permitted Units	# of Projects	Units
SB 9 (2021) - Duplex in SF Zone	0	0
SB 9 (2021) - Residential Lot Split	0	0
AB 2011 (2022)	0	0
SB 6 (2022)	0	0
SB 35 (2017)	0	0

Ministerial and Discretionary Applications	# of Applications	Units
Ministerial	3	3
Discretionary	0	0

Density Bonus Applications and Units Permitted	
Number of Applications Submitted Requesting a Density Bonus	0
Number of Units in Applications Submitted Requesting a Density Bonus	0
Number of Projects Permitted with a Density Bonus	0
Number of Units in Projects Permitted with a Density Bonus	0

Housing Element Programs Implemented and Sites Rezoned	Count
Programs Implemented	35
Sites Rezoned to Accommodate the RHNA	0

Jurisdiction	Hercules	
Reporting Year	2023	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	01/31/2023 - 01/31/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table A
Housing Development Applications Submitted

[illegible]

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

[illegible]

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

[illegible]

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

[illegible]

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

[illegible]

Jurisdiction	Hercules	
Reporting Year	2023	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	01/31/2023 - 01/31/2031

ANNUAL ELEMENT PROGRESS REPORT Housing Element Implementation

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.
Please contact HCD if your data is different than the material supplied here

Table B														
Regional Housing Needs Allocation Progress														
Permitted Units Issued by Affordability														
		1		2									3	4
Income Level		RHNA Allocation by Income Level	Projection Period - 06/30/2022-01/30/2023	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	344	-	-	-	-	-	-	-	-	-	-	-	344
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-	-	
Low	Deed Restricted	198	-	-	-	-	-	-	-	-	-	-	-	198
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-	-	
Moderate	Deed Restricted	126	-	-	-	-	-	-	-	-	-	-	-	126
	Non-Deed Restricted		-	-	-	-	-	-	-	-	-	-	-	
Above Moderate		327	1	2	-	-	-	-	-	-	-	-	3	324
Total RHNA		995												
Total Units			1	2	-	-	-	-	-	-	-	-	3	992
Progress toward extremely low-income housing need, as determined pursuant to Government Code 65583(a)(1).														
		5											6	7
		Extremely low-income Need		2023	2024	2025	2026	2027	2028	2029	2030	2031	Total Units to Date	Total Units Remaining
Extremely Low-Income Units*		172		-	-	-	-	-	-	-	-	-	-	172

*Extremely low-income housing need determined pursuant to Government Code 65583(a)(1). Value in Section 5 is default value, assumed to be half of the very low-income RHNA. May be overwritten.

Please Note: Table B does not currently contain data from Table F or Table F2 for prior years. You may login to the APR system to see Table B that contains this data.

Note: units serving extremely low-income households are included in the very low-income RHNA progress and must be reported as very low-income units in section 7 of Table A2. They must also be reported in the extremely low-income category (section 13) in Table A2 to be counted as progress toward meeting the extremely low-income housing need determined pursuant to Government Code 65583(a)(1).

Please note: For the last year of the 5th cycle, Table B will only include units that were permitted during the portion of the year that was in the 5th cycle. For the first year of the 6th cycle, Table B will only include units that were permitted since the start of the planning period. Projection Period units are in a separate column.

Please note: The APR form can only display data for one planning period. To view progress for a different planning period, you may login to HCD's online APR system, or contact

HCD staff at apr@hcd.ca.gov.

VLI Deed Restricted

VLI Non Deed Restricted

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Jurisdiction		Hercules	
Reporting Year		2023	(Jan. 1 - Dec. 31)
Table D			
Program Implementation Status pursuant to GC Section 65583			
Housing Programs Progress Report Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.			
1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
Program 1a: Section 8 Housing Choice Vouchers	Program 1a: Section 8 Housing Choice Vouchers	Ongoing	Activity of the Housing Authority of the County of Contra Costa.
Program 1a: Section 8 Housing Choice Vouchers	Assist the County in advertising this program through the City web site, public counters, and bulletin boards in order to meet the HUD requirements that 70% of new Section 8 vouchers be used by extremely-low-income households.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 1b: Affordable Housing Development Incentives and Outreach	Maintain a list of interested and qualified affordable housing developers. Actively and annually publicize to affordable housing developers the opportunities to develop affordable housing in Hercules, available incentives, and financing options provided by the City or other agencies.	Annual	During the public hearing process through which the City adopted its current Housing Element in 2015, the City contacted non-profit housing developers. Since then, there has not been separate outreach regarding affordable housing development opportunities, as the City does not have funding incentives or financing options available.

Program 1b: Affordable Housing Development Incentives and Outreach	Utilize State and Federal assistance programs, such as HOME, LIHTC, and CHFA funds, on an ongoing basis to the fullest extent possible to develop affordable lower income housing for seniors, families, and persons with disabilities, including persons with developmental disabilities. Support funding applications by developers if the proposed projects are consistent with the goals and policies of the City's General Plan. Annually, the City will pursue funding opportunities.	Ongoing	No funding opportunities were sought due to lack of City staffing, and no developers contacted the City to support funding applications in 2023
Program 1b: Affordable Housing Development Incentives and Outreach	Work with developers in the Central Hercules Plan area and other areas of new development on an ongoing basis to ensure that the City's housing goals of providing a wider mix of housing types and affordability levels are achieved. The City will provide incentives, including density bonus, expedited processing, and flexible development standards to encourage a variety of housing in the community, including projects that set aside units for households with extremely low incomes. With limited funding available, the City anticipates only a goal of eight affordable units.	Ongoing	The City worked with Sycamore Crossing and Hilltown area projects to extend previously approved entitlements.
Program 1c: Density Bonus Program	Continue to monitor the effectiveness of the Density Bonus program and provide technical assistance to developers in the use of the City's program.	Ongoing	No developers pursued density bonuses for residential projects, and therefore the use of the density bonus program was not applicable.

Program 1d: Extremely Low Income Households	Explore incentives to encourage developers to include units affordable to extremely low income households, including but not limited to additional density or floor-area ratio increases, flexible development standards (such as parking, height limit) and priority processing. The objective is to create three affordable units for extremely low income households over the planning period.	Ongoing	See Programs 1b and 1c.
Program 1d: Extremely Low Income Households	Explore incentives to encourage developers to include units affordable to extremely low income households, including but not limited to additional density or floor-area ratio increases, flexible development standards (such as parking, height limit) and priority processing. The objective is to create three affordable units for extremely low income households over the planning period.	Ongoing	No opportunities to offer such incentives occurred in 2023.
Program 2a: Code	Continue to implement the code	Ongoing	The City has one part-time code enforcement officer who investigates code complaints, issues violations, and does some basic, pro-active code enforcement.
Program 2a: Code Enforcement	Continue installation of automatic gas shut-off valves to improve resident safety.	Ongoing	This program continues to be implemented as every house that is sold or permitted for improvements exceeding \$25,000 is required to have an automatic gas shut-off valve installed. In 2022 the City adopted an All-Electric Ordinance, requiring specific new buildings to be built without natural gas lines. The Owl Ranch housing development will be constructed in compliance with the All-Electric Ordinance.
Program 2a: Code Enforcement	Continue referring code compliance violations to available residential rehabilitation programs to bring those homes up to standards.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 6a: Energy Conservation	Promote mixed-use/transit-oriented development that provides opportunities for energy conservation.	Ongoing	In 2023, the City approved a Lot Line Adjustment for the Sycamore Crossing project, comprising of 29,511 square feet of retail commercial, a 105 room hotel, and 120 attached residential dwellings units within 1/2-mile of the existing bus transit center and less than one mile from the future Hercules Hub.

Program 6a: Energy Conservation	Encourage developers to exceed the California Green Building Code requirements in incorporating energy conservation features and techniques.	Ongoing	In 2023, the City implemented its approved All-Electric Ordinance requiring specific new buildings to be constructed without natural gas lines, exceeding the California Building Code requirements for such buildings.
Program 2b: Foreclosure Prevention Assistance	Advertise the program through City website and provide brochure at public counters.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 2c: Owner-Occupied Single-Family Residential Rehabilitation	Advertise the program through City website and provide brochure at public counters.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 3a: Provision of Adequate Sites	Continue to pursue/implement the projects on available sites as outlined in Table 46. Monitor the City's progress in meeting the RHNA and work with developers to achieve an income distribution that meets the City's remaining RHNA units.	Ongoing	Catalyst Housing Group in partnership with CalCHA and support from the City purchased Bayfront Block N consisting of 172 units multi-family units to be deed restricted 'middle income" housing (80% AMI). Bayfront Blocks Q & R recieved a permanent certificate of occupancy, for 232 market-rate and 15 "low income" affordable multi-family units.
Program 3a: Provision of Adequate Sites	Update the City's sites inventory every two years to monitor the consumption of residential and mixed-use properties and continued ability to fulfill the RHNA.	2015, and every two years thereafter	The residential sites inventory was updated in 2023 with the update of the 2023-2031 Housing Element. No properties were rezoned for residential in 2023.
Program 3a: Provision of Adequate Sites	Encourage sustainable development patterns by continuing to offer reductions in Traffic Facilities Impact Fees for projects that are located within one-half mile of a transit station and for mixed-use projects where 50% or more of the building space is used for residential purposes. Offer Traffic Facility Fee reductions to mixed-use projects, subject to funding availability.	Ongoing	In 2023, the City updated impact fees for transportation facilities. Certain projects may qualify for lower impact fees for Traffic Facilities based on the project's consistency with Section 66005.1 of the Mitigation Fee Act. Qualifying factors include, but are not limited to, proximity and access to transit and the amount of residential space and parking provided on-site. Reduced Traffic Facilities impact fees are negotiated and approved through a Development Agreement by the Office of the City Manager.
Program 4a: Development Standards and Procedures	Annually review the development standards, fees, and procedures and make adjustments as appropriate and legally feasible to encourage the development of a variety of housing in the community.	Ongoing	In 2023, the City updated its Senate Bill 9 and ADU Ordinance to ensure consistency with recently enacted State of California laws.
Program 5a: Fair Housing	Continue to support the County and refer any complaints and inquiries to the County for resolution and services.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing

Program 5a: Fair Housing	Advertise fair housing services of the County at public counters, through the City website, and at various community locations, including the City Library, Community Centers, and Senior Center.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 5b: Reasonable Accommodation	Advertise the program through City website and provide brochure at public counters.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 5b: Reasonable Accommodation	Provide technical assistance regarding the application requirements and procedures to persons/entities seeking reasonable accommodation.	Ongoing	Community Development Department staff address questions as they come up.
Program 5b: Reasonable Accommodation	Within one year of the Housing Element adoption, revise the Reasonable Accommodation Ordinance to remove the primary residence requirement, thereby allowing the application of reasonable accommodation to all dwellings, including secondary homes.	Completed	The City Council on June 28, 2016, adopted Ordinance 496, approving Zone Amendment #ZA 16-02, which amended the City's Zoning Ordinance, Chapter 6 (Residential Districts) and Chapter 53 (Reasonable Accommodations for Persons with Disabilities) to clarify provisions of transitional/supportive housing in the RM-L zone as similar uses in the same zone.
Program 5c: Cooperation with Contra Costa Health Services Homeless Program	Advertise the program through the City website and provide brochure at public counters.	Ongoing	The City's website has been updated to provide a link to the Housing Authority's website and its online database of currently available housing. https://www.herculesca.gov/government/affordable-housing
Program 5c: Cooperation with Contra Costa Health Services Homeless Program	Participate in County Homeless Program biennial Point-in-Time count and participate in other regional studies and efforts in reducing homelessness.	Ongoing	The Hercules Police Department participated in the Contra Costa County Point-in-Time count in 2023. https://www.cchealth.org/home/showpublisheddocument/6811/638259075332500000
Select Draft 6th Cycle Housing Element Programs (not yet adopted): Program H2-4: Accessory Dwelling Units (ADUs)	As revisions to State law occur, update the City's ADU Ordinance to comply.	Annually monitor ADU construction and affordability; in March 2025, implement outreach program and evaluate progress compared to projections—If targets are not being achieved, implement new strategies in a timely manner (i.e., within approximately six months) to encourage ADU development.	The City's ADU Ordinance was updated on January 10, 2023 (Ordinance No. 543) to comply with state law.

6th Cycle: Program H2-4: Accessory Dwelling Units (ADUs)	Create a public outreach program to encourage ADU development, including development of an information packet to market ADU construction. Opportunities could include advertising ADU development opportunities on the City's website, through social media, at City Hall, and at City events.	Annually monitor ADU construction and affordability; in March 2025, implement outreach program and evaluate progress compared to projections—If targets are not being achieved, implement new strategies in a timely manner (i.e., within approximately six months) to encourage ADU development.	The City created an ADU webpage, checklist, and informational handout to support ADU construction. (https://www.herculesca.gov/government/planning/planning-applications/accessory-dwelling-units)
6th Cycle: Program H3-1: Density Bonuses	Update the City's density bonus ordinance to comply with Government Code §65915.	Adopt a density bonus ordinance within three years of Housing Element adoption.	An update to the City's density bonus ordinance will be presented to the Planning Commission on March 4, 2024. As currently proposed, the ordinance will repeal the City's local density bonus regulations/ordinances and adopt State law by reference.
6th Cycle: Program H3-1: Density Bonuses	Monitor State legislation and as changes are made to Government Code §65915, update the City's density bonus accordingly to be consistent.	Adopt a density bonus ordinance within three years of Housing Element adoption; Ongoing	As currently proposed, the density bonus ordinance will repeal the City's local density bonus regulations/ordinances and adopt State law by reference, thereby eliminating the need to update.
6th Cycle: Program H3-2: Housing for Extremely Low-Income and Low-Income Households	Continue to allow the establishment of transitional and supportive housing development and single room occupancy developments (SROs), where allowed and consistent with Development Code provisions, to support housing opportunities for extremely low income and low-income households.	By April 2025, adopt Development Code amendments and facilitate or pursue at least one (1) funding application annually.	The City updated the Zoning Code effective February 22, 2023, to comply with AB 2162 (Ordinance No. 544). To comply with requirements of AB 2162, that supportive housing be a use by right in zones where multifamily and mixed uses are permitted, including nonresidential zones permitting multifamily uses, if the proposed housing development meets specified criteria, Land Use Regulation Tables 13-6.1, 13-12.1, 13-15.1, and 13-18.1 changed Supportive Housing from Administrative or Conditional Use Permit requirement to a Permitted Use.

6th Cycle: Program H3-2: Housing for Extremely Low-Income and Low-Income Households	Update the Development Code to comply with AB 2162 (Supportive Housing Streamlining Act), effective January 1, 2019, which requires supportive housing to be considered a use by right (ministerially permitted) in zones where multi family are permitted, including nonresidential zones permitting multi family uses, if the proposed housing development meets specified criteria. Add a definition of supportive housing in the Development Code. Comply with AB 2162 requirements to allow for modifications for required parking for units occupied by supportive housing residents that are located within one half mile of a public transit stop.	By April 2025, adopt Development Code amendments and facilitate or pursue at least one (1) funding application annually.	The City updated the Development Code effective February 22, 2024, to comply with AB 2162 (Ordinance No. 544). To comply with requirements of AB 2162, that supportive housing be a use by right in zones where multifamily and mixed uses are permitted, including nonresidential zones permitting multifamily uses, if the proposed housing development meets specified criteria, Land Use Regulation Tables 13-6.1, 13-12.1, 13-15.1, and 13-18.1 changed Supportive Housing from Administrative or Conditional Use Permit requirement to a Permitted Use.
6th Cycle: Program H3-3: Development Approval Process Streamlining	Update the City's website to refer to streamlining options available through the California Government Code. SB 35 applications and inquiries Te City will create and make available information on SB 35 streamlining provisions in Hercules and provide SB 35 eligibility information.	Create SB 35 informational packet within two years of Housing Element adoption; amend AUP and PDP process to allow low-barrier navigation centers where applicable within two years of Housing Element adoption.	Staff updated the City's website and developed an SB 35 streamlining informational handout, checklist, and application. (https://www.herculesca.gov/government/planning/use-permits)
6th Cycle: Program H3-3: Development Approval Process Streamlining	To ensure compliance with AB 101 regarding low-barrier navigation centers, the AUP and PDP process will be modified to ensure compliance of the use in mixed-use and residential areas that allow multi-family housing.	Create SB 35 informational packet within two years of Housing Element adoption; amend AUP and PDP process to allow low-barrier navigation centers where applicable within two years of Housing Element adoption.	The City updated the Development Code effective February 22, 2024, to comply with AB 101.

General Comments			

Jurisdiction	Hercules	
Reporting Period	2023	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	01/31/2023 - 01/31/2031

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

Table F									
Units Rehabilitated, Preserved and Acquired for Alternative Adequate Sites pursuant to Government Code section 65583.1(c)									
Please note this table is optional: The jurisdiction can use this table to report units that have been substantially rehabilitated, converted from non-affordable to affordable by acquisition, and preserved, including mobilehome park preservation, consistent with the standards set forth in Government Code section 65583.1, subdivision (c). Please note, motel, hotel, hostel rooms or other structures that are converted from non-residential to residential units pursuant to Government Code section 65583.1(c)(1)(D) are considered net-new housing units and must be reported in Table A2 and not reported in Table F.									
Activity Type	Units that Do Not Count Towards RHNA ⁺ Listed for Informational Purposes Only				Units that Count Towards RHNA ⁺ Note - Because the statutory requirements severely limit what can be counted, please contact HCD at apr@hcd.ca.gov and we will unlock the form which enable you to populate these fields.				The description should adequately document how each unit complies with subsection (c) of Government Code Section 65583.1 ⁺ . For detailed reporting requirements, see the chcklist here : https://www.hcd.ca.gov/community-development/docs/adequate-sites-checklist.pdf
	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	Extremely Low-Income ⁺	Very Low-Income ⁺	Low-Income ⁺	TOTAL UNITS ⁺	
Rehabilitation Activity									
Preservation of Units At-Risk									
Acquisition of Residential Units									
Mobilehome Park Preservation									
Total Units by Income									

Jurisdiction	Hercules	
Reporting Period	2023	(Jan. 1 - Dec. 31)
Planning Period	6th Cycle	01/31/2023 - 01/31/2031

NOTE: STUDENT HOUSING WITH DENSITY BONUS ONLY. This table only needs to be completed if there were student housing projects WITH a density bonus approved pursuant to Government Code 65915(b)(1)(F)

ANNUAL ELEMENT PROGRESS REPORT

Housing Element Implementation

Not
Cells in c

Table J												
Student housing development for lower income students for which was granted a density bonus pursuant to subparagraph (F) of paragraph (1) of subdivision (b) of Section 65915												
Project Identifier				Project Type	Date	Units (Beds/Student Capacity) Approved						
1				2	3	4						
APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SH - Student Housing)	Date	Very Low- Income Deed Restricted	Very Low- Income Non Deed Restricted	Low- Income Deed Restricted	Low- Income Non Deed Restricted	Moderate- Income Deed Restricted	Moderate- Income Non Deed Restricted	Above Moderate- Income
Summary Row: Start Data Entry Below												

Jurisdiction	Hercules
Reporting Period	2023 (Jan. 1 - Dec. 31)
Planning Period	6th Cycle 01/31/2023 - 01/31/2031

ANNUAL ELEMENT PROGRESS REPORT

Table K
Tenant Preference Policy

Local governments are required to inform HCD about any local tenant preference ordinance the local government maintains when the jurisdiction submits their annual progress report on housing approvals and production, per Government Code 7061 (SB 649, 2022, Cortese). Effective January 1, 2023, local governments adopting a tenant preference are required to create a webpage on their internet website containing authorizing local ordinance and supporting materials, no more than 90 days after the ordinance becomes operational.

Does the Jurisdiction have a local tenant preference policy?
If the Jurisdiction has a local tenant preference policy, provide a link to the jurisdiction's webpage on their internet website containing authorizing local ordinance and supporting materials.
Notes

Yes

<https://www.herculesca.gov/home/showpublisheddocument/16906/638430013891670000>

Jurisdiction	Hercules
Reporting Year	2023 (Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT
Local Early Action Planning (LEAP) Reporting
(CCR Title 25 §6202)

Please update the status of the proposed uses listed in the entity's application for funding and the corresponding impact on housing within the region or jurisdiction, as applicable, categorized based on the eligible uses specified in Section 50515.02 or 50515.03, as applicable.

Total Award Amount	\$ 150,000.00	Total award amount is auto-populated based on amounts entered in rows 15-26.
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Task	\$ Amount Awarded	\$ Cumulative Reimbursement Requested	Task Status	Other Funding	Notes
Housing Element consultant initiation	\$1,000.00	\$1,000.00	Completed	Local General Fund	
Housing Element and document assessment	\$5,000.00	\$5,000.00	Completed	Local General Fund	
Preliminary RHNA site identification	\$9,000.00	\$9,000.00	Completed	Local General Fund	
Community engagement	\$22,000.00	\$22,000.00	Completed	Local General Fund	
Draft Housing Element	\$40,000.00	\$40,000.00	In Progress	REAP	\$20,000 REAP Grant
Public review of draft Housing Element	\$5,000.00	\$5,000.00	Completed	Local General Fund	
General Plan/Zoning consistency analysis	\$7,000.00	\$7,000.00	Completed	Local General Fund	
Housing Element review & adoption hearings	\$12,000.00	\$12,000.00	In Progress	Local General Fund	
HCD review / coordination / approval	\$6,500.00	\$6,500.00	In Progress	Local General Fund	
Final Housing Element	\$2,500.00	\$2,500.00	In Progress	Local General Fund	
CEQA document	\$40,000.00	\$40,000.00	Completed	Local General Fund	

Summary of entitlements, building permits, and certificates of occupancy (auto-populated from Table A2)

Completed Entitlement Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		0
Total Units		0

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		3
Total Units		3

Certificate of Occupancy Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	0
Low	Deed Restricted	0
	Non-Deed Restricted	0
Moderate	Deed Restricted	0
	Non-Deed Restricted	0
Above Moderate		0
Total Units		0

General Plan Annual Progress Report 2023

City of Hercules



March 2024

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Introduction

California state law requires each city and county to adopt a general plan “for the physical development of the county or city, and any land outside its boundaries which in the planning agency’s judgment bears relation to its planning” (Gov. Code § 65300). The general plan expresses the community’s development goals and embodies public policy relative to the distribution of future public and private land uses. The California Supreme Court has described general plans as the “charter to which [zoning] ordinance[s] must conform.” However, a general plan is more than the legal underpinning for land use decisions; it is a vision of how a community will grow, reflecting community priorities and values while shaping the future.

Government Code Sections 65400 and 65700 mandate that all cities and counties submit an annual report on the status of the General Plan and progress in implementing its Goals, Objectives, and Policies. The General Plan Annual Progress Report (APR) is submitted along with the Housing Element Annual Progress Report (APR) to Housing and Community Development (HCD) and the Governor’s Office of Planning and Research (OPR) by April 1st of each year. The General Plan APR allows OPR to identify statewide trends and how local planning and development activities relate to statewide planning goals and policies. The APR may inform future updates to OPRs General Plan Guidelines and help track local jurisdictions’ progress in updating General Plans.

Effective January 1, 2019, the City of Hercules must submit both the Housing Element APR and a General Plan APR. This General Plan APR is the second report produced by the City of Hercules. General Plan APRs are available on the [City of Hercules Planning website](#).

The City of Hercules has submitted an annual report on the Housing Element of the General Plan each year since 2014. The Housing Element APR was compiled separately and includes more detailed reporting on housing production and Housing Element progress. Housing Element APRs from 2014 through 2022 are on the [City of Hercules Planning website](#).

General Plan Overview

The State of California requires General Plans to include a minimum of seven mandated “Elements”: Land Use, Circulation, Housing, Conservation, Open Space, Noise, and Safety. Cities and counties in the San Joaquin Air Pollution Control District must also address air quality in their general plans. Cities and counties that have identified disadvantaged communities must also address environmental justice in their general plans. The City of Hercules is not located in the San Joaquin Air Pollution Control District, nor does it have an identified disadvantaged community.

The City of Hercules last adopted a comprehensive General Plan update in 1998. Since then, elements of the General Plan have been updated on a rotating schedule and per state law. By statute, the general plan is required to be updated “periodically.” While there is no requirement for how often to update the general plan, the planning period has traditionally been 15-20 years. The Housing Element is the only element required to be updated regularly. There have been five previous housing element update “cycles” to date. Hercules is currently preparing its [sixth cycle housing element update](#).

Table 1 - General Plan Elements

Element	Adopted	Amended	Related Plans
Land Use*	1998	2008	<ul style="list-style-type: none"> • Waterfront District Master Plan • New Pacific Properties Specific Plan • Regulating Code for the Central Hercules Plan
Circulation*	2018		
Housing*	2015		<ul style="list-style-type: none"> • Housing Element 2023-31
Open Space* & Conservation*	1998	2015 (AB 162)	<ul style="list-style-type: none"> • Refugio Creek Watershed Vision Plan
Safety*	2021		<ul style="list-style-type: none"> • Local Hazard Mitigation Plan (update underway with Contra Costa County)
Noise*	1998		
Hazardous Waste Management Plan	1990	2008	
Economic Development	1991		
Growth Management	2013		<ul style="list-style-type: none"> • Contra Costa County Measure J

*Required Element

Amendments to the General Plan

The Hercules General Plan has been amended over time, including amendments made as development projects were approved. The Hercules General Plan was not amended in 2023.

2023 Key Accomplishments

The City has demonstrated notable advancements in the implementation of objectives outlined in both the 2015-2023 Housing Element and the forthcoming 2023-2031 Housing Element. A significant aspect of this progress lies in the enhancements made to the city's online platform. Notably, the city website has been updated to include project-specific checklists and dedicated webpages focusing on Accessory Dwelling Units (ADUs), as well as Senate Bills 9, 35, and 330, providing residents with accessible resources and information pertaining to these housing initiatives.

The City has taken proactive steps to align its Development Code with evolving state legislation. In 2023, the Council approved several zoning code amendments ensuring compliance with state law. These include updates required by Assembly Bill 2162, which pertains to Supportive/Transitional Housing; Assembly Bill 2339, addressing standards for Emergency Shelters; and Assembly Bill 101, which focuses on establishing Low Barrier Navigation Centers. These proactive updates not only reflect the City's commitment to meeting the diverse housing needs of its residents but also signify a proactive approach in aligning local regulations with statewide housing objectives. Through these concerted efforts, the City of Hercules continues to pave the way for inclusive and sustainable housing solutions in the community.

General Plan Elements

This section provides an overview of the current City of Hercules General Plan and major long-range planning initiatives undertaken by various City departments.

Land Use Element

The Land Use Element's central role is correlating all land use issues into coherent and consistent development visions and implementing policies. Its goals, objectives, policies, and programs relate directly to all other Elements. The Land Use Element designates the proposed general distribution, location, and extent of land uses for housing, business, industry, open space, education, public buildings and grounds, waste disposal facilities, and other public and private land uses.

The Land Use Element was developed in 1998, when much of Central Hercules was still awaiting development and the Hercules Redevelopment Agency had the power to assemble land, use Tax Increment Financing, and generally facilitate project development in ways that are no longer possible. When the Land Use Element was written, Hercules' population was approximately 18,900, residing in 6,345 housing units. According to the 2020 Census, Hercules's population has increased to 26,016, living in 9,165 housing units.

While the Land Use Element and corresponding Land Use Map have been amended to reflect adopted Housing Elements and to change land use designations related to specific projects, a comprehensive update of the Element would provide an opportunity to envision the future of the community's land use in a holistic and internally consistent manner, update goals and objectives as needed to reflect today's situation, identify necessary infrastructure upgrades, and consider updated or additional policies and programs.

The Land Use Element was not amended in 2023, but staff did prepare a citywide buildout projection for use in the City's ongoing Development Impact Fee update. This buildout projection will be useful as a baseline if the Land Use Element is amended in the future as part of a comprehensive update.

FEMA Floodplain Review

California Government Code Section 65302(a) requires the Land Use Element to identify areas covered by the General Plan subject to flooding and mandates that the General Plan shall be reviewed annually concerning those areas. As development occurred during the proceeding years, flood control improvements were constructed to eliminate flood hazards in each neighborhood and subdivision. The 1998 Land Use Element identified Refugio Creek, which traverses the City from southeast to northwest, as a source of flooding hazards. However, in 1998 the portion of the Refugio Creek basin west of San Pablo Avenue had not been developed. Before approval of the Bayfront development, flood control improvements were made to eliminate flood hazards, which are reflected in Letters of Map Revision from the Federal Emergency Management Agencies.

No Land Use Element amendments related to flooding were made in 2023.

Circulation Element

On February 27, 2018, the City of Hercules adopted a comprehensive update to the Circulation Element, which updated the city's previous Circulation Element adopted in 1998. The update was needed given the land use and regulatory changes over the last 20 years within Hercules and the region. The updated Circulation Element includes policies that promote the development of "Complete Streets" in accordance with Assembly Bill 1358, the California Complete Streets Act. The Circulation Element is consistent with and helps to implement other

regional plans, including Plan Bay Area, Regional Transportation Improvement Program, Countywide Comprehensive Transportation Plan, Countywide Congestion Management Program, Countywide Bicycle and Pedestrian Plan, and Measure J Transportation and Growth Management Program.

No amendments to the Circulation Element were made in 2023.

Housing Element

The Housing Element identifies ways in which the housing needs of existing and future residents can be met and responds specifically to conditions and policy directives unique to Hercules. Every eight years, future housing needs are determined for each region of the state, based on growth over a specified period (projection period), through the regional housing needs allocation (RHNA) process. The RHNA process uses projected population growth to determine housing and affordability needs relative to household incomes and estimates how many new units are needed to meet those needs.

State law requires the City to prepare an annual progress report (APR) on the status of the housing element, using forms and definitions adopted by HCD. The APR is submitted to HCD and the Office of Planning and Research (OPR) by April 1. The Housing Element Annual Progress Report provides a detailed analysis of the progress toward each individual Housing Element program.

During 2023, the primary focus of the housing effort was on the update of the city's 2015-2023 Housing Element, which as of the preparation of this report is still being revised in response to comments from HCD. However, work in 2023 included implementation of the current Housing Element as well as some programs of the draft Housing Element update, such as zoning amendments, applications, and public information.

Housing Unit Production

The 2023-2031 Regional Housing Needs Allocation (RHNA) and Housing Element period is referred to as the "sixth cycle" since it is the sixth required update since the housing element law was revised by the state legislature in 1980. The City's progress toward its Regional Housing Needs Allocation (RHNA) targets is measured by reporting the total number of units that received a building permit. Table 2 shows the progress made toward the city's RHNA allocation for the planning period of 2023-2031. Full details are in the separate Housing Element APR.

Table 2 - Regional Housing Needs Allocation Progress

Income Level		RHNA Allocation	2023 Progress	Total Progress	Remaining Allocation
Very Low	Deed Restricted	334	0	0	334
	Non-Deed Restricted		0		
Low	Deed Restricted	198	0	0	198
	Non-Deed Restricted		0		
Moderate	Deed Restricted	126	0	0	126
	Non-Deed Restricted		0		
Above Moderate		347	3	3	344
Total		995	3	3	992

In addition to tracking building permits issued, the City also monitors the number of housing entitlements approved.

Accessory Dwelling Units

The city approved planning and building permits for two accessory dwelling units (ADUs) in 2023. In January 2023, the City Council amended the ADU ordinance in response to comments from HCD and recent state legislation.

Senate Bill 9

Senate Bill (SB) 9 (Atkins) was signed into law by Governor Newsom on September 16, 2021, and became effective January 1, 2022. It allows a single-family zoned parcel (including single-family Planned Unit Developments) to be subdivided into two parcels and two residences to be constructed on each parcel and to be approved ministerially if certain requirements are met. In January 2023, the City Council amended its SB 9 ordinance to be consistent with state law. The city developed objective design standards for SB 9 Two-Unit Developments and Urban Lot Splits and created applications, handouts, and a website to explain the new law. To date, there has been minimal interest in such projects, and staff has fielded fewer than five inquiries.

Open Space & Conservation Element

The Open Space and Conservation Element provides direction for land use decisions regarding recreation, open space, and natural resource-oriented uses, consistent with the goals, objectives, and policies of the Land Use Element. In addition, the element addresses the management of these open space uses and natural resources. The Open Space and Conservation Element was last amended in 2015 with the 5th Cycle Housing Element in accordance with Assembly Bill (AB) 162, which requires Conservation and Safety Elements to consider the extent to which those elements address the flooding and hydrology issues within the jurisdiction.

Throughout 2023, the City of Hercules engaged community members and organizations in preparing its first-ever Parks and Recreation Facilities Master Plan to identify needs and priorities for its parks and recreation facilities. The final plan was adopted in early 2024 and will help to inform future updates of the Open Space and Conservation Element.

The Hercules Parks and Recreation Facilities Master Plan represents a major accomplishment for the City of Hercules. As the City's first long-range parks plan, the Master Plan provides a thorough assessment of parks, trails, and recreation facilities to identify community needs and priorities for Hercules' park system. This will help the City strategically allocate resources to maintain, improve, enhance, and selectively expand the park system over the next 10 plus years, and focus on the highest priority projects that are summarized in a 5-year action plan.

The Master Plan engagement process collected and evaluated community, stakeholder, and advisory level input in all phases of the planning process to deliver a product that reflects the desires, needs, and capacities of the City of Hercules. The action plan will focus the City's investment on improving six existing parks and addressing gaps in the trail system to provide visible results to the community. Investments in active recreation and other improvements that serve the wider community, such as restrooms and park safety, are key elements. Adoption of the Master Plan positions the City of Hercules to pursue a variety of local, state, and national grant and other funding opportunities in coming years, which will be critical for future implementation.

Conservation Projects

Several existing and proposed open space conservation projects in various stages of development should also be reflected in any future update of the Open Space and Conservation Element. These include the John Muir Land Trust's acquisition of 484 acres of open space, trails, and grazing in Franklin Canyon and the City's November 2022 agreement with the John Muir Land Trust for evaluation of the Refugio Creek Conservation Easement prior to the potential transfer of the easement and its mitigation obligation. The City invested time and resources toward the potential restoration of the 12-acre Chelsea wetlands, which received nearly \$2 million in grants for planning and environmental work and has a certified Final Initial Study/Mitigated Negative Declaration. The 2008 Waterfront Now! The initiative amended the General Plan to designate as open space Hercules Point, a roughly 11-acre peninsula of City-owned land that is currently cut off by railroad tracks from the rest of the waterfront. A future update of the Open Space and Conservation Element could include goals, objectives, and policies to further the objective of providing safe public access to the Point via a grade-separated crossing of the railroad.

Safety Element

In 2021, the City of Hercules adopted a comprehensive update to the Safety Element. The goal of the element is to reduce the potential short- and long-term unreasonable risk of death, injuries, property damage, and economic impacts resulting from the effects of natural and non-natural hazards. This element includes general hazard, risk reduction, and avoidance strategies; climate change vulnerability and measures to address those vulnerabilities; emergency response priorities; and comprehensive hazard mitigation to minimize disruption and expedite recovery following disasters.

The Safety Element links by attachment to the City of Hercules Local Hazard Mitigation Plan.

Local Hazard Mitigation Plan

Coordination with members of the public, stakeholders, the steering committee, and agencies was essential to developing the City's first Local Hazard Mitigation Plan as part of the Safety Element update in 2021. The plan addresses the key areas of concern, including earthquakes, wildfire hazard, drought and severe weather hazard, and community education.

Although the 2021 Local Hazard Mitigation Plan is in effect through 2026, in order to efficiently leverage City resources, the City of Hercules is participating in the 2023 Countywide LHMP update, which will align the City with future update cycles.

Noise Element

California Government Code Section 65302(f) requires that general plans contain a Noise Element to identify and quantify potential noise problems and provide effective noise control and mitigation policies. The city's Noise Element, adopted in 1998, was not amended in 2023 and remains compliant with OPR's Guidelines for the Preparation and Content of the Noise Element of the General Plan. However, a comprehensive update to the General Plan, including the Noise Element, would likely identify changed noise conditions in the community due to increased development and traffic in Hercules.

Hazardous Waste Management

In the 1900s, the City of Hercules began as a company town known for producing dynamite and gunpowder. Hazardous materials, utility production, and distribution facilities have historically existed in the community

side-by-side with residential and commercial uses. In September 1986, Assembly Bill 2948 authorized counties and cities in California to prepare Hazardous Waste Management Plans (HWMPs). Hercules subsequently prepared a plan to conform with federal, state, and county hazardous waste laws, policies, and regulations.

The Hazardous Waste Management Plan is not a required Element of the General Plan and therefore has not been updated regularly. Since 1990, industrial production and storage of hazardous materials have ceased, and large areas of legacy contamination have been cleaned up. A comprehensive update to the Hazardous Waste Management Plan, or review of the continued need for such a plan, would be beneficial in prioritizing the use of City resources.

Economic Development

The Economic Development Element of the General Plan provided the policy basis and conceptual framework for pursuing economic development in Hercules. The element implemented a series of development goals, strategies, and objectives, which were developed by a Council-appointed Economic Development Strategy Planning Task Force.

Since the Economic Development Element was adopted in 1991, many significant developments have significantly altered the City's economic situation. An updated Economic Development Element would present a possibility to take a fresh look at the potential for employment and retail growth in Hercules, the types of spaces needed to attract new businesses to Hercules, and the policies, goals, and objectives for economic development.

Growth Management

The 2013 Growth Management Element was updated to comply with the requirements of the Measure J Growth Management Program (GMP) adopted by voters of Contra Costa County in 2004. The GMP requires each local jurisdiction to meet the following six requirements:

- Adopt a development mitigation program;
- Address housing options;
- Participate in an ongoing cooperative, multi-jurisdictional planning process;
- Adopt an Urban Limit Line (ULL);
- Develop a five-year capital improvement program; and
- Adopt a Transportation Systems Management (TSM) Ordinance or Resolution.

The Measure J GMP is a 25-year extension through 2034 of the previous Measure C Contra Costa Transportation Improvement and Growth Management Program approved by voters in 1988. Both programs include a ½ percent transportation and retail transactions and use tax intended to address existing major regional transportation problems. Measure J requires that tax revenues be dedicated to transportation projects in Contra Costa County and to implementing a Growth Management Program by all the cities and the County. The Growth Management component is intended to ensure that future residential, business, and commercial growth pays for the facilities required to meet the demands resulting from that growth.

General Plan Compliance with OPR's General Plan Guidelines and State Legislation

The Governor's Office of Planning and Research (OPR) adopts and periodically revises General Plan Guidelines for preparing and content general plans, including detailed information on statutory requirements for the mandated general plan elements. This report found that the City's General Plan elements mostly comply with OPR's 2017 General Plan Guidelines. Some elements and topics could be updated to further the community's vision, improve usability, and remain relevant.

Element	Recommendation	Update Timeline
Land Use* (1998)	<ul style="list-style-type: none"> Comprehensive update to remain relevant given changed conditions Reflect on recent plans/projects Consider development feasibility absent redevelopment power 	Not programmed
Circulation* (2018)	<ul style="list-style-type: none"> Element is compliant 	Not programmed
Housing* (2015)	<ul style="list-style-type: none"> Element will be compliant when adopted 	Currently being updated for 2023-31 cycle
Open Space* & Conservation* (1998)	<ul style="list-style-type: none"> Comprehensive update to remain relevant given changed conditions Reflect Parks & Recreation Facilities Master Plan recommendations Climate change policies 	Not programmed
Safety* (2021)	<ul style="list-style-type: none"> Element is compliant Climate Change 	LHMP update underway
Noise* (1998)	<ul style="list-style-type: none"> Comprehensive update to remain relevant given changed conditions 	Not programmed
Hazardous Waste Management Plan (1990)	<ul style="list-style-type: none"> Comprehensive update to remain relevant given changed conditions 	Not programmed
Economic Development (1991)	<ul style="list-style-type: none"> Comprehensive update to remain relevant given changed conditions 	Not programmed
Growth Management (2013)	<ul style="list-style-type: none"> Periodic updates in accordance with Measure J 	Not programmed

*Required Element

Comprehensive General Plan Update

The Community Development Department continues to evaluate the process and budget to undertake a comprehensive update to the current General Plan. Considerable funding has accumulated from the General Plan Update fee collected on permits, but staffing limitations and competing priorities have limited the Department's ability to take on this work.

Several of the oldest elements – land use, open space and conservation, and economic development – are highly interrelated and would benefit from a comprehensive look at current development, economic and environmental trends, and initiatives. During outreach and engagement for the Safety Element as well as the Parks and Recreation Facilities Master Plan, there was considerable public advocacy to enhance climate change policies in the General Plan.

A comprehensive update could identify priorities for optimizing City codes and policies to attract the desired types of development on sites that have long remained vacant or underutilized. The update would provide the opportunity to make the entire General Plan current, consistent, and compliant with state laws and guidelines. It would also provide Hercules and the City with a valuable and relevant guiding document for their community's future over the coming decades.

**CONSENT CALENDAR
AGENDA ITEM
3. 22-795**



STAFF REPORT TO THE CITY COUNCIL

DATE: Special Meeting of March 12, 2024

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Michael Roberts, Public Works Director/City Engineer

SUBJECT: Resolution Approving the Continuance of an Annual Parcel Assessment to be Adopted by the County Flood Control District for the Contra Costa Clean Water Program for FY 24-25

RECOMMENDED ACTION:

City Council adopt a resolution approving the continuance of the parcel assessment rate of \$35.00 per Equivalent Runoff Unit (ERU) for FY 2024-2025 and requesting the Contra Costa County Flood Control and Water Conservation District adopt this annual parcel assessment for drainage maintenance and the National Pollution Discharge Elimination System (NPDES) Program.

BACKGROUND:

The Contra Costa Clean Water Program was established in the early 1990s and provides stormwater permit coverage for the 20 member agencies under the NPDES Program administered by the San Francisco Regional Water Quality Control Board (RWQCB).

The Clean Water Program is governed by a Management Committee, which consists of a representative from each of the 20 public agency members, including Hercules. All revenue generated in the Hercules' Stormwater Utility Area (SUA) is required to be expended in that district except for the contribution to the regional program, which is very cost effective due to economies of scale.

ANALYSIS:

Regional activities performed by the Flood Control District include negotiating the discharge permit with the RWQCB, providing training to member agencies, developing stormwater design standards, public education and outreach, and coordinating the activities of the member agencies. Hercules uses the local funding component for stormwater activities within the City including street sweeping, catch basin cleaning, and creek cleaning. The funding also pays for staff time spent administering these programs.

In order for the Flood Control District to adopt the assessments, each member agency is required to submit a certified resolution approving the assessment rate for the coming fiscal year.

FISCAL IMPACT:

The parcel assessment rate of \$35.00 per Equivalent Runoff Unit (ERU), which is the rate charged to a single-family home, has been in effect in Hercules since the 1990s and will generate approximately \$322,300 in revenues. A total of \$91,655 of this revenue is retained by the County Flood Control District and constitutes Hercules' pro rata (by population) contribution for the County to administer the regional Clean Water Program activities on behalf of the 20 member agencies. The remaining \$230,645 is returned to Hercules, deposited into the Stormwater Fund, and is used for the local clean water activities mentioned above. This revenue will be included in the FY 24-25 Budget.

ATTACHMENTS:

Attach 1 – Resolution

Attach 2 – County Request for Assessment Resolution

Attach 3 – Clean Water Program Cost Allocation by City

**HERCULES CITY COUNCIL
RESOLUTION NO. 24-**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES APPROVING THE CONTINUANCE OF THE PARCEL ASSESSMENT RATE OF \$35.00 PER EQUIVALENT RUNOFF UNIT (ERU) FOR FY 2024-2025 AND REQUESTING THE CONTRA COSTA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT TO ADOPT THIS ANNUAL PARCEL ASSESSMENT FOR DRAINAGE MAINTENANCE AND THE NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM (NPDES) PROGRAM

WHEREAS, under the Federal Water Pollution Control Act, prescribed discharges of storm water require a permit from the appropriate California Regional Water Quality Control Board under the National Pollution Discharge Elimination System (NPDES) Program; and

WHEREAS, the City of Hercules, County of Contra Costa did apply for, and did receive, an NPDES permit which requires the implementation of selected Best Management Practices to minimize or eliminate pollutants from entering storm waters; and

WHEREAS, it is the intent of the City of Hercules to utilize funds received from its Stormwater Utility Area (SUA) for implementation of NPDES program and drainage maintenance activities; and

WHEREAS, at the request of the City of Hercules, Contra Costa County Flood Control and Water Conservation District (District) has completed the process for formation of a SUA, including Stormwater Utility Assessment Drainage Ordinance 93-47; and

WHEREAS, the SUA and Program Group Costs Payment Agreement between the City of Hercules and the District requires that the City of Hercules determine the rate to be assessed to a single Equivalent Runoff Unit (ERU) annually before May 1 of the forthcoming fiscal year.

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

1. The City Council hereby approves the continuance of the \$35.00 rate per ERU for FY 2024-2025 and requests the Contra Costa County Flood Control and Water Conservation District adopt an annual parcel assessment for drainage maintenance and the NPDES Program.

The foregoing Resolution was duly and regularly adopted at a special meeting of the City Council of the City of Hercules held on the 12th day of March 2024, by the following vote of the Council:

AYES:
NOES:
ABSENT:
ABSTAIN:

Dan Romero, Mayor

ATTEST:

Eibleis Melendez, City Clerk



Contra Costa County
Flood Control
& Water Conservation District

Brian M. Balbas,
ex officio Chief Engineer
Allison Knapp,
Deputy Chief Engineer

January 4, 2024

Dear Management Committee Representative:

The Stormwater Utility Area (SUA) agreement between your municipality and the Contra Costa County Flood Control and Water Conservation District states that each municipality will set their annual Equivalent Runoff Unit (ERU) rate each year.

Please submit your two certified resolutions on or before April 1, 2024. Please send your certified resolutions to the following address:

Rachelle Untal
CCC Flood Control & Water Conservation District
255 Glacier Drive
Martinez, CA 94553

Please note that although your municipality's ERU rate may be at the maximum rate, each municipality must annually set their ERU rate.

Thank you to those municipalities that have already submitted their certified resolutions. Please contact me if you have any questions at Rachelle.Untal@pw.cccounty.us or (925) 313-2023.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Untal', with a stylized flourish at the end.

Rachelle Untal
Administrative Analyst

RU:cw
\\pw-data\grpdata\FC_Accounting\SUA\02 - Annual Fee Adopt\FY 24-25\Correspondence\Request to MC for ERU Resolutions.docx
By e-mail

c: Allison Knapp, Deputy Chief Engineer
Rinta Perkins, Contra Costa Clean Water Program
Andrea Bullock, Contra Costa Clean Water Program
Michelle Cordis, Flood Control
Michelle Gonsalves, PW Finance Division
Lauren Weston, PW Finance Division

**CONTRA COSTA CLEAN WATER PROGRAM
GROUP COSTS METHODOLOGY & ALLOCATION
FOR FISCAL YEAR 2024/25**

City/County/State	January 1, 2022	January 1, 2023 ⁽¹⁾	Percent Change	Prorated % of Program ⁽²⁾	SUA Budget ⁽³⁾ Allocation
CONTRA COSTA COUNTY	1,151,798	1,147,653	-0.36%		\$ 4,000,000
ANTIOCH	114,362	115,442	0.94%	10.06%	\$ 402,359
BRENTWOOD	64,219	64,513	0.46%	5.62%	\$ 224,852
CLAYTON	10,782	10,666	-1.08%	0.93%	\$ 37,175
CONCORD	123,102	122,074	-0.84%	10.64%	\$ 425,474
DANVILLE	43,166	42,823	-0.79%	3.73%	\$ 149,254
EL CERRITO	25,710	25,484	-0.88%	2.22%	\$ 88,821
HERCULES	25,944	26,297	1.36%	2.29%	\$ 91,655
LAFAYETTE	25,119	25,004	-0.46%	2.18%	\$ 87,148
MARTINEZ	36,790	36,543	-0.67%	3.18%	\$ 127,366
MORAGA	17,055	16,893	-0.95%	1.47%	\$ 58,878
OAKLEY	44,257	44,995	1.67%	3.92%	\$ 156,824
ORINDA	19,326	19,225	-0.52%	1.68%	\$ 67,006
PINOLE	18,442	18,244	-1.07%	1.59%	\$ 63,587
PITTSBURG	74,688	74,809	0.16%	6.52%	\$ 260,737
PLEASANT HILL	33,697	33,397	-0.89%	2.91%	\$ 116,401
RICHMOND	114,521	113,518	-0.88%	9.89%	\$ 395,653
SAN PABLO	31,625	31,301	-1.02%	2.73%	\$ 109,096
SAN RAMON	83,587	82,870	-0.86%	7.22%	\$ 288,833
WALNUT CREEK	69,603	69,245	-0.51%	6.03%	\$ 241,345
UNINCORP. COUNTY	175,803	174,310	-0.85%	15.19%	\$ 607,536
				<u>100.00%</u>	<u>\$ 4,000,000</u>

1. Population estimate based on State of California Department of Finance (E-1) City/County projections- January 1, 2024.

Figures are updated in May of each year.

2. Percentages based on prorata of population.

3. SUA funds allocated for budget purposes, which by policy is set at \$4M.

DISCUSSION AND/OR ACTION AGENDA ITEMS

- 1. 22-796**
- 2. 22-799**
- 3. 22-800**



STAFF REPORT TO THE CITY COUNCIL

DATE: Special Meeting of March 12, 2024

TO: Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Edwin Gato, Director of Finance

SUBJECT: Acceptance of the FY 22-23 Annual Comprehensive Financial Report and other regulatory financial reports.

RECOMMENDED ACTION:

Receive the Fiscal Year (FY) 22-23 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, 2023, 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 year ended June 30, 2023. The City received an unmodified (or "clean") audit opinion validating the fair presentation of its financial position as of June 30, 2023. 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, 2023.

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, 2023. 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, 2023. 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 2022 ACFR. This is the 4th 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 2023 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 and the report was filed.

Also, the City is required to issue the following supplemental reports: the FY 22-23, Wastewater Financial Report, and Agreed Upon Procedures (AUP) for Measure B and N, 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 22-23 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 22-23 fiscal year are utilized as a starting point in the development of the FY 24-25 budget, especially regarding the one-time funding.

ATTACHMENTS:

1. FY 22-23 Annual Comprehensive Financial Report (ACFR)
2. FY 22-23 Hercules Wastewater Fund Financial Statements
3. FY 22-23 Agreed Upon Procedures (AUP) Report on Measure B
4. FY 22-23 Agreed Upon Procedures (AUP) Report on Measure N
5. FY 23-24 Agreed Upon Procedures (AUP) Report on GANN Appropriation Limit Calculation
6. Presentation



FISCAL YEAR

2022-2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT



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, 2023**

Prepared by:
The Finance Department

City of Hercules
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023
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CITY OF HERCULES

111 CIVIC DRIVE, HERCULES CA 94547

PHONE: (510) 799-8200

February 22, 2024

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, 2023. 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, 2023, are free of material misstatement. The independent auditors' report is presented as the first component of the financial section of this report.

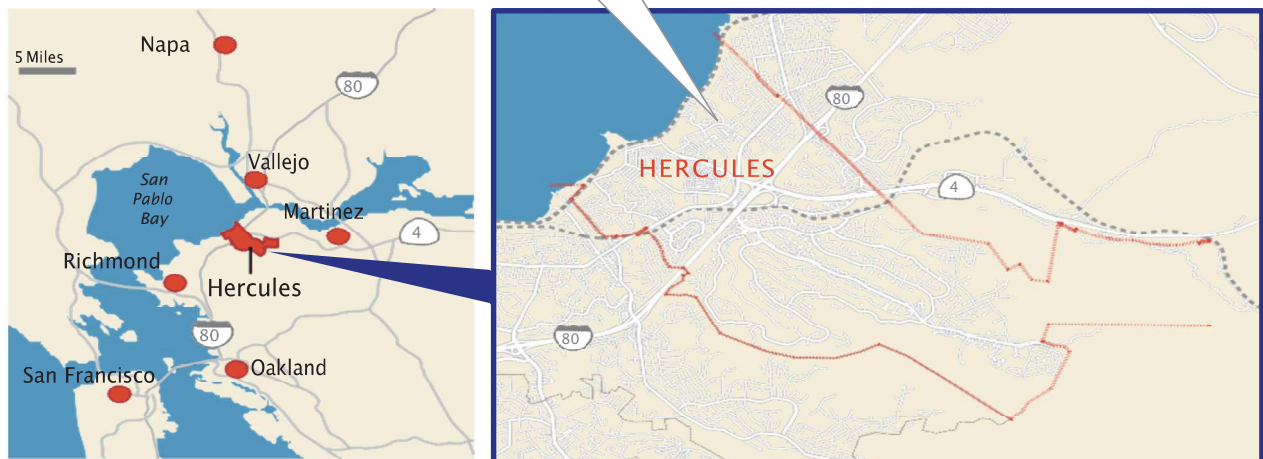
Accounting principles generally accepted in the United States (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the 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 of Hercules is located along the I-80 corridor and within minutes of both San Francisco and Napa. Hercules is in Contra Costa County in the San Francisco Bay Area.



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 59 full-time employees and serves about 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.

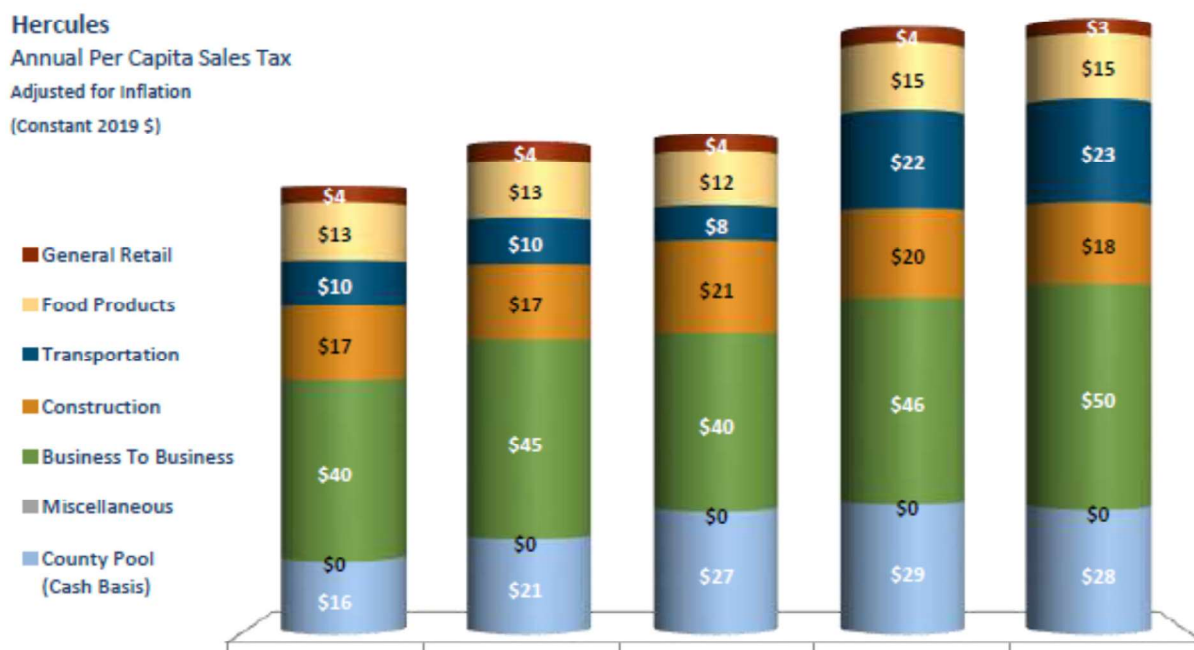
This report includes all organizations and activities for which elected City officials to exercise financial accountability. The notes to the financial statements further discuss the City as a financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City was on-track and expected to exceed budgeted revenues through the third quarter of the fiscal year. 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 86% over the period between 2017 to 2023, 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.

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 2019-2023.



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 22-23. One of the City's major initiatives is the Hercules Hub (The HUB). The HUB will create a regional, state-of-the-art housing and transportation community on the waterfront overlooking the San Pablo Bay. The Hub will connect thousands of housing units with a new train stop along the Capitol Corridor, bicycle and pedestrian pathways, bus routes, carpool options, and ferry service. To date, this new facility boasts \$46M in capital improvements, and the City is fully engaged in securing the funding needed to design and construct the remaining infrastructure that will allow the Capitol Corridor train to serve the Hub.

Other key public works projects included:

- Streets – Annual Sidewalk Repair Program, Annual Restriping Project, Annual Street Rehabilitation Project for Sycamore Avenue, ADA Transition Plan Implementation, and Village Parkway Traffic Calming.
- Sewer – Sycamore Avenue Lower and Upper Sewer Trunk Main Projects.
- Buildings & Facilities – Building Facilities Plan and ADA Assessment Improvement.
- Parks – Parks Master Plan, Victoria by the Bay refurbish gazebo and railing, Ohlone dog park tree removal and pruning, Tree planning and removal – open space, and Aerator Refugio Valley Park.

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, 2022. 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 annual comprehensive 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

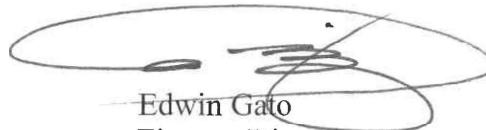
The preparation and publication of this Annual Comprehensive Financial Report were made possible by the outstanding efforts, dedication, and teamwork throughout the year of the entire Finance Department and with the cooperation and assistance of all City departments.

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 OF HERCULES

PUBLIC OFFICIALS

CITY COUNCIL



**ALEXANDER
WALKER-GRIFFIN**
Mayor



DAN ROMERO
Vice Mayor



DION BAILEY
Council Member



CHRIS KELLEY
Council Member



**TIFFANY
GRIMSLEY**
Council Member

DEPARTMENT HEADS

DANTE HALL
City Manager

EIBLEIS MELENDEZ
City Clerk

JOSEPH VASQUEZ
Police Chief

CHRISTOPHER ROKE
Parks & Recreation Director

PATRICK TANG
City Attorney

MICHAEL ROBERTS
Public Works Director

EDWIN GATO
Finance Director

TIMOTHY ROOD
Community Development
Director

FINANCE COMMITTEE

EDWARD ULLE
Chair

**DENNIS
ESSELSAGOE**
Vice Chair

**BARINDER
DHILLON-
FLANAGAN**
Commissioner

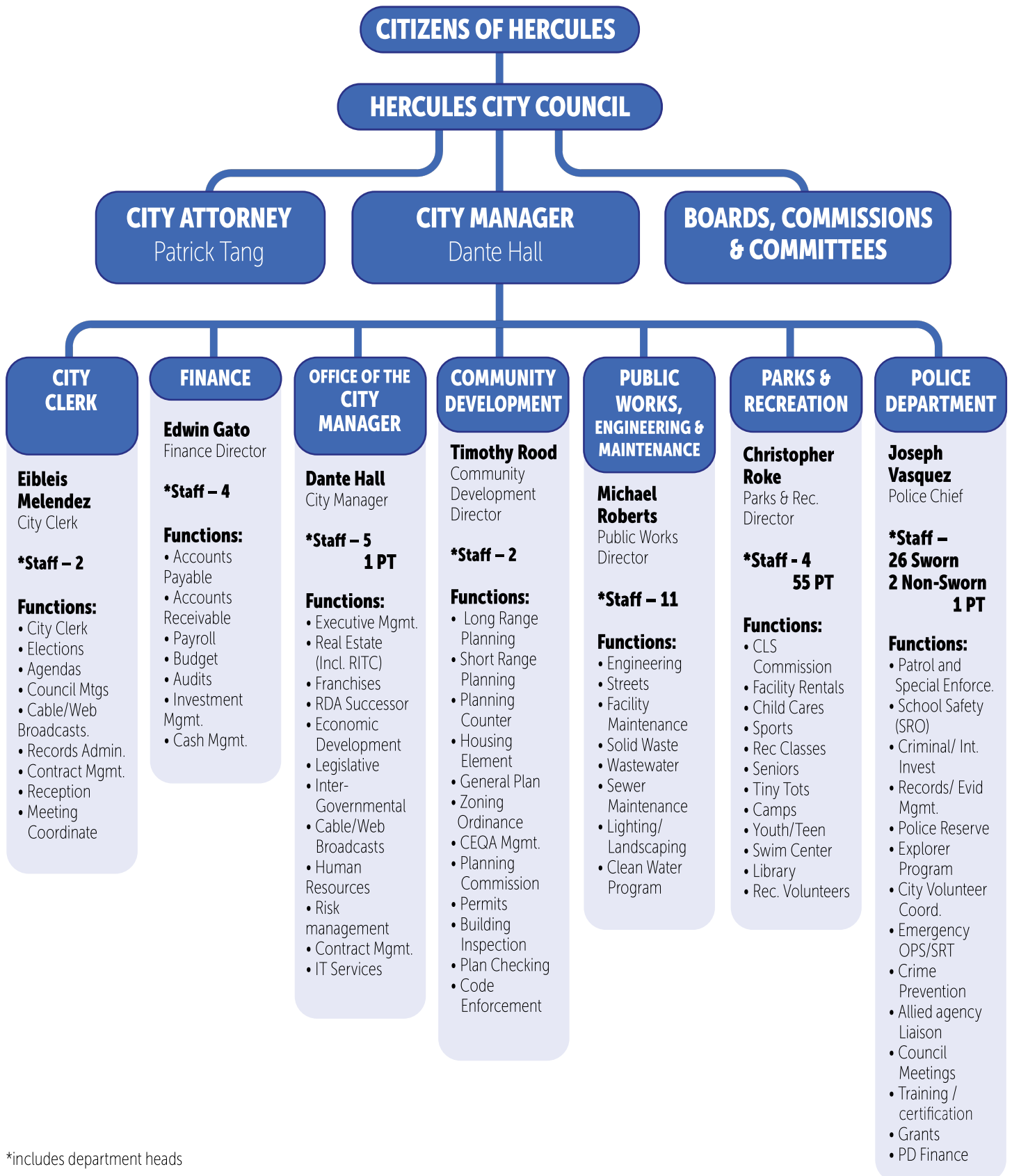
**TERRELL
KINGWOOD**
Commissioner

ORIT SAMSON
Commissioner



FY 2022-23 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, 2022

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, 2023, 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, 2023, 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

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
February 22, 2024



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



CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2023

Within this section of the City of Hercules' (the "City") 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, 2023. 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 \$118,546,402 (net position). A net position of \$10,730,230 are restricted for specific purposes (restricted net position), and \$80,392,861 represents a net investment in capital assets. The unrestricted net position was \$27,423,311 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's governmental funds reported a combined ending fund balances of \$42,280,150. Of the combined fund balances, \$16,904,850 is available to meet the city's current and future needs.
- The committed amount in the General Fund of \$8,000,000 represents amounts committed for loan repayments and capital projects. The assigned amount in the General Fund of \$6,196,869 represents amounts assigned for insurance and a Council assigned for economic uncertainties and for future short-term structural deficits.
- For the fiscal year ending June 30, 2023, Measure N was approved extending the term of the Utility Users Tax (UUT) at the existing rate of 8% until it is ended by the voters or repealed by the City Council.
- Capital assets, net of depreciation and amortization, increased to \$118,402,522 from \$117,431,677, which includes infrastructure per the requirements of GASB 34.

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).

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

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.

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.

**CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023**

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.

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 \$118,546,402 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 9% of the City's net position is subject to external restrictions on how they may be used.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022	2023	2022*
Assets						
Current and other assets	\$ 56,557,455	\$ 53,858,058	\$ 27,170,223	\$ 28,521,323	\$ 83,727,678	\$ 82,379,381
Capital assets	78,023,165	78,345,698	40,379,357	39,085,979	118,402,522	117,431,677
Total assets	<u>134,580,620</u>	<u>132,203,756</u>	<u>67,549,580</u>	<u>67,607,302</u>	<u>202,130,200</u>	<u>199,811,058</u>
Deferred Outflows of Resources						
Related to OPEB	1,227,100	694,603	69,460	39,319	1,296,560	733,922
Related to pensions	7,924,273	3,737,048	445,145	162,085	8,369,418	3,899,133
Total Deferred Outflows of Resources	<u>9,151,373</u>	<u>4,431,651</u>	<u>514,605</u>	<u>201,404</u>	<u>9,665,978</u>	<u>4,633,055</u>
Liabilities						
Long-term Liabilities	42,024,289	33,316,981	28,792,835	30,687,887	70,817,124	64,004,868
Other Liabilities	4,875,776	5,323,692	3,609,306	2,250,301	8,485,082	7,573,993
Total Liabilities	<u>46,900,065</u>	<u>38,640,673</u>	<u>32,402,141</u>	<u>32,938,188</u>	<u>79,302,206</u>	<u>71,578,861</u>
Deferred Inflows of Resources						
Related to OPEB	2,191,984	1,899,985	124,078	107,549	2,316,062	2,007,534
Related to pensions	2,606,624	8,867,405	136,612	492,568	2,743,236	9,359,973
Leases	8,888,272	9,253,003	-	-	8,888,272	9,253,003
Total Deferred Inflows of Resources	<u>13,686,880</u>	<u>20,020,393</u>	<u>260,690</u>	<u>600,117</u>	<u>13,947,570</u>	<u>20,620,510</u>
Net Position:						
Net Investment in Capital Assets	60,790,322	60,257,709	19,602,539	15,704,349	80,392,861	75,962,058
Restricted	10,730,230	9,237,967	-	-	10,730,230	9,237,967
Unrestricted	11,624,496	8,478,665	15,798,815	18,566,052	27,423,311	27,044,717
Total Net Position	<u>\$ 83,145,048</u>	<u>\$ 77,974,341</u>	<u>\$ 35,401,354</u>	<u>\$ 34,270,401</u>	<u>\$ 118,546,402</u>	<u>\$ 112,244,742</u>

* 2022 balances were restated due to implementation of GASB 96

A significant portion of the City's net position, \$80,392,861, reflects the amount net 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, \$10,730,230 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 \$27,423,311. 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.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Fees, Fines and Charges for Services	\$ 3,025,155	\$ 2,827,552	\$ 5,922,758	\$ 5,852,278	\$ 8,947,913	\$ 8,679,830
Operating Grants/Contributions	8,894,994	16,826,293	-	-	8,894,994	16,826,293
Capital Grants/Contributions	67,428	-	-	-	67,428	-
General revenues						
Property taxes	1,638,449	1,514,791	-	-	1,638,449	1,514,791
Sales taxes	6,192,500	6,263,066	-	-	6,192,500	6,263,066
Franchise Taxes	988,108	970,054	-	-	988,108	970,054
Other taxes	4,646,410	5,343,970	-	-	4,646,410	5,343,970
Motor Vehicles Taxes In-Lieu	2,456,900	2,341,444	-	-	2,456,900	2,341,444
Interest and Investment Income	1,860,327	773,519	294,199	(157,318)	2,154,526	616,201
Total revenues	<u>29,770,271</u>	<u>36,860,689</u>	<u>6,216,957</u>	<u>5,694,960</u>	<u>35,987,228</u>	<u>42,555,649</u>
Expenses						
General Government	4,929,390	4,768,150	-	-	4,929,390	4,768,150
Public Safety	7,556,734	6,581,205	-	-	7,556,734	6,581,205
Streets and Public Works	8,220,052	8,452,475	-	-	8,220,052	8,452,475
Parks and Recreation	2,503,805	2,312,529	-	-	2,503,805	2,312,529
Community Development	483,875	1,253,855	-	-	483,875	1,253,855
Interest on Long-Term Debt	905,708	1,007,813	-	-	905,708	1,007,813
Wastewater	-	-	5,086,004	5,221,938	5,086,004	5,221,938
Total expenses	<u>24,599,564</u>	<u>24,376,027</u>	<u>5,086,004</u>	<u>5,221,938</u>	<u>29,685,568</u>	<u>29,597,965</u>
Increase (Decrease) in Net Position before special item	5,170,707	12,484,662	1,130,953	473,022	6,301,660	12,957,684
Special Item	-	(39,586,347)	-	(10,587,627)	-	(50,173,974)
Net Position - Beginning	77,974,341	105,076,026	34,270,401	44,385,006	112,244,742	149,461,032
Net Position - Ending	<u>\$ 83,145,048</u>	<u>\$ 77,974,341</u>	<u>\$ 35,401,354</u>	<u>\$ 34,270,401</u>	<u>\$ 118,546,402</u>	<u>\$ 112,244,742</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.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

On June 30, 2023, the City's governmental funds reported combined fund balances of \$42,280,150. An increase of \$2,974,692, primarily due to the strong economic recovery after the challenging financial environment caused by the COVID-19 pandemic, which resulted in the closure of most of the City's Parks and Recreation programs, significantly impacting the department's program revenues. As consumer demand increased and services returned to normal, the City ended the fiscal year in a positive financial position. Of these combined fund balances, \$16,904,850 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, 2023, unassigned fund balance was \$17,529,025, while total fund balance was \$33,877,692. 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 99% of total General Fund expenditures, while the total fund balance represents 192% of total General Fund expenditures.

Other major funds, the City received the final allocation of \$3,142,889 from the American Rescue Plan Act. The City selects the standard allowance and uses the amount to fund government services. The Landscape & Lighting Assessment District (LLAD) No. 83-2 increased by \$341,454 due to the previous year's one-time Capital Improvement Projects. The Hercules Debt Service Fund decreased by \$84,072, and sufficient funds were transferred from various sources to meet debt service obligations as they came due. The other governmental funds decreased by \$146,246.

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

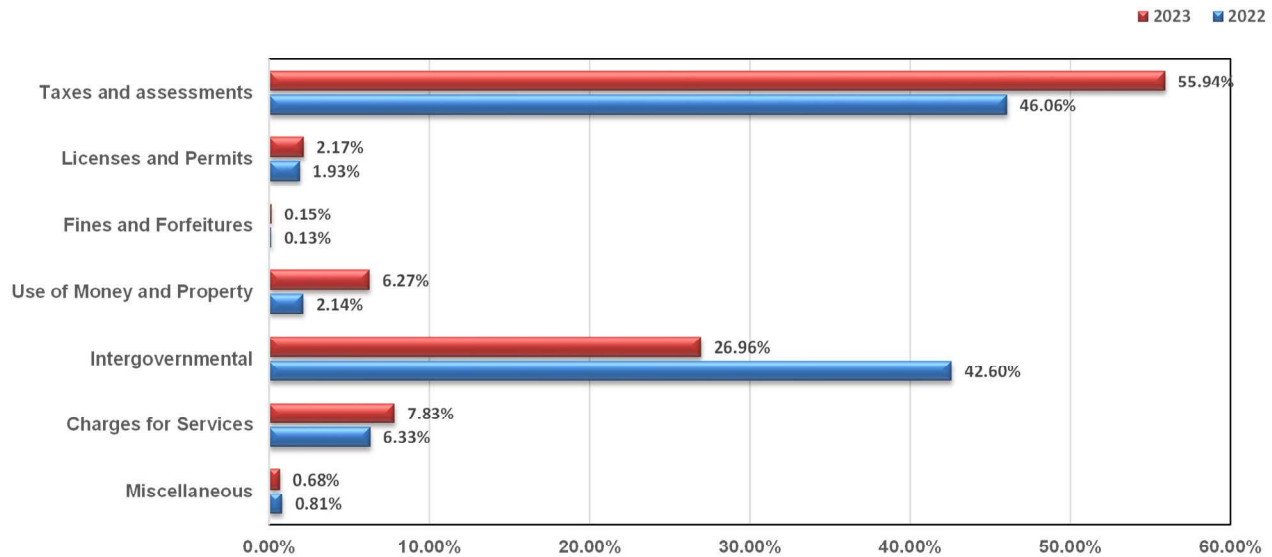
	2023		2022		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Taxes and assessments	\$ 16,705,743	55.94%	\$ 16,889,724	46.06%	\$ (183,981)	-1%
Licenses and Permits	647,374	2.17%	707,300	1.93%	(59,926)	-8%
Fines and Forfeitures	46,057	0.15%	48,663	0.13%	(2,606)	-5%
Use of Money and Property	1,871,556	6.27%	783,885	2.14%	1,087,671	139%
Intergovernmental	8,052,573	26.96%	15,618,709	42.60%	(7,566,136)	-48%
Charges for Services	2,339,112	7.83%	2,319,388	6.33%	19,724	1%
Miscellaneous	203,170	0.68%	297,797	0.81%	(94,627)	-32%
	\$ 29,865,585	100.00%	\$ 36,665,466	100.00%	\$ (6,799,881)	

The decrease of \$6,799,881 in revenues is due primarily to the decrease in intergovernmental revenue caused by the one-time receipt of the \$8 million State budget allocation of local assistance enacted by Senate Bill (SB) 154 (Skinner) Budget Act of 2022 offset by \$1 increase in investment income due to higher rate of return compared to the prior year.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

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.

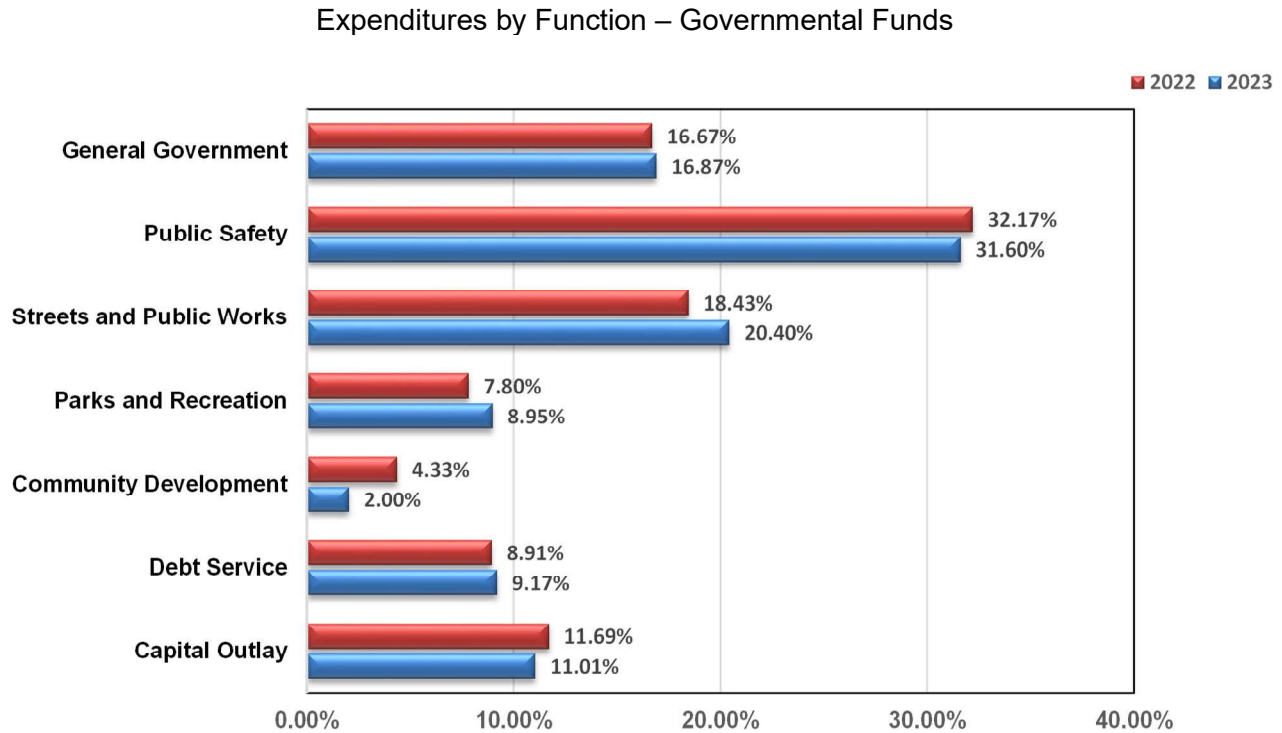
Expenditures Classified by Function
Governmental Funds

	2023		2022		Increase (Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
General Government	\$ 4,538,391	16.87%	\$ 4,081,705	16.67%	\$ 456,686	11%
Public Safety	8,499,781	31.60%	7,879,451	32.17%	620,330	8%
Streets and Public Works	5,486,683	20.40%	4,514,842	18.43%	971,841	22%
Parks and Recreation	2,408,849	8.95%	1,910,716	7.80%	498,133	26%
Community Development	537,341	2.00%	1,061,135	4.33%	(523,794)	-49%
Debt Service	2,466,004	9.17%	2,181,976	8.91%	284,028	13%
Capital Outlay	2,962,714	11.01%	2,862,062	11.69%	100,652	4%
	\$ 26,899,763	100.00%	\$ 24,491,887	100.00%	\$ 2,407,876	10%

Total expenditures increased by \$2,407,876, or 10%, compared to the prior fiscal year due to salary increases, timing of planned projects, street expenses due to normal operating fluctuations, and a decrease in development projects.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

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



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 \$19,602,539. Unrestricted net position at fiscal year-end was \$15,798,815.

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 \$2,233,164 and include \$901,512 invested in capital assets. The net position of the internal service funds increased by \$202,894 over the prior fiscal year.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

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 \$2.3 million more than projected for the fiscal year 2023. The increase in revenues was primarily due to the City receiving more tax revenue than budgeted. The income received from sales and utility users was the most significant increase in tax revenue, consisting of \$1.2 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. Expenditures of \$17.6 million were slightly more than budgeted expenses by \$354,179. The most considerable negative expenditure variances occurred in Public Safety, Parks and Recreation, and streets and public works. These departments had negative variances because of the reopening of programs, the increase in development projects and unforeseen emergency services caused by the storm.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2023, amounted to \$118,402,522 (net of accumulated depreciation) and amortization. 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	
	2023	2022*	2023	2022	2023	2022
Land	\$ 5,081,587	\$ 5,081,587	\$ 191,700	\$ 191,700	\$ 5,273,287	\$ 5,273,287
Construction in progress	1,560,376	1,004,447	3,264,814	981,195	4,825,190	1,985,642
Land Improvements	15,911,314	15,812,311	-	-	15,911,314	15,812,311
Buildings & Improvements	26,792,183	26,323,217	38,325,271	38,325,271	65,117,454	64,648,488
Equipment	7,747,692	5,781,572	250,345	250,345	7,998,037	6,031,917
Infrastructure	113,444,645	113,444,645	14,945,319	14,945,317	128,389,964	128,389,962
Intangible - Right to Use Assets	125,280	118,170	-	-	125,280	118,170
Total	170,663,077	167,565,949	56,977,449	54,693,828	227,640,526	222,259,777
Accumulated Depreciation and Amortization	(92,639,912)	(89,220,251)	(16,598,092)	(15,607,849)	(109,238,004)	(104,828,100)
Net Capital Assets	\$ 78,023,165	\$ 78,345,698	\$ 40,379,357	\$ 39,085,979	\$ 118,402,522	\$ 117,431,677

* 2022 balances were restated due to implementation of GASB 96

Additional information regarding capital assets is presented in note 6.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total outstanding long-term obligations of \$52,232,668. Of this amount, \$13,420,180 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	
	2023	2022*	2023	2022	2023	2022
Bonds Payable	\$13,420,180	\$14,041,843	\$8,095,000	\$8,450,000	\$21,515,180	\$22,491,843
Unamortized Discount/Refunding	(259,441)	(276,738)	-	-	(259,441)	(276,738)
Lease Payable	4,015,168	4,232,382	-	-	4,015,168	4,232,382
Subscription Liability	56,936	90,503	-	-	56,936	90,503
Loans Payable	5,113,521	5,189,588	21,009,706	23,259,518	26,123,227	28,449,106
Settlement Payable	-	604,025	-	-	-	604,025
Compensated Absences	729,432	655,560	52,166	51,749	781,598	707,309
Total	23,075,796	24,537,163	29,156,872	31,761,267	52,232,668	56,298,430
Less Current Portion	(1,495,913)	(2,018,080)	(1,557,797)	(1,509,236)	(3,053,710)	(3,527,316)
Net Long-Term Obligations	\$ 21,579,883	\$22,519,083	\$27,599,075	\$30,252,031	\$49,178,958	\$52,771,114

* 2022 balances were restated due to implementation of GASB 96

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

On June 13, 2023, The City Council approved a balanced budget of \$37 million for FY 2023-24, focusing on City Council priorities, including prudent financial management, traffic, transportation & infrastructure, public safety, quality of life, and future planning & policy initiatives. The key FY 2023-24 priorities include multiyear goals:

- Multimodal station (Hercules HUB).
- Growing retail and commercial development to serve the community.
- A long-term financial plan.

In establishing annual goals and objectives, the City Council affirmed the City's commitment to maintaining sound and conservative financial practices, to ensure the City's ability to provide a safe and enriched environment, increase effective communication with the community, provide cost-effective and efficient services to the public, and to maintain a positive environment for new businesses and business retention.

The budget for employee services in FY 2023-24 increased by 9.3% to reflect the cost of living adjustments, increased employee healthcare costs, and retirement benefits. The City continues to meet its actuarially required contribution towards its pension plan with the CalPERS.

CITY OF HERCULES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2023

General fund expenditures and transfers are projected at \$18.3 million in FY 2023-24, a slight increase compared to the FY 2022-23 budget. The increase is primarily due to salary cost of living adjustments (COLA) offset by the decrease in one-time facility improvement capital costs and settlement payment to the state on the former Redevelopment obligations.

The City plans and pre-funds certain Capital Improvement Projects (CIP) over five fiscal years, ensuring that when a project is scheduled to begin, funding is available to move the project forward through completion. Several major capital projects are planned in FY 2023-24, totaling \$14 million as follows:

- Hercules Hub – As one of the City's top priorities, the Hercules Hub will achieve the vision of the Hercules Bayfront as a model transit-oriented community for the Bay Area and beyond. The Hub will connect thousands of homes with a new train stop along the Capitol Corridor, bicycle and pedestrian pathways, bus routes, carpool options, and a future ferry service. The Project would relieve congestion on I-80 and reduce vehicle miles traveled (VMT) and greenhouse gas emissions. As reported at the January 24, 2023, City Council meeting, the City submitted a joint TIRCP grant application with CCJPA and a grant application for the Federal-State Partnership for Intercity Rail for design phase funding. We are currently awaiting word on awards from these grant applications.
- Major Sewer system Improvements – This element includes continuing to make progress on the City's adopted Sewer Master Plan. The activities include improvements to Sycamore Ave. Lower Trunk Main and Upper Trunk Main, among others.
- Pavement and Road System Improvements - This element includes the Pedestrian Sidewalk Improvement Willow and Palm, an annual street repair project, an annual sidewalk repair program, and an annual restriping project.

In summary, despite the record inflation and international instabilities, several of the City's significant revenues remain stronger than expected. During the annual strategic planning session, staff will continue to provide residents vital services through technology upgrades and streamlining internal and public-facing city operations. Due to prudent fiscal stewardship, the City's financial position remains strong and reaffirms its commitment to sound and conservative financial practices.

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, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 39,580,360	\$ 18,830,203	\$ 58,410,563
Cash and investments with fiscal agent	2,068,440	8,327,888	10,396,328
Cash and investments held in trust	2,141,823	-	2,141,823
Accounts receivable	2,253,244	-	2,253,244
Prepaid items	9,975	-	9,975
Loan receivable	1,382,899	-	1,382,899
Lease receivable	8,906,382	-	8,906,382
Net other postemployment benefits ("OPEB") assets - PEHMCA	214,332	12,132	226,464
Capital Assets:			
Nondepreciable	6,641,963	3,456,514	10,098,477
Depreciable and amortizable, net	71,381,202	36,922,843	108,304,045
Total assets	134,580,620	67,549,580	202,130,200
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows of resources	7,924,273	445,145	8,369,418
OPEB-related deferred outflows of resources (PEHMCA)	593,996	33,622	627,618
OPEB-related deferred outflows of resources (SOMAR)	633,104	35,838	668,942
Total deferred outflows of resources	9,151,373	514,605	9,665,978
LIABILITIES			
Accounts payable	1,146,600	2,026,678	3,173,278
Salaries and benefits payable	149,193	8,776	157,969
Accrued interest payable	511,915	16,055	527,970
Deposit payable	1,173,782	-	1,173,782
Claims payable	398,373	-	398,373
Long-term debt:			
Due within one year	1,495,913	1,557,797	3,053,710
Due in more than one year	21,579,883	27,599,075	49,178,958
Net aggregate pension liabilities, due in more than one year	18,662,308	1,092,885	19,755,193
Net OPEB liabilities - SOMAR, due in more than one year	1,782,098	100,875	1,882,973
Total liabilities	46,900,065	32,402,141	79,302,206
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	2,606,624	136,612	2,743,236
OPEB-related deferred inflows of resources (PEHMCA)	1,632,728	92,420	1,725,148
OPEB-related deferred inflows of resources (SOMAR)	559,256	31,658	590,914
Leases	8,888,272	-	8,888,272
Total deferred inflows of resources	13,686,880	260,690	13,947,570
NET POSITION			
Net investment in capital assets	60,790,322	19,602,539	80,392,861
Restricted for:			
Public safety	253,646	-	253,646
Streets and roads	3,352,371	-	3,352,371
Development	2,913,950	-	2,913,950
Debt service	2,068,440	-	2,068,440
Pension	2,141,823	-	2,141,823
Total restricted	10,730,230	-	10,730,230
Unrestricted	11,624,496	15,798,815	27,423,311
Total net position	\$ 83,145,048	\$ 35,401,354	\$ 118,546,402

City of Hercules
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 4,929,390	\$ 816,793	\$ -	\$ -	\$ 816,793
Public safety	7,556,734	162,140	3,619,615	-	3,781,755
Streets and public works	8,220,052	232,956	5,275,379	67,428	5,575,763
Parks and recreation	2,503,805	1,423,942	-	-	1,423,942
Community development	483,875	389,324	-	-	389,324
Interest	905,708	-	-	-	-
Total governmental activities	24,599,564	3,025,155	8,894,994	67,428	11,987,577
Business-Type Activities:					
Wastewater	5,086,004	5,922,758	-	-	5,922,758
Total business-type activities	5,086,004	5,922,758	-	-	5,922,758
Total primary government	\$ 29,685,568	\$ 8,947,913	\$ 8,894,994	\$ 67,428	\$ 17,910,335

City of Hercules
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (4,112,597)	\$ -	\$ (4,112,597)
Public safety	(3,774,979)	-	(3,774,979)
Streets and public works	(2,644,289)	-	(2,644,289)
Parks and recreation	(1,079,863)	-	(1,079,863)
Community development	(94,551)	-	(94,551)
Interest	(905,708)	-	(905,708)
Total governmental activities	<u>(12,611,987)</u>	<u>-</u>	<u>(12,611,987)</u>
Business-Type Activities:			
Wastewater	-	836,754	836,754
Total business-type activities	<u>-</u>	<u>836,754</u>	<u>836,754</u>
Total primary government	<u>(12,611,987)</u>	<u>836,754</u>	<u>(11,775,233)</u>
General Revenues:			
Property taxes	1,638,449	-	1,638,449
Sales and use taxes	6,192,500	-	6,192,500
Franchise taxes	988,108	-	988,108
Utility users taxes	3,996,274	-	3,996,274
Other taxes	650,136	-	650,136
Unrestricted motor vehicle taxes in-lieu	2,456,900	-	2,456,900
Use of money and property	1,860,327	294,199	2,154,526
Total general revenues	<u>17,782,694</u>	<u>294,199</u>	<u>18,076,893</u>
Changes in net position	5,170,707	1,130,953	6,301,660
Net Position:			
Beginning of year	77,974,341	34,270,401	112,244,742
End of year	<u>\$ 83,145,048</u>	<u>\$ 35,401,354</u>	<u>\$ 118,546,402</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, 2023

	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	\$ 29,679,142	\$ -	\$ 652,923	\$ -
Cash and investments with fiscal agent	-	-	-	2,068,440
Cash and investments held in trust	2,141,823	-	-	-
Accounts receivable	1,685,227	-	14,621	-
Prepaid items	9,975	-	-	-
Due from other funds	1,184,284	-	-	-
Loans receivable	1,382,899	-	-	-
Lease receivable	531,912	-	-	8,374,470
Total assets	\$ 36,615,262	-	\$ 667,544	\$ 10,442,910
LIABILITIES				
Accounts payable	\$ 553,006	-	\$ 75,964	\$ -
Accrued wages	123,994	-	6,791	-
Deposit payable	1,148,395	-	-	-
Claims payable	398,373	-	-	-
Due to other funds	-	-	478,632	-
Total liabilities	2,223,768	-	561,387	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Leases	513,802	-	-	8,374,470
Total deferred inflows of resources	513,802	-	-	8,374,470
FUND BALANCES				
Nonspendable	9,975	-	-	-
Restricted	2,141,823	-	106,157	2,068,440
Committed	8,000,000	-	-	-
Assigned	6,196,869	-	-	-
Unassigned (deficit)	17,529,025	-	-	-
Total fund balances (deficit)	33,877,692	-	106,157	2,068,440
Total liabilities, deferred inflows of resources and fund balances	\$ 36,615,262	\$ -	\$ 667,544	\$ 10,442,910

City of Hercules
Balance Sheet (Continued)
Governmental Funds
June 30, 2023

	Other Governmental Funds	Total
ASSETS		
Cash and investments	\$ 7,146,153	\$ 37,478,218
Cash and investments with fiscal agent	-	2,068,440
Cash and investments held in trust	-	2,141,823
Accounts receivable	553,396	2,253,244
Prepaid items	-	9,975
Due from other funds	-	1,184,284
Loans receivable	-	1,382,899
Lease receivable	-	8,906,382
Total assets	\$ 7,699,549	\$ 55,425,265
LIABILITIES		
Accounts payable	\$ 477,780	\$ 1,106,750
Accrued wages	12,144	142,929
Deposit payable	25,387	1,173,782
Claims payable	-	398,373
Due to other funds	705,652	1,184,284
Total liabilities	1,220,963	4,006,118
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	250,725	250,725
Leases	-	8,888,272
Total deferred inflows of resources	250,725	9,138,997
FUND BALANCES		
Nonspendable	-	9,975
Restricted	6,163,085	10,479,505
Committed	688,951	8,688,951
Assigned	-	6,196,869
Unassigned (deficit)	(624,175)	16,904,850
Total fund balances (deficit)	6,227,861	42,280,150
Total liabilities, deferred inflows of resources and fund balances	\$ 7,699,549	\$ 55,425,265



City of Hercules
Reconciliation of the Governmental Funds Balance Sheet to
the Government-Wide Statement of Net Position
June 30, 2023

Total fund balances of governmental funds	\$ 42,280,150
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	78,023,165
Less: Amount reported in Internal Service Funds	(936,954)
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.	
	(511,915)
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.	
	250,725
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 \$45,062	(684,370)
Loans, leases, and bonds	(22,310,922)
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 \$304,170	7,620,103
Net pension liability, net of Internal Service Fund of \$746,775	(17,915,533)
Pension-related deferred inflows of resources, net of Internal Service Fund of \$93,348	(2,513,276)
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 \$33,622	560,374
OPEB-related deferred outflows of resources (SOMAR), net of Internal Service Fund of \$35,838	597,266
Net OPEB assets - PEHMCA, net of Internal Service Fund of \$12,132	202,200
Net OPEB liability - SOMAR, net of Internal Service Fund of \$100,875	(1,681,223)
OPEB-related deferred inflows of resources (PEHMCA), net of Internal Service Fund of \$92,420	(1,540,308)
OPEB-related deferred inflows of resources (SOMAR), net of Internal Service Fund of \$31,658	(527,598)
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.	
	2,233,164
Net position of governmental activities	<u><u>\$ 83,145,048</u></u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund
REVENUES:				
Taxes and assessments	\$ 13,135,848	\$ -	\$ 2,075,134	\$ -
Licenses and permits	471,189	-	-	-
Fines and forfeitures	46,057	-	-	-
Use of money and property	777,870	-	23,790	973,419
Intergovernmental	2,608,501	3,142,889	-	-
Charges for services	2,333,490	-	-	-
Other revenues	121,983	-	-	-
Total revenues	19,494,938	3,142,889	2,098,924	973,419
EXPENDITURES:				
Current:				
General government	4,538,391	-	-	-
Public safety	8,488,163	-	-	-
Streets and public works	892,199	-	1,381,347	-
Parks and public works	2,408,849	-	-	-
Community development	537,341	-	-	-
Capital outlay	78,305	-	148,451	-
Debt services:				
Principal	712,590	-	-	721,843
Interest and fiscal agent fee	994	-	-	804,147
Total expenditures	17,656,832	-	1,529,798	1,525,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,838,106	3,142,889	569,126	(552,571)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	8,870	-	-	-
Transfers in	3,292,939	-	84,554	468,499
Transfers (out)	(2,276,359)	(3,142,889)	(312,226)	-
Total other financing sources (uses)	1,025,450	(3,142,889)	(227,672)	468,499
NET CHANGES IN FUND BALANCES	2,863,556	-	341,454	(84,072)
FUND BALANCES (DEFICIT):				
Beginning of year	31,014,136	-	(235,297)	2,152,512
End of year	<u>\$ 33,877,692</u>	<u>\$ -</u>	<u>\$ 106,157</u>	<u>\$ 2,068,440</u>

City of Hercules
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

	Other Governmental Funds	Total
REVENUES:		
Taxes and assessments	\$ 1,494,761	\$ 16,705,743
Licenses and permits	176,185	647,374
Fines and forfeitures	-	46,057
Use of money and property	96,477	1,871,556
Intergovernmental	2,301,183	8,052,573
Charges for services	5,622	2,339,112
Other revenues	81,187	203,170
Total revenues	<u>4,155,415</u>	<u>29,865,585</u>
EXPENDITURES:		
Current:		
General government	-	4,538,391
Public safety	11,618	8,499,781
Streets and public works	3,213,137	5,486,683
Parks and public works	-	2,408,849
Community development	-	537,341
Capital outlay	2,735,958	2,962,714
Debt services:		
Principal	114,900	1,549,333
Interest and fiscal agent fee	111,530	916,671
Total expenditures	<u>6,187,143</u>	<u>26,899,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,031,728)	2,965,822
OTHER FINANCING SOURCES (USES)		
Issuance of debt	-	8,870
Transfers in	3,082,074	6,928,066
Transfers (out)	(1,196,592)	(6,928,066)
Total other financing sources (uses)	<u>1,885,482</u>	<u>8,870</u>
NET CHANGES IN FUND BALANCES	(146,246)	2,974,692
FUND BALANCES (DEFICIT):		
Beginning of year	6,374,107	39,305,458
End of year	<u>\$ 6,227,861</u>	<u>\$ 42,280,150</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, 2023

Net change in fund balances - total governmental funds: \$ 2,974,692

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 \$571,632 reported in Internal Service Funds	\$ 2,677,663	
Loss on disposal	(1,760)	
Depreciation and amortization expenses, net of \$215,352 reported in Internal Service Funds	(3,354,841)	(678,938)

Revenues that are measurable but not available and are reported as unavailable revenue under the modified accrual basis of accounting in the governmental funds.		(95,314)
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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.

Issuance of debt		(8,870)
Principal repayment of loans, leases, subscription liability and bonds		945,308

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		28,260
Amortization of bond discount		(17,297)
Change in compensated absences, net of Internal Service Fund of \$3,652		(79,018)
Pension expense of CalPERS Plan, net of pension contribution made after measurement date in the amount of \$1,998,114		1,362,383
OPEB (PEHMCA) expense		4,523
OPEB (SOMAR) credit		(71,941)
Settlement with the California 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.

	202,894	
Change in net position of governmental activities	\$ 5,170,707	

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, 2023

	Business-Type Activities Enterprise Fund Wastewater Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 18,830,203	\$ 2,102,142
Cash and investments with fiscal agent	8,327,888	-
Total current assets	27,158,091	2,102,142
Noncurrent assets:		
Net OPEB assets - PEHMCA	12,132	12,132
Capital assets:		
Nondepreciable	3,456,514	-
Depreciable and amortizable, net	36,922,843	936,954
Total noncurrent assets	40,391,489	949,086
Total assets	67,549,580	3,051,228
DEFERRED OUTFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	445,145	304,170
OPEB-related deferred outflows of resources (PEHMCA)	33,622	33,622
OPEB-related deferred outflows of resources (SOMAR)	35,838	35,838
Total deferred outflows of resources	514,605	373,630
LIABILITIES		
Current liabilities:		
Accounts payable	2,026,678	39,850
Salaries and benefits payable	8,776	6,264
Accrued interest payable	16,055	-
Long-term debt - due within one year	1,557,797	45,291
Total current liabilities	3,609,306	91,405
Noncurrent liabilities:		
Long-term debt - due in more than one year	27,599,075	35,213
Net pension liabilities	1,092,885	746,775
Net OPEB liabilities - SOMAR	100,875	100,875
Total noncurrent liabilities	28,792,835	882,863
Total liabilities	32,402,141	974,268
DEFERRED INFLOWS OF RESOURCES		
Pensions-related deferred outflows of resources	136,612	93,348
OPEB-related deferred outflows of resources (PEHMCA)	92,420	92,420
OPEB-related deferred outflows of resources (SOMAR)	31,658	31,658
Total deferred inflows of resources	260,690	217,426
NET POSITION		
Net investment in capital assets	19,602,539	901,512
Unrestricted	15,798,815	1,331,652
Total net position	\$ 35,401,354	\$ 2,233,164

City of Hercules
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities	
	Enterprise Fund	Governmental Activities
	Wastewater Fund	Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 5,922,758	\$ 2,207,286
Other operating revenues	-	11,428
Total operating revenues	<u>5,922,758</u>	<u>2,218,714</u>
OPERATING EXPENSES:		
Salaries and benefits	821,479	583,341
Services and supplies	2,652,510	1,216,769
Depreciation	990,241	215,352
Total operating expenses	<u>4,464,230</u>	<u>2,015,462</u>
Operating income	1,458,528	203,252
NONOPERATING REVENUES (EXPENSES)		
Interest income	294,199	-
Interest (expenses)	(621,774)	(358)
Total nonoperating revenues (expenses)	<u>(327,575)</u>	<u>(358)</u>
CHANGES IN NET POSITION	1,130,953	202,894
NET POSITION:		
Beginning of year	34,270,401	2,030,270
End of year	<u>\$ 35,401,354</u>	<u>\$ 2,233,164</u>

City of Hercules
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from customers	\$ 5,922,758	\$ -
Cash receipts from internal services provided	-	2,218,590
Cash paid to suppliers for goods and services	(971,308)	(1,220,691)
Cash paid to employees for services	(750,940)	(555,932)
Net cash provided by operating activities	<u>4,200,510</u>	<u>441,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments related to the acquisition of capital assets	(2,283,619)	(571,632)
Principal repayments related to capital purposes	(2,604,812)	(12,073)
Interest repayments related to capital purposes	(968,747)	(358)
Net cash (used in) capital and related financing activities	<u>(5,857,178)</u>	<u>(584,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	294,199	-
Net cash provided by investing activities	<u>294,199</u>	<u>-</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,362,469)	(142,096)
CASH AND CASH EQUIVALENTS:		
Beginning of year	28,520,560	2,244,238
End of year	<u>\$ 27,158,091</u>	<u>\$ 2,102,142</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:		
Cash and investments	\$ 18,830,203	\$ 2,102,142
Cash and investments with fiscal agent	8,327,888	-
Total cash and cash equivalents	<u>\$ 27,158,091</u>	<u>\$ 2,102,142</u>

(Continued)

City of Hercules
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
	Wastewater Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,458,528	\$ 203,252
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	990,241	215,352
(Increase) Decrease in Assets and Deferred Outflows		
Pensions-related deferred outflows	(283,060)	(186,882)
OPEB-related deferred outflows	(30,141)	(30,141)
Increase (Decrease) in Liabilities and Deferred Inflows		
Accounts payable	1,681,202	(4,046)
Salaries and benefits payable	(23,785)	(19,562)
Net pension liability	728,877	498,037
Net OPEB liability	17,658	29,027
Pensions-related deferred inflows	(355,956)	(263,084)
OPEB-related deferred inflows	16,529	5,160
Compensated absences	417	(5,146)
Total adjustments	2,741,982	238,715
Net cash provided by operating activities	\$ 4,200,510	\$ 441,967

(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, 2023

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and investments	\$ 9,476,117	\$ 409,276
Cash and investments with fiscal agent	33,499	55,798
Prepaid items	502,267	-
Loans receivable, net	7,866,002	-
Capital Assets:		
Nondepreciable	14,090,684	-
Depreciable, net	7,785,441	-
Total assets	<u>39,754,010</u>	<u>465,074</u>
LIABILITIES		
Unearned revenue	841,840	-
Long-term debt:		
Due in more than one year	81,317,000	-
Total liabilities	<u>82,158,840</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on refunding	832,807	-
Total deferred inflows of resources	<u>832,807</u>	<u>-</u>
NET POSITION (DEFICIT)		
Held in trust (deficit)	(43,237,637)	-
Individuals, organization, and other government	-	465,074
Total net position (deficit)	<u>\$ (43,237,637)</u>	<u>\$ 465,074</u>

City of Hercules
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Successor Agency Private Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Redevelopment property tax trust fund	\$ 5,484,664	\$ 230,700
Investment income (loss)	(56,218)	8,176
Other revenue	239,676	-
Total additions	<u>5,668,122</u>	<u>238,876</u>
DEDUCTIONS:		
Community development	6,496	-
Administration	26,815	8,320
Depreciation	580,709	-
Interest expenses	2,397,908	193,196
Principal payment to refunding escrow	-	57,572
Total deductions	<u>3,011,928</u>	<u>259,088</u>
CHANGES IN FIDUCIARY NET POSITION	2,656,194	(20,212)
FIDUCIARY NET POSITION (DEFICIT):		
Beginning of year,	(45,893,831)	485,286
End of year	<u>\$ (43,237,637)</u>	<u>\$ 465,074</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS



City of Hercules
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For the Year Ended June 30, 2023

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City of Hercules
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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 of America (“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 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 (the “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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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.

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. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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, technology services, 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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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 the purchase method.

H. 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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

I. 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.

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.

Right to use the lease assets are reported as intangible assets along with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Leases (Continued)

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 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.

The City has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in the financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year. At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the City's incremental borrowing rate and the City recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

J. Subscription Based Information Technology Arrangements (“SBITA”) Asset and Liabilities

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Subscription Based Information Technology Arrangements (“SBITA”) Asset and Liabilities (Continued)

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which the City has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

	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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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:

<u>CalPERS</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 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.

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:

<u>OPEB</u>	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Other Postemployment Benefits (“OPEB”) (Continued)

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

The Statement of Net Position and the Balance Sheet – Governmental Funds report 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.

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.

U. 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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Fund Balances (Continued)

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.

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

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

X. Implementation of New GASB Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect to the City's financial statements for the fiscal year ended June 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94), to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Implementation of this Statement did not have a significant effect to the City's financial statements for the fiscal year ended June 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Under this Statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset. The effective date of GASB Statement No. 96 is for fiscal years beginning after June 15, 2022. Implementation of this Statement resulted in restatement of beginning balance of capital assets (Note 6) and long-term debt liabilities (Note 7) at July 1, 2022.

In March 2022, GASB issued Statement No. 99, *Omnibus 2022*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect to the City's financial statements for the fiscal year ended June 30, 2023.

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, 2023:

	Primary Government		Fiduciary	
	Governmental Activities	Business-type Activities	Funds	Total
Cash and investments	\$ 39,580,360	\$ 18,830,203	\$ 9,885,393	\$ 68,295,956
Cash and investments with fiscal agent	2,068,440	8,327,888	89,297	10,485,625
Cash and investments held in trust	2,141,823	-	-	2,141,823
Total	\$ 43,790,623	\$ 27,158,091	\$ 9,974,690	\$ 80,923,404

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

The City's cash and investments at June 30, 2023 in more detail:

Cash on hand	\$ 2,005
Deposits with financial institutions	9,851,403
Deposits with trust	2,141,823
Investments	68,928,173
Total	\$ 80,923,404

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$9,851,403 at June 30, 2023. Bank balances at that date were \$10,048,741 and 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, 2023

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:

Disclosures Relating to Interest Rate Risk

Investment Type	Total	Maturity 12 Months or Less
Investments:		
Local Agency Investment Fund	\$ 58,324,861	\$ 58,324,861
Investments with fiscal agents:		
Money Market Mutual Funds	10,603,312	10,603,312
Total	\$ 68,928,173	\$ 68,928,173

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

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	\$ 58,324,861	N/A	\$ -	\$ 58,324,861
Investments with fiscal agents:				
Money Market Mutual Funds	10,603,312	N/A	10,603,312	-
Total	\$ 68,928,173		\$ 10,603,312	\$ 58,324,861

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.

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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, 2023 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, 2023, the City had \$58,324,861 invested in LAIF, which had invested 2.78% of the pool investment funds in structured notes and asset-backed securities.

F. Investment in Money Market Mutual Funds

At June 30, 2023, investments in money market mutual funds are reported at fair value. The City values investments in money market mutual funds at the 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 funds offer same day liquidity and as of June 30, 2023 the City had \$10,603,312 invested in Money Market Mutual Funds.

Note 3 – Loans Receivable

A. Governmental Activities

At June 30, 2023, loans receivable consisted of the following:

Bio-Rad Loan	\$ 1,382,899
Total	<u>\$ 1,382,899</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, 2023 was \$1,382,899.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements

At June 30, 2023, loans receivable consisted of the following:

Business Development Loans	\$ 1,275,893
Bridge Housing Corporation	2,241,440
Home Emergency Loan	8,293
First Time Homebuyers	730,196
Homeowner Retention/Loss Mitigation	2,377,285
Revitalization and Beautification	176,607
Other Assistance Programs	1,056,288
Total	<u>\$ 7,866,002</u>

Amounts shown above are net of an allowance for uncollectible accounts of \$588,610 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, 2023, lease receivable consisted of the following:

Bio-Rad Laboratories, Inc.	\$ 8,374,470
Other lease receivable	531,912
Total	<u>\$ 8,906,382</u>

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).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Lease Receivable (Continued)

A. Bio-Rad Laboratories Lease Receivable (Continued)

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, 2023, the City recognized \$227,732 in lease revenue and \$686,994 in interest revenue.

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

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
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	379,042	566,943	945,985
2029-2033	2,608,372	2,273,248	4,881,620
2034-2038	4,032,092	952,668	4,984,760
2039	165,724	164	165,888
	<u>\$ 8,374,470</u>	<u>\$ 6,325,207</u>	<u>\$ 14,699,677</u>

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, 2023, the City recognized \$129,301 in lease revenue and \$14,339 in interest revenue. The outstanding receivables are in the amounts of \$531,912. The future required payments for these leases, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 123,057	\$ 11,222	\$ 134,279
2025	91,726	8,737	100,463
2026	95,028	6,518	101,546
2027	91,306	4,226	95,532
2028	48,458	2,500	50,958
2029-2032	82,337	4,063	86,400
	<u>\$ 531,912</u>	<u>\$ 37,266</u>	<u>\$ 569,178</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Interfund Transactions

A. Due From and To Other Funds

At June 30, 2023, 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	\$ 478,632
General Fund	Nonmajor Governmental Funds	705,652
		<u>\$ 1,184,284</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

The City had the following transfers for the year ended June 30, 2023:

Transfer In	Transfer Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 150,050
General Fund	American Resecue Plan Act Special Revenue Fund	3,142,889
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	Nonmajor Governmental Funds	84,554
Hercules Debt Service Fund	General Fund	468,499
Nonmajor Governmental Funds	General Fund	1,807,860
	Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	312,226
Nonmajor Governmental Funds	Nonmajor Governmental Funds	961,988
	Total	<u>\$ 6,928,066</u>

\$3,292,889 transferred to the General Fund included the \$150,000 from the Nonmajor Special Revenue Fund for the public safety related expenditures and the \$3,142,889 from the American Rescue Plan Act Special Revenue Fund for the public safety related expenditures.

\$84,554 transfers to Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund from the Nonmajor Governmental Funds for the City's general benefit contributions. \$468,499 transferred to the Debt Service Fund from the General Fund for the debt service payments.

\$3,082,074 transferred to the Nonmajor Governmental Funds includes:

- \$1,807,860 from the General Fund for the debt service payments and the Hercules Hub capital project appropriation approved by City Council, created a new nonmajor fund for restricted funds previously residing in the General Fund for the General Plan Update Fee.
- \$312,226 from Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund for the City's general benefit obligations.
- \$961,988 from Nonmajor Governmental Funds for the City's general benefit contributions and creating a new nonmajor fund for restricted funds previously residing the Gas Tax Fund for the Road Rehabilitation revenues.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022 (Restated)	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 5,081,587	\$ -	\$ -	\$ -	\$ 5,081,587
Construction in progress	1,004,447	2,522,049	-	(1,966,120)	1,560,376
Total nondepreciable assets	6,086,034	2,522,049	-	(1,966,120)	6,641,963
Depreciable assets:					
Land improvements	15,812,311	99,003	-	-	15,911,314
Building and improvements	26,323,217	619,498	(150,532)	-	26,792,183
Machinery and equipment	5,781,572	-	-	1,966,120	7,747,692
Infrastructure	113,444,645	-	-	-	113,444,645
Subtotal	161,361,745	718,501	(150,532)	1,966,120	163,895,834
Less: accumulated depreciation:					
Land improvements	(9,989,559)	(249,530)	-	-	(10,239,089)
Building and improvements	(11,504,465)	(735,577)	150,532	-	(12,089,510)
Machinery and equipment	(7,439,871)	(240,323)	-	-	(7,680,194)
Infrastructure	(60,275,185)	(2,307,234)	-	-	(62,582,419)
Subtotal	(89,209,080)	(3,532,664)	150,532	-	(92,591,212)
Total depreciable assets, net	72,152,665	(2,814,163)	-	1,966,120	71,304,622
Total capital assets, net	78,238,699	(292,114)	-	-	77,946,585
Intangible, being amortized					
Right-to-use lease assets	27,668	8,870	(1,760)	-	34,778
Right-to-use subscription assets	90,502	-	-	-	90,502
Total intangible assets, being amortized	118,170	8,870	(1,760)	-	125,280
Less: accumulated amortization:					
Right-to-use lease assets	(11,171)	(9,323)	-	-	(20,494)
Right-to-use subscription assets	-	(28,206)	-	-	(28,206)
Total accumulated amortization	(11,171)	(37,529)	-	-	(48,700)
Total intangible assets, being amortized, net	106,999	(28,659)	(1,760)	-	76,580
Governmental activities capital assets, net	\$ 78,345,698	\$ (320,773)	\$ (1,760)	\$ -	\$ 78,023,165

Depreciation and amortization expenses were charged to functions/programs of governmental activities for the year ended June 30, 2023 as follows:

Depreciation and Amortization Expenses	Allocation
General government	\$ 491,728
Public safety	48,256
Public works	2,610,388
Parks and recreation	204,469
Internal service funds	215,352
Total	\$ 3,570,193

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	981,195	2,283,619	-	3,264,814
Total nondepreciable assets	<u>1,172,895</u>	<u>2,283,619</u>	<u>-</u>	<u>3,456,514</u>
Depreciable assets:				
Building and improvements	38,325,271	-	-	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	14,945,319	-	-	14,945,319
Subtotal	<u>53,520,935</u>	<u>-</u>	<u>-</u>	<u>53,520,935</u>
Less: accumulated depreciation:				
Building and improvements	(11,007,031)	(137,358)	-	(11,144,389)
Machinery and equipment	(215,394)	(4,560)	-	(219,954)
Infrastructure	(4,385,426)	(848,323)	-	(5,233,749)
Subtotal	<u>(15,607,851)</u>	<u>(990,241)</u>	<u>-</u>	<u>(16,598,092)</u>
Total depreciable assets, net	<u>37,913,084</u>	<u>(990,241)</u>	<u>-</u>	<u>36,922,843</u>
Total capital assets, net	<u>\$ 39,085,979</u>	<u>\$ 1,293,378</u>	<u>\$ -</u>	<u>\$ 40,379,357</u>

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

	Depreciation Expenses	Allocation
Wastewater		\$ 990,241
Total		<u>\$ 990,241</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets (Continued)

C. Fiduciary Fund Financial Statements

Summary of changes in Fiduciary Fund capital assets for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Retirements	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 236,986	\$ -		\$ -	\$ 236,986
Construction in progress	13,853,698	-	-	-	13,853,698
Total nondepreciable assets	14,090,684	-	-	-	14,090,684
Depreciable assets:					
Land improvements	9,765,373	11,378	-	-	9,776,751
Building and improvements	4,967,778	-	-	-	4,967,778
Machinery and equipment	116,445	-	-	-	116,445
Infrastructure	6,206,831	-	-	-	6,206,831
Subtotal	21,056,427	11,378	-	-	21,067,805
Less: accumulated depreciation:					
Land improvements	(5,320,726)	(190,059)	-	-	(5,510,785)
Building and improvements	(3,343,134)	(107,622)	-	-	(3,450,756)
Machinery and equipment	(75,530)	(6,294)	-	-	(81,824)
Infrastructure	(3,962,265)	(276,734)	-	-	(4,238,999)
Subtotal	(12,701,655)	(580,709)	-	-	(13,282,364)
Total depreciable assets, net	8,354,772	(569,331)	-	-	7,785,441
Total capital assets, net	\$ 22,445,456	\$ (569,331)	\$ -	\$ -	\$ 21,876,125

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	\$ 580,709
Total	<u>\$ 580,709</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in Governmental Activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022 (Restated)	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Publicly Offered:						
2009 PFA Taxable Lease Revenue Bonds	\$ 8,165,000	\$ -	\$ (235,000)	\$ 7,930,000	\$ 255,000	\$ 7,675,000
Less: Discount on issuance	(276,738)	-	17,297	(259,441)	-	(259,441)
2020 PFA Lease Revenue Refunding Bonds	5,876,843	-	(386,663)	5,490,180	448,561	5,041,619
H.E.L.P. Loan	1,439,588	-	(76,067)	1,363,521	75,933	1,287,588
R.D.L.P. Loan	3,750,000	-	-	3,750,000	-	3,750,000
Engie Energy Conservation Loan	4,115,542	-	(114,900)	4,000,642	127,479	3,873,163
SunTrust Loan	100,180	-	(100,180)	-	-	-
Lease liability	16,660	8,870	(11,004)	14,526	8,879	5,647
Subscription liability	90,503	-	(33,567)	56,936	32,988	23,948
Settlement payable	604,025	-	(604,025)	-	-	-
Compensated Absences	655,560	510,651	(436,779)	729,432	547,073	182,359
Total	\$ 24,537,163	\$ 519,521	\$ (1,980,888)	\$ 23,075,796	\$ 1,495,913	\$ 21,579,883

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, 2023 are \$7,930,000 and \$259,441, 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
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	350,000	552,953	902,953
2029-2033	2,235,000	2,257,343	4,492,343
2034-2038	3,345,000	1,102,290	4,447,290
2039	845,000	35,490	880,490
Total	\$ 7,930,000	\$ 6,417,905	\$ 14,347,905

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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: \$435,857, and \$53,463 during years ended 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
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	489,075	75,087	564,162
2029-2033	2,600,536	207,049	2,807,585
2034	552,519	6,105	558,624
Total	\$ 5,490,180	\$ 692,933	\$ 6,183,113

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, 2023 is \$1,363,521.

The annual debt service requirements to maturity for the H.E.L.P. Loan as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 75,933	\$ 24,067	\$ 100,000
2025	76,133	23,867	100,000
2026	1,211,455	18,733	1,230,188
Total	\$ 1,363,521	\$ 66,667	\$ 1,430,188

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023 is \$3,750,000.

The annual debt service requirements to maturity for the R.D.L.P. Loan as of June 30, 2023 are as follows:

June 30,	Principal	Interest	Total
2024	\$ -	\$ 100,000	\$ 100,000
2025	-	100,000	100,000
2026	3,750,000	113,572	3,863,572
Total	\$ 3,750,000	\$ 313,572	\$ 4,063,572

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, 2023 is \$4,000,642.

The annual debt service requirements to maturity for the rental payment as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	173,379	93,262	266,641
2029-2033	1,131,322	386,609	1,517,931
2034-2038	1,371,560	209,360	1,580,920
2039-2041	765,133	41,804	806,937
Total	\$ 4,000,642	\$ 1,143,398	\$ 5,144,040

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. The Master Lease Agreement matured on September 27, 2022.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Lease Liability

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, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 8,879	\$ 228	\$ 9,107
2025	1,838	114	1,952
2026	1,882	70	1,952
2027	1,927	25	1,952
Total	<u>\$ 14,526</u>	<u>\$ 437</u>	<u>\$ 16,915</u>

Subscription Liability

The City has entered into subscriptions for information technology arrangements. The terms of the arrangements range from 30 to 55 months with implicit rates used between 2.354% to of 2.536%. Principal and interest to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 32,988	\$ 1,444	\$ 34,432
2025	11,824	607	12,431
2026	12,124	308	12,432
Total	<u>\$ 56,936</u>	<u>\$ 2,359</u>	<u>\$ 59,295</u>

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").

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Settlement Payable (Continued)

In this settlement, the City and Successor Agency is obligated to pay up to \$3.6 million to Auditor-Controller. The settlement payable reflected was fully paid off during the year ended June 30, 2023.

Compensated Absences

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

B. Business-Type Activities

Summary of changes in Business-Type Activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
State Water Resources Construction Loan						
Construction Loan	\$ 23,259,518	\$ -	\$ (2,249,812)	\$ 21,009,706	\$ 1,153,672	\$ 19,856,034
Wastewater Revenue Bonds, Series 2021A	8,450,000	-	(355,000)	8,095,000	365,000	7,730,000
Compensated Absences	51,749	30,440	(30,023)	52,166	39,125	13,041
Total	<u>\$ 31,761,267</u>	<u>\$ 30,440</u>	<u>\$ (2,634,835)</u>	<u>\$ 29,156,872</u>	<u>\$ 1,557,797</u>	<u>\$ 27,599,075</u>

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, 2023. The balance at June 30, 2023 is \$21,009,706.

The annual debt service requirements to maturity for as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,153,672	\$ 357,165	\$ 1,510,837
2025	1,173,285	337,553	1,510,838
2026	1,193,230	317,606	1,510,836
2027	1,213,515	297,322	1,510,837
2028	1,234,145	276,692	1,510,837
2029-2033	6,492,658	1,061,529	7,554,187
2034-2038	7,063,618	490,567	7,554,185
2039	1,485,583	25,255	1,510,838
Total	<u>\$ 21,009,706</u>	<u>\$ 3,163,689</u>	<u>\$ 24,173,395</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Wastewater Revenue Bonds, Series 2021A

In July, 2021, the City issued the Direct Purchase Lease in the amount of \$8,450,000. 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, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	400,000	151,725	551,725
2029-2033	2,150,000	609,280	2,759,280
2034-2038	2,425,000	337,544	2,762,544
2039-2041	1,600,000	57,715	1,657,715
Total	<u>\$ 8,095,000</u>	<u>\$ 1,855,746</u>	<u>\$ 9,950,746</u>

C. Fiduciary Fund Financial Statements

A summary of changes in Fiduciary Fund long-term debt for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Publicly Offered:						
2022A Tax Allocation	\$ 29,510,000	\$ -	\$ -	\$ 29,510,000	\$ -	\$ 29,510,000
Plus: Bond Premium	3,013,808	-	(150,065)	2,863,743	-	2,863,743
2022B Tax Allocation - Federerally Taxable	51,180,000	-	(2,600,000)	48,580,000	-	48,580,000
Notes Payable	412,516	-	(49,259)	363,257	-	363,257
Total	<u>\$ 84,116,324</u>	<u>\$ -</u>	<u>\$ (2,799,324)</u>	<u>\$ 81,317,000</u>	<u>\$ -</u>	<u>\$ 81,317,000</u>

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Long-Term Debt (Continued)

C. Fiduciary Fund Financial Statements (Continued)

2022 Tax Allocation Bonds Series A and B (Continued)

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, 2023 for the Series A and B are \$29,510,000 and \$48,580,000.

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, 2023 are as follows:

2022 Series A

Year Ending June 30,	Principal	Interest	Total
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	-	1,475,500	1,475,500
2029-2033	-	7,377,500	7,377,500
2034-2038	14,510,000	4,482,750	18,992,750
2039-2043	15,000,000	1,948,000	16,948,000
Total	\$ 29,510,000	\$ 21,185,750	\$ 50,695,750

2022 Series B

Year Ending June 30,	Principal	Interest	Total
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	4,635,000	1,522,466	6,157,466
2029-2033	26,410,000	5,261,775	31,671,775
2034-2035	8,305,000	318,436	8,623,436
Total	\$ 48,580,000	\$ 15,387,583	\$ 63,967,583

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, Bio Rad Laboratories, and Eden Housing) 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, 2023, the Agency's long-term notes payable for East Group, Bio Rad Laboratories, and Eden Housing were \$130,911, \$216,160 and \$16,186, respectively.

D. *Non-City Obligations*

The following 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, 2023
Refunding Reassessment District 2005-1	\$ 3,006,859	\$ 2,454,484

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans

Summary of 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, 2023 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contributions made after measurement date:			
CalPERS Miscellaneous	\$ 757,661	\$ 105,146	\$ 862,807
CalPERS Safety	1,240,453	-	1,240,453
Total pension contribution made after measurement date	1,998,114	105,146	2,103,260
Change of assumptions:			
CalPERS Miscellaneous	806,972	111,989	918,961
CalPERS Safety	1,087,677	-	1,087,677
Total pension contribution made after measurement date	1,894,649	111,989	2,006,638
Difference between projected and actual investment earnings:			
CalPERS Miscellaneous	1,442,513	200,188	1,642,701
CalPERS Safety	1,703,453	-	1,703,453
Total difference between projected and actual investment earnings:	3,145,966	200,188	3,346,154
Adjustment due to difference in proportions			
CalPERS Miscellaneous	42,334	5,875	48,209
Total adjustment due to difference in proportions	42,334	5,875	48,209
Difference between expected and actual experience			
CalPERS Miscellaneous	158,148	21,947	180,095
CalPERS Safety	446,442	-	446,442
Total difference between expected and actual experience	604,590	21,947	626,537
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	-	-	-
CalPERS Safety	238,620	-	238,620
Total employer contributions in excess of proportionate share of contribution	238,620	-	238,620
Total deferred outflows of resources			
CalPERS Miscellaneous	3,207,628	445,145	3,652,773
CalPERS Safety	4,716,645	-	4,716,645
Total deferred outflows of resources	\$ 7,924,273	\$ 445,145	\$ 8,369,418
Net pension liabilities:			
CalPERS Miscellaneous	\$ 7,875,122	\$ 1,092,885	\$ 8,968,007
CalPERS Safety	10,787,186	-	10,787,186
Total net pension liabilities	\$ 18,662,308	\$ 1,092,885	\$ 19,755,193

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

	Governmental Activities	Business-Type Activities	Total
Deferred inflows of resources:			
Adjustment due to difference in proportions			
CalPERS Miscellaneous	\$ 308,253	\$ 42,779	\$ 351,032
CalPERS Safety	1,392,034	-	1,392,034
Total adjustment due to difference in proportions	1,700,287	42,779	1,743,066
Difference between expected and actual experience:			
CalPERS Miscellaneous	105,921	14,699	120,620
CalPERS Safety	117,141	-	117,141
Total difference between projected and actual investment earnings:	223,062	14,699	237,761
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	570,224	79,134	649,358
CalPERS Safety	113,051	-	113,051
Total employer contributions in excess of proportionate share of contribution	683,275	79,134	762,409
Total deferred inflows of resources			
CalPERS Miscellaneous	984,398	136,612	1,121,010
CalPERS Safety	1,622,226	-	1,622,226
Total deferred inflows of resources	\$ 2,606,624	\$ 136,612	\$ 2,743,236
Pension expenses (credits):			
CalPERS Miscellaneous	\$ (2,634)	\$ 195,007	\$ (192,373)
CalPERS Safety	1,071,182	-	1,071,182
Total net pension expenses	\$ 1,068,548	\$ 195,007	\$ 878,809

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Employees Covered by Benefit Terms

At valuation date of June 30, 2021, the following employees were covered by the benefit terms:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	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, 2023, are summarized below:

	Miscellaneous Classic	Miscellaneous PEPRA	Safety Classic	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	10.320%	7.470%	23.750%	21.840%	12.780%

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

A. General Information About the Pension Plans (Continued)

Benefits Provided (Continued)

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, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>CalPERS Total</u>
Contributions - employer	\$ 862,807	\$ 1,240,453	\$ 2,103,260

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, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 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	6.90%
Inflation	2.30%
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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension and fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class¹	Assumed Asset	
	Allocation	Real Return^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used

² Figures are based on the 2021 Asset Liability Management study.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90%, 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 (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous	\$ 13,517,763	\$ 8,968,007	\$ 5,224,687
Safety	\$ 16,786,473	\$ 10,787,186	\$ 5,884,123

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.

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: 6/30/21 (Valuation date)	\$ 31,470,190	\$ 26,955,968	\$ 4,514,222
Balance at: 6/30/22 (Measurement date)	33,376,042	24,408,035	8,968,007
Net changes during 2021-2022	<u>\$ 1,905,852</u>	<u>\$ (2,547,933)</u>	<u>\$ 4,453,785</u>
Safety			
Balance at: 6/30/21 (Valuation date)	\$ 38,998,377	\$ 33,619,977	\$ 5,378,400
Balance at: 6/30/22 (Measurement date)	43,442,114	32,654,928	10,787,186
Net changes during 2021-2022	<u>\$ 4,443,737</u>	<u>\$ (965,049)</u>	<u>\$ 5,408,786</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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)

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).

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, 2021	0.08347%	0.09945%
Proportion - June 30, 2022	0.07764%	0.09339%
Change - Increase/(Decrease)	<u>-0.00583%</u>	<u>-0.00606%</u>

For the year ended June 30, 2023, the City recognized pension expense (credit) of \$(192,373) and \$1,071,182, for the Miscellaneous and Safety plans, respectively.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

At June 30, 2023, the City 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
Contributions made after the measurement date	\$ 862,807	\$ -
Change of assumptions	918,961	-
Difference between expected and actual experience	180,095	(120,620)
Net difference between projected and actual earnings on pension plan investments	1,642,701	-
Employer contributions in excess/(under) proportionate share of contributions	-	(649,358)
Adjustments due to difference in proportions	48,209	(351,032)
Total	<u>\$ 3,652,773</u>	<u>\$ (1,121,010)</u>
Safety Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 1,240,453	\$ -
Change of assumptions	1,087,677	-
Difference between expected and actual experience	446,442	(117,141)
Net difference between projected and actual earnings on pension plan investments	1,703,453	-
Employer contributions in excess/(under) proportionate share of contributions	238,620	(113,051)
Adjustments due to difference in proportions	-	(1,392,034)
Total	<u>\$ 4,716,645</u>	<u>\$ (1,622,226)</u>
CalPERS Aggregate Total		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 2,103,260	\$ -
Change of assumptions	2,006,638	-
Difference between expected and actual experience	626,537	(237,761)
Net difference between projected and actual earnings on pension plan investments	3,346,154	-
Employer contributions in excess/(under) proportionate share of contributions	238,620	(762,409)
Adjustments due to difference in proportions	48,209	(1,743,066)
Total	<u>\$ 8,369,418</u>	<u>\$ (2,743,236)</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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)

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 2021-22 measurement period is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired).

\$862,807 and \$1,240,453 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, 2024. 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
2023	\$ 239,056	\$ 280,840	\$ 519,896
2024	226,217	292,840	519,057
2025	198,949	241,159	440,108
2026	1,004,734	1,039,127	2,043,861
2027	-	-	-
Thereafter	-	-	-
Total	\$ 1,668,956	\$ 1,853,966	\$ 3,522,922

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Retirement Plans (Continued)

D. Payable to the CalPERS Pension Plans

At June 30, 2023, the City had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2023.

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.

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%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits

The City provides Retiree Healthcare Plan (“PEHMCA”) and Retiree Cash Benefit Plan (“SOMAR Plan”). Summary of 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, 2023 are as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 10,838	\$ 614	\$ 11,452
SOMAR	354,764	20,092	374,856
Total difference between expected and actual experience	365,602	20,706	386,308
Changes of assumptions			
PEHMCA	387,811	21,944	409,755
SOMAR	278,340	15,746	294,086
Total employer contributions in excess of proportionate share of	387,811	21,944	409,755
Difference between projected and actual investment earnings:			
PEHMCA	195,347	11,064	206,411
Total difference between projected and actual investment	195,347	11,064	206,411
Total deferred outflows of resources			
PEHMCA	593,996	33,622	627,618
SOMAR	633,104	35,838	668,942
Total deferred outflows of resources	\$ 1,227,100	\$ 69,460	\$ 1,296,560
Net OPEB liabilities (assets):			
PEHMCA	\$ (214,332)	\$ (12,132)	\$ (226,464)
SOMAR	1,782,098	100,875	1,882,973
Total net OPEB liabilities (assets)	\$ 1,567,766	\$ 88,743	\$ 1,656,509
Deferred inflows of resources:			
Difference between expected and actual experience			
PEHMCA	\$ 1,454,149	\$ 82,306	\$ 1,536,455
SOMAR	276,450	15,640	292,090
Total difference between expected and actual experience	1,730,599	97,946	1,828,545
Changes of assumptions			
PEHMCA	178,579	10,114	188,693
SOMAR	282,806	16,018	298,824
Total changes of assumptions	461,385	26,132	487,517
Total deferred inflows of resources			
PEHMCA	1,632,728	92,420	1,725,148
SOMAR	559,256	31,658	590,914
Total deferred inflows of resources	\$ 2,191,984	\$ 124,078	\$ 2,316,062
OPEB expenses (credits):			
PEHMCA	\$ 99,435	\$ 5,233	\$ 104,668
SOMAR	123,565	6,178	123,565
Total OPEB expenses	\$ 223,000	\$ 11,411	\$ 228,233

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

A. Retiree Healthcare Plan (PEHMCA)

Plan Descriptions and Administration

The City Retiree Healthcare Plan (“PEHMCA”) 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 (\$149/month for 2022 and 2023).

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, 2023 were \$109,733 including the implied rate subsidy.

Employees Covered by Benefit Terms

At June 30, 2023, valuation date, the following employees were covered by the benefit terms:

Active Employees Eligible for Future Benefits	60
Retirees Currently Receiving Benefits	18
	<u>78</u>

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023 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	2021 CalPERS Mortality
Healthcare Trend Rate	4%

The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS for the miscellaneous participant type and the 2021 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.

Changes of Assumptions

There were not discount rate changes. However, the demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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%
	100.00%	

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	\$ 2,545,005	\$ 2,559,249	\$ (14,244)
Changes Recognized for the Measurement Period:			
Service Cost	138,804	-	138,804
Interest on the total OPEB liability	131,816	-	131,816
Contributions from the employer	-	109,733	(109,733)
Expected investment income	(595,870)	131,414	(727,284)
Investment (gains)/losses	-	(7,302)	7,302
Administrative expenses	-	(15,045)	15,045
Changes in assumptions	331,830	-	331,830
Benefit payments	(109,733)	(109,733)	-
Net Changes during July 1, 2022 to June 30, 2023	(103,153)	109,067	(212,220)
Balance at June 30, 2023 (Measurement Date)	\$ 2,441,852	\$ 2,668,316	\$ (226,464)

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%)
\$ 102,256	\$ (226,464)	\$ (499,699)

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%
\$ (569,198)	\$ (226,464)	\$ 205,600

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized OPEB expense of \$104,668 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, 2023, 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	\$ 11,452	\$ (1,536,455)
Changes of assumptions	409,755	(188,693)
Net difference between projected and actual earning on OPEB plan investments	206,411	-
Total	<u>\$ 627,618</u>	<u>\$ (1,725,148)</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
2024	\$ (59,562)
2025	(122,457)
2026	(84,390)
2027	(180,333)
2028	(181,791)
Thereafter	(468,997)
Total	<u>\$ (1,097,530)</u>

Liquidating PEHMAC OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

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 \$377/per month for 2022 and \$388/per month for 2023 (Police), \$283 for 2022 and \$292/per month for 2023 (Executive Management), and are contractually indexed each year by 3%.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Plan Description (Continued)

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

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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Employees Covered by Benefit Terms

At the June 30, 2023 measurement date, the following employees were covered by the benefit terms:

	<u>Executives</u>	<u>Police</u>	<u>Total</u>
Participating active employees	10	24	34
Inactive employees receiving benefits	3	11	14
Total	<u>13</u>	<u>35</u>	<u>48</u>

Benefits Provided

The SOMAR plan's provisions and benefits in effect at June 30, 2023, are summarized below:

	<u>Executives</u>	<u>Police</u>
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	\$292 per month pre- 65; based on Kaiser premium post-65	\$388 per month pre- 65; based on Kaiser premium post-65

Contributions

For the year ended June 30, 2023, the contributions recognized as part of OPEB expense for the SOMAR plan were as follows:

	<u>SOMAR Plan</u>
Contributions - employer	<u>\$ 42,990</u>

Actuarial Assumptions

The net OPEB liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2022 using the following actuarial assumptions.

Cost method	Entry age normal
Discount Rate	3.65%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2021 CalPERS tables

The mortality assumptions are based on the 2021 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.

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Changes of Assumptions

The interest assumption changed from 3.54% to 3.65%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

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, 2023:

	SOMAR Plan		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	\$ 1,341,133	\$ -	\$ 1,341,133
Changes Recognized for the Measurement Period:			
Service cost	67,118	-	67,118
Interest on the total pension liability	47,903	-	47,903
Changes of benefit terms	-	-	-
Difference between expected and actual experience	411,971	-	411,971
Changes of assumptions	57,838	-	57,838
Contributions from the employer as benefit payments	-	42,990	(42,990)
Net investment income	-	-	-
Administrative expenses	-	-	-
Benefit payments	(42,990)	(42,990)	-
Net changes during July 1, 2022 to June 30, 2023	541,840	-	541,840
Balance at June 30, 2023 (measurement date)	\$ 1,882,973	\$ -	\$ 1,882,973

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.65%. based on the Bond Buyer 20 Bond Index.

Changes of Assumption

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% (2.65%)	Current Discount Rate (3.65%)	Discount Rate + 1% (4.65%)
\$ 2,239,566	\$ 1,882,973	\$ 1,603,523

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Other Postemployment Benefits (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Relate to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$123,565 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, 2023, 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	\$ 374,856	\$ (292,090)
Changes of assumptions	294,086	(298,824)
Total	<u>\$ 668,942</u>	<u>\$ (590,914)</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	SOMAR Plan Deferred Outflows/ (Inflows) of Resources
2024	\$ 8,544
2025	8,544
2026	8,544
2027	8,544
2028	8,544
Thereafter	35,308
Total	<u>\$ 78,028</u>

Liquidating SOMAR OPEB Liability

OPEB liabilities are liquidated principally by the General Fund.

Payable to the OPEB Plan

At June 30, 2023, the City had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2023.

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).

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – 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

At June 30, 2023, the City's estimated claims liabilities were as follows:

General liabilities	\$ 227,881
Workers' Compensation	170,492
Total	<u>\$ 398,373</u>

The City's claims liability of \$398,373 are considered to be current and reported under the general fund. Changes in the claims liabilities for the fiscal years ended June 30, 2023, 2022 and 2021 are as follows:

Fiscal Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2019-2020	\$ 587,080	\$ 452,015	\$ (462,751)	\$ 576,344
2020-2021	576,344	343,845	(686,235)	233,954
2021-2022	233,954	482,177	(317,758)	398,373

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, 2023

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, 2023, the outstanding commitments are in the amount of \$14,253,264. Details are as follows:

Governmental Funds:	
General Fund	\$ 538,998
Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund	33,688
Other Governmental Funds	1,334,603
Proprietary Funds:	
Wastewater Enterprise Fund	12,231,185
Internal Service Funds	114,790
Total	<u><u>\$ 14,253,264</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, 2023

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, 2023, the following funds had a deficit fund balance/net position:

Nonmajor Special Revenue Funds:			
Victoria by the bay LLAD No. 2002-01		\$	(407,455)
Baywood LLAD No. 2004-1		\$	(72,434)
Stormwater		\$	(144,286)
Fiduciary Funds:			
Successor Agency Private Purpose Trust Fund		\$	(43,237,637)

Landscape & Lighting Assessment District (LLAD) No. 83-2 Special Revenue Fund negative fund balance of \$407,455 will be financed through future assessments.

Victoria by the bay LLAD No. 2002-01 Special Revenue Fund negative fund balance of \$72,434 will be financed through future assessments.

The Stormwater Special Revenue Fund negative fund balance of \$144,286 will be financed through future assessments.

Private Purpose Trust Fund negative net position of \$41,092,868 will be financed through future Redevelopment Property Tax Trust Fund.

B. Expenditures in Excess of Appropriations

The fulling funds had expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Major Governmental Funds:			
General Fund			
Public safety	\$ 8,149,632	\$ 8,488,163	\$ 338,531
Streets and public works	573,149	892,199	319,050
Parks and recreation	2,148,769	2,408,849	260,080
Capital outlay	61,139	78,305	17,166
Principal	604,025	712,590	108,565
Hercules Debt Service Fund			
Interest and fiscal agent fee	801,000	804,147	3,147

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – Stewardship, Compliance, and Accountability (Continued)

B. Expenditures in Excess of Appropriations (Continued)

Fund	Appropriations	Expenditures	Excess of Expenditures over Appropriations
Nonmajor Governmental Funds:			
Baywood LLAD No. 2004-1 Special Revenue Fund			
Streets and public works	\$ 133,820	\$ 145,495	\$ 11,675
Capital outlays	-	140,000	140,000
Bayside LLAD No. 2005-1 Special Revenue Fund			
Streets and public works	117,179	149,524	32,345
Arterial Roadways Special Revenue Fund			
Streets and public works	334,614	423,871	89,257
Stormwater Special Revenue Fund			
Streets and public works	401,164	422,703	21,539
AB939 JPA Special Revenue Fund			
Streets and public works	9,529	11,002	1,473
Capital outlays	109,361	110,570	1,209
Bart Park and Ride Special Revenue Fund			
Streets and public works	17,192	31,237	14,045

City of Hercules
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Fund Balance Classification

The Governmental Fund's fund balance classification at June 30, 2023 is follows:

	Major Funds					
	General Fund	American Rescue Plan Act Special Revenue Fund	Landscape & Lighting Assessment District (LLAD) No. 83-2	Hercules Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid items	\$ 9,975	\$ -	\$ -	\$ -	\$ -	\$ 9,975
Total Nonspendable	<u>9,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,975</u>
Restricted for:						
Pension section 115 trust	2,141,823	-	-	-	-	2,141,823
Debt service	-	-	-	2,068,440	-	2,068,440
Streets and roads	-	-	-	-	1,094,970	1,094,970
Development services	-	-	-	-	1,201,493	1,201,493
Development impact fees	-	-	-	-	1,712,457	1,712,457
Public safety	-	-	-	-	253,646	253,646
Integrated waste management	-	-	-	-	777,682	777,682
Transportation	-	-	-	-	320,448	320,448
Assessment district	-	-	106,157	-	750,201	856,358
Regional water quality	-	-	-	-	52,188	52,188
Total Restricted	<u>2,141,823</u>	<u>-</u>	<u>106,157</u>	<u>2,068,440</u>	<u>6,163,085</u>	<u>10,479,505</u>
Committed to:						
Capital projects	5,500,000	-	-	-	688,951	6,188,951
CalHFA loan repayment	2,500,000	-	-	-	-	2,500,000
Total Committed	<u>8,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,951</u>	<u>8,688,951</u>
Assigned:						
Assigned by City Manager:						
Earthquake insurance deductible	500,000	-	-	-	-	500,000
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
Economic uncertainty	4,209,139	-	-	-	-	4,209,139
Total Assigned	<u>6,196,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,196,869</u>
Unassigned (deficit)	<u>17,529,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(624,175)</u>	<u>16,904,850</u>
Total Unassigned	<u>17,529,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(624,175)</u>	<u>16,904,850</u>
Total Fund Balances	<u>\$ 33,877,692</u>	<u>\$ -</u>	<u>\$ 106,157</u>	<u>\$ 2,068,440</u>	<u>\$ 6,227,861</u>	<u>\$ 42,280,150</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
Total capital assets, net	\$ 78,023,165	\$ 40,379,357	\$ 118,402,522
Unspent capital bond proceeds	-	8,327,888	8,327,888
Capital related debt	(17,232,843)	(29,104,706)	(46,337,549)
Net investment in capital assets	<u>\$ 60,790,322</u>	<u>\$ 19,602,539</u>	<u>\$ 80,392,861</u>



**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**



City of Hercules
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

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 (US GAAP) 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.
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, 2023, 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. During the fiscal year ended June 30, 2023, there was no adopted budget for the Regional Water Quality Special Revenue Fund.



City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule
For the Year Ended June 30, 2023

General Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Taxes and assessments	\$ 11,323,000	\$ 11,723,000	\$ 13,135,848	\$ 1,412,848
Licenses and permits	478,000	457,000	471,189	14,189
Fines and forfeitures	38,000	38,000	46,057	8,057
Use of money and property	286,000	286,000	777,870	491,870
Intergovernmental	2,511,000	2,511,000	2,608,501	97,501
Charges for services	1,914,000	1,914,000	2,333,490	419,490
Other revenues	216,000	216,000	121,983	(94,017)
Total revenues	16,766,000	17,145,000	19,494,938	2,349,938
EXPENDITURES:				
Current:				
General government	4,414,419	4,652,092	4,538,391	113,701
Public safety	7,924,997	8,149,632	8,488,163	(338,531)
Streets and public works	382,985	573,149	892,199	(319,050)
Parks and recreation	2,107,122	2,148,769	2,408,849	(260,080)
Community development	817,965	913,847	537,341	376,506
Capital outlay	10,000	61,139	78,305	(17,166)
Debt services:				
Principal	604,025	604,025	712,590	(108,565)
Interest and fiscal agent fee	200,000	200,000	994	199,006
Total expenditures	16,461,513	17,302,653	17,656,832	(354,179)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	304,487	(157,653)	1,838,106	1,995,759
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	8,870	8,870
Transfers in	150,000	150,000	3,292,939	3,142,939
Transfers (out)	(932,934)	(1,048,513)	(2,276,359)	(1,227,846)
Total financing sources (uses)	(782,934)	(898,513)	1,025,450	1,923,963
NET CHANGES IN FUND BALANCE	\$ (478,447)	\$ (1,056,166)	2,863,556	\$ 3,919,722
FUND BALANCE:				
Beginning of year,			31,014,136	
End of year			<u>\$ 33,877,692</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2023

American Rescue Plan Act Special Revenue Fund

	Budgeted Amounts			Variance with
	Original	Final	Actuals	Final Budget
REVENUES:				
Intergovernmental	\$ 3,142,889	\$ 3,142,889	\$ 3,142,889	\$ -
Total revenues	<u>3,142,889</u>	<u>3,142,889</u>	<u>3,142,889</u>	<u>-</u>
EXPENDITURES:				
Capital outlay	<u>300,000</u>	<u>440,000</u>	<u>-</u>	<u>440,000</u>
Total expenditures	<u>300,000</u>	<u>440,000</u>	<u>-</u>	<u>440,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,842,889	2,702,889	3,142,889	440,000
OTHER FINANCING (USES)				
Transfers (out)	<u>-</u>	<u>-</u>	<u>(3,142,889)</u>	<u>(3,142,889)</u>
Total financing (uses)	<u>-</u>	<u>-</u>	<u>(3,142,889)</u>	<u>(3,142,889)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 2,842,889</u>	<u>\$ 2,702,889</u>	<u>-</u>	<u>\$ (2,702,889)</u>
FUND BALANCE:				
Beginning of year,			<u>-</u>	
End of year			<u>\$ -</u>	

City of Hercules
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2023

Landscape & Lighting Assessment District (LLAD) No. 83-2 Speical Revenue Fund

	Original Budget	Final Budget	Actuals	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 1,876,408	\$ 1,876,408	\$ 2,075,134	\$ 198,726
Use of money and property	201,063	201,063	23,790	(177,273)
Total revenues	<u>2,077,471</u>	<u>2,077,471</u>	<u>2,098,924</u>	<u>21,453</u>
EXPENDITURES:				
Current:				
Streets and public works	1,541,397	1,562,168	1,381,347	180,821
Capital outlay	220,000	257,397	148,451	108,946
Total expenditures	<u>1,761,397</u>	<u>1,819,565</u>	<u>1,529,798</u>	<u>289,767</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	316,074	257,906	569,126	311,220
OTHER FINANCING SOURCES (USES)				
Transfers in	24,725	24,725	84,554	59,829
Transfers (out)	(312,226)	(312,226)	(312,226)	-
Total financing sources (uses)	<u>(287,501)</u>	<u>(287,501)</u>	<u>(227,672)</u>	<u>59,829</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,573</u>	<u>\$ (29,595)</u>	341,454	<u>\$ 371,049</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(235,297)	
End of year			<u>\$ 106,157</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, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2022¹	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
City's Proportion of the Net Pension Liability	0.08%	0.83%	0.19%	0.17%	0.16%
City's Proportionate Share of the Net Pension Liability	\$ 8,968,007	\$ 4,514,222	\$ 7,840,808	\$ 7,154,193	\$ 6,686,045
City's Covered Payroll	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264	\$ 3,369,924
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	250%	158%	232%	210%	198%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.13%	85.66%	73.63%	75.07%	77.69%

Measurement Date:	Safety Plans				
	June 30, 2022¹	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
City's Proportion of the Net Pension Liability	0.09%	0.10%	0.09%	0.16%	0.14%
City's Proportionate Share of the Net Pension Liability	\$ 10,787,186	\$ 5,378,400	\$ 9,924,963	\$ 9,847,764	\$ 9,268,866
City's Covered Payroll	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574	\$ 2,436,633
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	322.98%	191.73%	367.20%	369.03%	380.40%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.17%	86.21%	73.17%	70.82%	73.39%

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, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans			
	June 30, 2017	June 30, 2016	June 30, 2015¹	June 30, 2014¹
City's Proportion of the Net Pension Liability	0.17%	0.17%	0.18%	0.19%
City's Proportionate Share of the Net Pension Liability	\$ 6,891,269	\$ 6,031,627	\$ 4,815,777	\$ 4,699,656
City's Covered Payroll	\$ 3,154,200	\$ 2,697,183	\$ 2,655,670	\$ 3,241,378
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	218%	224%	181%	145%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.39%	75.87%	78.32%	78.10%

Measurement Date:	Safety Plans			
	June 30, 2017	June 30, 2016	June 30, 2015¹	June 30, 2015¹
City's Proportion of the Net Pension Liability	0.16%	0.16%	0.18%	0.18%
City's Proportionate Share of the Net Pension Liability	\$ 9,323,198	\$ 8,509,821	\$ 7,337,854	\$ 6,858,740
City's Covered Payroll	\$ 2,591,015	\$ 2,220,165	\$ 2,118,549	\$ 1,942,665
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	359.83%	383.30%	346.36%	353.06%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	71.74%	72.69%	71.64%	72.43%

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the Pension Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

	Miscellaneous Plans				
Fiscal Year:	2022-23¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution ²	\$ 862,807	\$ 961,252	\$ 862,807	\$ 774,757	\$ 770,639
Contribution in Relation to the Actuarially Determined Contribution ²	(862,807)	(961,252)	(862,807)	(774,757)	(770,639)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 3,690,978	\$ 3,590,446	\$ 2,848,532	\$ 3,376,629	\$ 3,411,264
Contributions as a Percentage of Covered Payroll	23.38%	26.77%	30.29%	22.94%	22.59%

	Safety Plans				
Fiscal Year:	2022-23¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution ²	\$ 1,240,453	\$ 1,127,304	\$ 1,240,453	\$ 1,384,112	\$ 1,080,225
Contribution in Relation to the Actuarially Determined Contribution ²	(1,240,453)	(1,127,304)	(1,240,453)	(1,384,112)	(1,080,225)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll ³	\$ 3,433,362	\$ 3,339,846	\$ 2,805,237	\$ 2,702,843	\$ 2,668,574
Contributions as a Percentage of Covered Payroll	36.13%	33.75%	44.22%	51.21%	40.48%

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 2.80% payroll growth assumption for fiscal year ended June 30, 2022; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 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 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, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS)

	Miscellaneous Plans		
	2017-18	2016-17	2015-16¹
Fiscal Year:			
Actuarially Determined Contribution ²	\$ 659,810	\$ 558,315	\$ 529,212
Contribution in Relation to the Actuarially Determined Contribution ²	(659,810)	(558,315)	(529,212)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered Payroll ³	\$ 3,369,924	\$ 3,154,200	\$ 2,697,183
Contributions as a Percentage of Covered Payroll	19.58%	17.70%	19.62%

	Safety Plans		
	2017-18	2016-17	2015-16¹
Fiscal Year:			
Actuarially Determined Contribution ²	\$ 1,033,755	\$ 1,203,357	\$ 1,024,115
Contribution in Relation to the Actuarially Determined Contribution ²	(1,033,755)	(1,203,357)	(1,024,115)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City Covered Payroll ³	\$ 2,436,633	\$ 2,591,015	\$ 2,220,165
Contributions as a Percentage of Covered Payroll	42.43%	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, 2023

	Last Ten Fiscal Years				
Measurement period, year ending:	<u>6/30/2023¹</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020²</u>	<u>6/30/2019</u>
Total OPEB liability					
Service cost	\$ 138,804	\$ 135,089	\$ 167,563	\$ 175,142	\$ 127,197
Interest	131,816	124,870	139,104	188,135	180,251
Differences between expected and actual experience	(595,870)	-	(311,195)	(1,203,506)	40,091
Changes of assumptions	331,830	-	65,097	(293,525)	-
Benefit payments, including refunds of member contributions	(109,733)	(144,124)	(123,619)	(115,990)	(166,793)
Net change in total OPEB liability	(103,153)	115,835	(63,050)	(1,249,744)	180,746
Total OPEB liability - beginning	2,545,005	2,429,170	2,492,220	3,741,964	3,561,218
Total OPEB liability - ending (a)	\$ 2,441,852	\$ 2,545,005	\$ 2,429,170	\$ 2,492,220	\$ 3,741,964
OPEB fiduciary net position					
Contributions - employer	\$ 109,733	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275
Net investment income (loss)	124,112	(330,465)	359,682	123,227	155,134
Benefit payments, including refunds of member contributions	(109,733)	(144,124)	(123,619)	(115,990)	(166,793)
Administrative expense	(15,045)	(16,734)	(16,223)	(13,381)	-
Net change in plan fiduciary net position	109,067	(347,199)	241,856	209,846	349,616
Plan fiduciary net position - beginning	2,559,249	2,906,448	2,664,592	2,454,746	2,105,130
Plan fiduciary net position - ending (b)	2,668,316	2,559,249	2,906,448	2,664,592	2,454,746
Plan net OPEB liability (asset) - ending (a) - (b)	\$ (226,464)	\$ (14,244)	\$ (477,278)	\$ (172,372)	\$ 1,287,218
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	109.27%	100.56%	119.65%	106.92%	65.60%
Covered payroll	\$11,548,980	\$11,239,883	\$10,939,059	\$ 10,646,286	\$ 10,336,200
Plan net OPEB liability (asset) as a percentage of covered payroll	-1.96%	-0.13%	-4.36%	-1.62%	12.45%

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 - PEHMCA Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Measurement period, year ending:	<u>6/30/2018</u>
Total OPEB liability	
Service cost	\$ 99,270
Interest	179,763
Differences between expected and actual experience	437,919
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(105,034)</u>
Net change in total OPEB liability	611,918
Total OPEB liability - beginning	<u>2,949,300</u>
Total OPEB liability - ending (a)	<u><u>\$ 3,561,218</u></u>
OPEB fiduciary net position	
Contributions - employer	\$ 205,034
Net investment income (loss)	123,771
Benefit payments, including refunds of member contributions	(105,034)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	223,771
Plan fiduciary net position - beginning	<u>1,881,359</u>
Plan fiduciary net position - ending (b)	<u>2,105,130</u>
Plan net OPEB liability (asset) - ending (a) - (b)	<u><u>\$ 1,456,088</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	59.11%
Covered payroll	\$ 10,035,146
Plan net OPEB liability (asset) as a percentage of covered payroll	14.51%



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, 2023

	Last Ten Fiscal Years¹			
Measurement period, year ending:	<u>6/30/2023¹</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020²</u>
Total OPEB liability				
Service cost	\$ 67,118	\$ 95,420	\$ 141,956	\$ 98,801
Interest	47,903	35,501	42,108	49,689
Differences between expected and actual experience	411,971	-	(398,956)	-
Changes of assumptions	57,838	(363,788)	11,351	366,382
Benefit payments, including refunds of member contributions	(42,990)	(43,718)	(43,536)	(40,738)
Net change in total OPEB liability	541,840	(276,585)	(247,077)	474,134
Total OPEB liability - beginning	1,341,133	1,617,718	1,864,795	1,390,661
Total OPEB liability - ending (a)	<u>\$ 1,882,973</u>	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Fiduciary net position				
Contributions - employer	\$ 43,718	\$ 43,718	\$ 43,536	\$ 40,738
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(43,718)	(43,718)	(43,536)	(40,738)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-
Plan net OPEB liability - ending (a) - (b)	<u>\$ 1,882,973</u>	<u>\$ 1,341,133</u>	<u>\$ 1,617,718</u>	<u>\$ 1,864,795</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability as a percentage of covered payroll	0.00%	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, 2023

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	2022-23¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution	\$ 109,733	\$ 144,124	\$ 22,016	\$ 215,990	\$ 361,275
Contribution in Relation to the Actuarially Determined Contribution ²	(109,733)	(144,124)	(22,016)	(215,990)	(361,275)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered Payroll	\$ 11,548,980	\$ 11,239,883	\$ 10,939,059	\$ 10,646,286	\$ 10,336,200
Contributions as a Percentage of Covered Payroll	0.95%	1.28%	0.20%	2.03%	3.50%

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 OPEB Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

PEHMCA Plan

Fiscal Year:	<u>2017-18¹</u>
Actuarially Determined Contribution	\$ 205,034
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(205,034)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered Payroll	<u>\$ 10,035,146</u>
Contributions as a Percentage of Covered Payroll	<u>2.04%</u>

City of Hercules
Required Supplementary Information (Unaudited)
Schedule of the City's Contributions to the SOMAR OPEB Plan
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

SOMAR Plan

Fiscal Year:	2022-23	2021-22	2020-21	2019-20²
Actuarially Determined Contribution	\$ 43,718	\$ 43,536	\$ 43,536	\$ 40,738
Contribution in Relation to the Actuarially Determined Contribution	(43,718)	(43,536)	(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%	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



City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Hercules Debt Service Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 908,000	\$ 908,000	\$ 973,419	\$ 65,419
Other revenue	-	-	-	-
Total revenues	<u>908,000</u>	<u>908,000</u>	<u>973,419</u>	<u>65,419</u>
EXPENDITURES:				
Debt services:				
Principal	723,000	723,000	721,843	1,157
Interest and fiscal agent fee	801,000	801,000	804,147	(3,147)
Total expenditures	<u>1,524,000</u>	<u>1,524,000</u>	<u>1,525,990</u>	<u>(1,990)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(616,000)	(616,000)	(552,571)	63,429
OTHER FINANCING SOURCES				
Transfers in	458,934	458,934	468,499	9,565
Total financing sources	<u>458,934</u>	<u>458,934</u>	<u>468,499</u>	<u>9,565</u>
NET CHANGE IN FUND BALANCE	<u>\$ (157,066)</u>	<u>\$ (157,066)</u>	(84,072)	<u>\$ 72,994</u>
FUND BALANCE:				
Beginning of year			2,152,512	
End of year			<u>\$ 2,068,440</u>	



NONMAJOR GOVERNMENTAL FUNDS

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.

Road Rehabilitation Maintenance Fund - This fund accounts for the State Legislature passed SB1 which increases the funding for street projects. Revenue is restricted for street-related construction and/or maintenance projects starting from 2017.

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.



City of Hercules
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

		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		\$ 463,478	\$ 173,076	\$ 33,283	\$ -
Accounts receivable		57,878	-	-	-
Total assets		\$ 521,356	\$ 173,076	\$ 33,283	\$ -
LIABILITIES					
Accounts payable		\$ 81,460	\$ 33,360	\$ -	\$ 34,348
Accrued wages		3,020	3,145	-	1,176
Deposit payable		-	-	-	-
Due to other funds		-	-	-	371,931
Total liabilities		84,480	36,505	-	407,455
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		-	-	-	-
FUND BALANCES					
Restricted		436,876	136,571	33,283	-
Committed		-	-	-	-
Unassigned (deficit)		-	-	-	(407,455)
Total fund balances (deficit)		436,876	136,571	33,283	(407,455)
Total liabilities, deferred inflows of resources and fund balances		\$ 521,356	\$ 173,076	\$ 33,283	\$ -

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

		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		\$ 165,386	\$ 50,955	\$ 138,797	\$ 494,378
Accounts receivable		-	-	-	-
Total assets		<u>\$ 165,386</u>	<u>\$ 50,955</u>	<u>\$ 138,797</u>	<u>\$ 494,378</u>
LIABILITIES					
Accounts payable		\$ 8,661	\$ 5,121	\$ 6,610	\$ 31,690
Accrued wages		592	668	538	269
Deposit payable		-	-	-	-
Due to other funds		-	117,600	-	-
Total liabilities		<u>9,253</u>	<u>123,389</u>	<u>7,148</u>	<u>31,959</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue		-	-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted		156,133	-	131,649	462,419
Committed		-	-	-	-
Unassigned (deficit)		-	(72,434)	-	-
Total fund balances (deficit)		<u>156,133</u>	<u>(72,434)</u>	<u>131,649</u>	<u>462,419</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 165,386</u>	<u>\$ 50,955</u>	<u>\$ 138,797</u>	<u>\$ 494,378</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

		Special Revenue Funds			
		Stormwater	Development Services	AB939 JPA	Regional Water Quality
ASSETS					
Cash and investments		\$ -	\$ 1,181,453	\$ 805,142	\$ 52,188
Accounts receivable		86,117	25,220	44,040	-
Total assets		<u>\$ 86,117</u>	<u>\$ 1,206,673</u>	<u>\$ 849,182</u>	<u>\$ 52,188</u>
LIABILITIES					
Accounts payable		\$ 11,727	\$ 5,180	\$ 71,319	\$ -
Accrued wages		2,555	-	181	-
Deposit payable		-	-	-	-
Due to other funds		216,121	-	-	-
Total liabilities		<u>230,403</u>	<u>5,180</u>	<u>71,500</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		-	1,201,493	777,682	52,188
Committed		-	-	-	-
Unassigned (deficit)		(144,286)	-	-	-
Total fund balances (deficit)		<u>(144,286)</u>	<u>1,201,493</u>	<u>777,682</u>	<u>52,188</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 86,117</u>	<u>\$ 1,206,673</u>	<u>\$ 849,182</u>	<u>\$ 52,188</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
ASSETS				
Cash and investments	\$ 245,750	\$ 321,644	\$ 491,553	\$ 816,613
Accounts receivable	-	-	52,258	287,883
Total assets	<u>\$ 245,750</u>	<u>\$ 321,644</u>	<u>\$ 543,811</u>	<u>\$ 1,104,496</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,196	\$ 22,288	\$ 164,820
Accrued wages	-	-	-	-
Deposit payable	25,387	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>25,387</u>	<u>1,196</u>	<u>22,288</u>	<u>164,820</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	250,725
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,725</u>
FUND BALANCES				
Restricted	220,363	320,448	521,523	-
Committed	-	-	-	688,951
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	<u>220,363</u>	<u>320,448</u>	<u>521,523</u>	<u>688,951</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 245,750</u>	<u>\$ 321,644</u>	<u>\$ 543,811</u>	<u>\$ 1,104,496</u>

(Continued)

City of Hercules
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

		<u>Capital Projects Funds</u>	
		<u>Development Impact Fees</u>	<u>Total</u>
ASSETS			
Cash and investments		\$ 1,712,457	\$ 7,146,153
Accounts receivable		-	553,396
Total assets		<u>\$ 1,712,457</u>	<u>\$ 7,699,549</u>
LIABILITIES			
Accounts payable		\$ -	\$ 477,780
Accrued wages		-	12,144
Deposit payable		-	25,387
Due to other funds		-	705,652
Total liabilities		<u>-</u>	<u>1,220,963</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue		-	250,725
Total deferred inflows of resources		<u>-</u>	<u>250,725</u>
FUND BALANCES			
Restricted		1,712,457	6,163,085
Committed		-	688,951
Unassigned (deficit)		-	(624,175)
Total fund balances (deficit)		<u>1,712,457</u>	<u>6,227,861</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 1,712,457</u>	<u>\$ 7,699,549</u>

(Concluded)

City of Hercules
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	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	\$ -	\$ -	\$ -	\$ 472,851
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	12,549	1,735	-	-
Intergovernmental	664,094	510,780	165,272	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>676,643</u>	<u>512,515</u>	<u>165,272</u>	<u>472,851</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	450,543	310,116	-	547,731
Capital outlay	135,508	108,184	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>586,051</u>	<u>418,300</u>	<u>-</u>	<u>547,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	90,592	94,215	165,272	(74,880)
OTHER FINANCING SOURCES (USES)				
Transfers in	262,755	-	-	10,047
Transfers (out)	<u>(602,937)</u>	<u>-</u>	<u>(150,000)</u>	<u>(27,200)</u>
Total financing sources (uses)	<u>(340,182)</u>	<u>-</u>	<u>(150,000)</u>	<u>(17,153)</u>
NET CHANGES IN FUND BALANCES	(249,590)	94,215	15,272	(92,033)
FUND BALANCES (DEFICIT):				
Beginning of year	<u>686,466</u>	<u>42,356</u>	<u>18,011</u>	<u>(315,422)</u>
End of year	<u>\$ 436,876</u>	<u>\$ 136,571</u>	<u>\$ 33,283</u>	<u>\$ (407,455)</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, 2023

	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	\$ 162,323	\$ 154,648	\$ 147,933	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	3,706	3,491	3,029	(2,022)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>166,029</u>	<u>158,139</u>	<u>150,962</u>	<u>(2,022)</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	186,145	145,495	149,524	423,871
Capital outlay	-	140,000	-	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>186,145</u>	<u>285,495</u>	<u>149,524</u>	<u>423,871</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,116)	(127,356)	1,438	(425,893)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,982	2,613	2,284	314,000
Transfers (out)	(7,500)	(2,700)	(18,500)	-
Total financing sources (uses)	<u>(3,518)</u>	<u>(87)</u>	<u>(16,216)</u>	<u>314,000</u>
NET CHANGES IN FUND BALANCES	(23,634)	(127,443)	(14,778)	(111,893)
FUND BALANCES (DEFICIT):				
Beginning of year	<u>179,767</u>	<u>55,009</u>	<u>146,427</u>	<u>574,312</u>
End of year	<u>\$ 156,133</u>	<u>\$ (72,434)</u>	<u>\$ 131,649</u>	<u>\$ 462,419</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, 2023

	Special Revenue Funds			
	Stormwater	Development Services	AB939 JPA	Regional Water Quality
REVENUES:				
Taxes and assessments	\$ 336,987	\$ 164,942	\$ -	\$ -
Licenses and permits	-	-	176,185	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	13,123	19,420	1,044
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other revenues	-	-	-	-
Total revenues	<u>336,987</u>	<u>178,065</u>	<u>195,605</u>	<u>1,044</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Streets and public works	422,703	168,202	11,002	-
Capital outlay	-	-	110,570	-
Debt services:				
Principal	-	-	-	-
Interest and fiscal agent fee	-	-	-	-
Total expenditures	<u>422,703</u>	<u>168,202</u>	<u>121,572</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(85,716)	9,863	74,033	1,044
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	953,800	-	-
Transfers (out)	-	-	(125,000)	-
Total financing sources (uses)	<u>125,000</u>	<u>953,800</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	39,284	963,663	(50,967)	1,044
FUND BALANCES (DEFICIT):				
Beginning of year	(183,570)	237,830	828,649	51,144
End of year	<u>\$ (144,286)</u>	<u>\$ 1,201,493</u>	<u>\$ 777,682</u>	<u>\$ 52,188</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, 2023

	Special Revenue Funds			Capital Projects Funds
	Asset Forfeiture	Bart Park and Ride	Road Rehabilitation Maintenance	City Capital Projects Fund
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ 55,077
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	2,732	(5,383)	3,486	4,541
Intergovernmental	159,854	-	576,570	224,613
Charges for services	-	-	-	-
Other revenues	-	81,187	-	-
Total revenues	<u>162,586</u>	<u>75,804</u>	<u>580,056</u>	<u>284,231</u>
EXPENDITURES:				
Current:				
Public safety	11,618	-	-	-
Streets and public works	-	31,237	349,361	-
Capital outlay	-	-	-	2,221,641
Debt services:				
Principal	-	-	-	114,900
Interest and fiscal agent fee	-	-	-	111,530
Total expenditures	<u>11,618</u>	<u>31,237</u>	<u>349,361</u>	<u>2,448,071</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	150,968	44,567	230,695	(2,163,840)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	553,583	854,010
Transfers (out)	-	-	(262,755)	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>290,828</u>	<u>854,010</u>
NET CHANGES IN FUND BALANCES	150,968	44,567	521,523	(1,309,830)
FUND BALANCES (DEFICIT):				
Beginning of year	69,395	275,881	-	1,998,781
End of year	<u>\$ 220,363</u>	<u>\$ 320,448</u>	<u>\$ 521,523</u>	<u>\$ 688,951</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, 2023

	<u>Capital Projects Funds</u>	
	<u>Development Impact Fees</u>	<u>Total</u>
REVENUES:		
Taxes and assessments	\$ -	\$ 1,494,761
Licenses and permits	-	176,185
Fines and forfeitures	-	-
Use of money and property	35,026	96,477
Intergovernmental	-	2,301,183
Charges for services	5,622	5,622
Other revenues	-	81,187
Total revenues	<u>40,648</u>	<u>4,155,415</u>
EXPENDITURES:		
Current:		
Public safety	-	11,618
Streets and public works	17,207	3,213,137
Capital outlay	20,055	2,735,958
Debt services:		
Principal	-	114,900
Interest and fiscal agent fee	-	111,530
Total expenditures	<u>37,262</u>	<u>6,187,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,386	(2,031,728)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	3,082,074
Transfers (out)	-	(1,196,592)
Total financing sources (uses)	<u>-</u>	<u>1,885,482</u>
NET CHANGES IN FUND BALANCES	3,386	(146,246)
FUND BALANCES (DEFICIT):		
Beginning of year	<u>1,709,071</u>	<u>6,374,107</u>
End of year	<u>\$ 1,712,457</u>	<u>\$ 6,227,861</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 12,549	\$ 11,549
Intergovernmental	1,433,597	759,593	664,094	(95,499)
Total revenues	<u>1,434,597</u>	<u>760,593</u>	<u>676,643</u>	<u>(83,950)</u>
EXPENDITURES:				
Current:				
Streets and public works	441,636	460,980	450,543	10,437
Capital outlay	1,269,827	442,214	135,508	306,706
Total expenditures	<u>1,711,463</u>	<u>903,194</u>	<u>586,051</u>	<u>317,143</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(276,866)	(142,601)	90,592	233,193
OTHER FINANCING (USES)				
Transfers in	-	-	262,755	262,755
Transfers (out)	(49,354)	(49,354)	(602,937)	(553,583)
Total financing (uses)	<u>(49,354)</u>	<u>(49,354)</u>	<u>(340,182)</u>	<u>(290,828)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (326,220)</u>	<u>\$ (191,955)</u>	(249,590)	<u>\$ (57,635)</u>
FUND BALANCE:				
Beginning of year			686,466	
End of year			<u>\$ 436,876</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,735	\$ 1,735
Intergovernmental	450,000	450,000	510,780	60,780
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>512,515</u>	<u>62,515</u>
EXPENDITURES:				
Current:				
Streets and public works	303,916	310,520	310,116	404
Capital outlay	289,889	289,889	108,184	181,705
Total expenditures	<u>593,805</u>	<u>600,409</u>	<u>418,300</u>	<u>182,109</u>
NET CHANGE IN FUND BALANCE	<u>\$ (143,805)</u>	<u>\$ (150,409)</u>	94,215	<u>\$ 244,624</u>
FUND BALANCE:				
Beginning of year			42,356	
End of year			<u>\$ 136,571</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 165,272	\$ 15,272
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>165,272</u>	<u>15,272</u>
OTHER FINANCING (USES)				
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>	15,272	<u>\$ 15,272</u>
FUND BALANCE:				
Beginning of year			18,011	
End of year			<u>\$ 33,283</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 472,850	\$ 472,850	\$ 472,851	\$ 1
Total revenues	<u>472,850</u>	<u>472,850</u>	<u>472,851</u>	<u>1</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>557,342</u>	<u>563,867</u>	<u>547,731</u>	<u>16,136</u>
Total expenditures	<u>557,342</u>	<u>563,867</u>	<u>547,731</u>	<u>16,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(84,492)	(91,017)	(74,880)	16,137
OTHER FINANCING SOURCES (USES)				
Transfer in	10,047	10,047	10,047	-
Transfers (out)	<u>(27,200)</u>	<u>(27,200)</u>	<u>(27,200)</u>	<u>-</u>
Total financing (uses)	<u>(17,153)</u>	<u>(17,153)</u>	<u>(17,153)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (101,645)</u>	<u>\$ (108,170)</u>	(92,033)	<u>\$ 16,137</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(315,422)	
End of year			<u>\$ (407,455)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 162,323	\$ 162,323	\$ 162,323	\$ -
Use of money and property	-	-	3,706	3,706
Total revenues	<u>162,323</u>	<u>162,323</u>	<u>166,029</u>	<u>3,706</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>199,119</u>	<u>202,341</u>	<u>186,145</u>	<u>16,196</u>
Total expenditures	<u>199,119</u>	<u>202,341</u>	<u>186,145</u>	<u>16,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,796)	(40,018)	(20,116)	19,902
OTHER FINANCING SOURCES (USES)				
Transfers in	3,982	3,982	3,982	-
Transfers (out)	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,500)</u>	-
Total financing sources (uses)	<u>(3,518)</u>	<u>(3,518)</u>	<u>(3,518)</u>	-
NET CHANGE IN FUND BALANCE	<u>\$ (40,314)</u>	<u>\$ (43,536)</u>	(23,634)	<u>\$ 19,902</u>
FUND BALANCE:				
Beginning of year			<u>179,767</u>	
End of year			<u>\$ 156,133</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 154,648	\$ 154,648	\$ 154,648	\$ -
Use of money and property	-	-	3,491	3,491
Total revenues	<u>154,648</u>	<u>154,648</u>	<u>158,139</u>	<u>3,491</u>
EXPENDITURES:				
Current:				
Streets and public works	130,633	133,820	145,495	(11,675)
Capital outlay	-	-	140,000	(140,000)
Total expenditures	<u>130,633</u>	<u>133,820</u>	<u>285,495</u>	<u>(151,675)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,015	20,828	(127,356)	(148,184)
OTHER FINANCING SOURCES (USES)				
Transfers in	(12,087)	(12,087)	2,613	14,700
Transfers (out)	(2,700)	(2,700)	(2,700)	-
Total financing sources (uses)	<u>(14,787)</u>	<u>(14,787)</u>	<u>(87)</u>	<u>14,700</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,228</u>	<u>\$ 6,041</u>	<u>(127,443)</u>	<u>\$ (133,484)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			55,009	
End of year			<u>\$ (72,434)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 146,947	\$ 146,947	\$ 147,933	\$ 986
Use of money and property	-	-	3,029	3,029
Total revenues	<u>146,947</u>	<u>146,947</u>	<u>150,962</u>	<u>4,015</u>
EXPENDITURES:				
Current:				
Streets and public works	<u>114,186</u>	<u>117,179</u>	<u>149,524</u>	<u>(32,345)</u>
Total expenditures	<u>114,186</u>	<u>117,179</u>	<u>149,524</u>	<u>(32,345)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,761	29,768	1,438	(28,330)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,284	2,284	2,284	-
Transfers (out)	<u>(18,500)</u>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
Total financing sources (uses)	<u>(16,216)</u>	<u>(16,216)</u>	<u>(16,216)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,545</u>	<u>\$ 13,552</u>	(14,778)	<u>\$ (28,330)</u>
FUND BALANCE:				
Beginning of year			<u>146,427</u>	
End of year			<u>\$ 131,649</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (2,022)	\$ (2,022)
Total revenues	<u>-</u>	<u>-</u>	<u>(2,022)</u>	<u>(2,022)</u>
EXPENDITURES:				
Current:				
Streets and public works	333,123	334,614	423,871	(89,257)
Total expenditures	<u>333,123</u>	<u>334,614</u>	<u>423,871</u>	<u>(89,257)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(333,123)	(334,614)	(425,893)	(91,279)
OTHER FINANCING SOURCES				
Transfers in	314,000	314,000	314,000	-
Total financing sources	<u>314,000</u>	<u>314,000</u>	<u>314,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (19,123)</u>	<u>\$ (20,614)</u>	(111,893)	<u>\$ (91,279)</u>
FUND BALANCE:				
Beginning of year			574,312	
End of year			<u>\$ 462,419</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ 251,000	\$ 251,000	\$ 336,987	\$ 85,987
Total revenues	<u>251,000</u>	<u>251,000</u>	<u>336,987</u>	<u>85,987</u>
EXPENDITURES:				
Current:				
Streets and public works	374,577	401,164	422,703	(21,539)
Total expenditures	<u>374,577</u>	<u>401,164</u>	<u>422,703</u>	<u>(21,539)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(123,577)	(150,164)	(85,716)	64,448
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>\$ 1,423</u>	<u>\$ (25,164)</u>	39,284	<u>\$ 64,448</u>
FUND BALANCE (DEFICIT):				
Beginning of year			(183,570)	
End of year			<u>\$ (144,286)</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ -	\$ 21,000	\$ 164,942	\$ 143,942
Use of money and property	-	-	13,123	13,123
Charges for services	-	-	-	-
Total revenues	-	21,000	178,065	157,065
EXPENDITURES:				
Current:				
Streets and public works	-	42,936	168,202	125,266
Total expenditures	-	42,936	168,202	125,266
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(21,936)	9,863	31,799
OTHER FINANCING SOURCES				
Transfers in	-	-	953,800	953,800
Total financing sources	-	-	953,800	953,800
NET CHANGES IN FUND BALANCE	\$ -	\$ (21,936)	963,663	\$ 985,599
FUND BALANCE:				
Beginning of year			237,830	
End of year			\$ 1,201,493	

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Licenses and permits	\$ 175,000	\$ 175,000	\$ 176,185	\$ 1,185
Use of money and property	3,000	3,000	19,420	16,420
Total revenues	<u>178,000</u>	<u>178,000</u>	<u>195,605</u>	<u>17,605</u>
EXPENDITURES:				
Current:				
Streets and public works	2,665	9,529	11,002	(1,473)
Capital outlay	109,216	109,361	110,570	(1,209)
Total expenditures	<u>111,881</u>	<u>118,890</u>	<u>121,572</u>	<u>(2,682)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	66,119	59,110	74,033	14,923
OTHER FINANCING (USES)				
Transfers (out)	(125,000)	(125,000)	(125,000)	-
Total financing (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (58,881)</u>	<u>\$ (65,890)</u>	<u>(50,967)</u>	<u>\$ 14,923</u>
FUND BALANCE:				
Beginning of year			828,649	
End of year			<u>\$ 777,682</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2,732	\$ 2,732
Intergovernmental	33,000	33,000	159,854	126,854
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>162,586</u>	<u>129,586</u>
EXPENDITURES:				
Current:				
Public safety	45,000	95,000	11,618	83,382
Total expenditures	<u>45,000</u>	<u>95,000</u>	<u>11,618</u>	<u>83,382</u>
NET CHANGE IN FUND BALANCE	<u>\$ (12,000)</u>	<u>\$ (62,000)</u>	150,968	<u>\$ 212,968</u>
FUND BALANCE:				
Beginning of year			69,395	
End of year			<u>\$ 220,363</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (5,383)	\$ (5,383)
Other revenue	45,000	45,000	81,187	36,187
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>75,804</u>	<u>30,804</u>
EXPENDITURES:				
Current:				
Streets and public works	17,000	17,192	31,237	(14,045)
Total expenditures	<u>17,000</u>	<u>17,192</u>	<u>31,237</u>	<u>(14,045)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 28,000</u>	<u>\$ 27,808</u>	44,567	<u>\$ 16,759</u>
FUND BALANCE:				
Beginning of year			275,881	
End of year			<u>\$ 320,448</u>	

City of Hercules
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Road Rehabilitation Maintenance Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 3,486	\$ 3,486
Intergovernmental	-	674,004	576,570	(97,434)
Total revenues	-	674,004	580,056	(93,948)
EXPENDITURES:				
Current:				
Streets and public works	-	1,347,967	349,361	998,606
Total expenditures	-	1,347,967	349,361	998,606
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(673,963)	230,695	904,658
OTHER FINANCING SOURCES				
Transfers in	-	-	553,583	553,583
Transfers out	-	-	(262,755)	(262,755)
Total financing sources	-	-	290,828	290,828
NET CHANGE IN FUND BALANCE	\$ -	\$ (673,963)	521,523	\$ 1,195,486
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 521,523	

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ 55,077	\$ 55,077
Use of money and property	-	-	4,541	4,541
Intergovernmental	852,000	1,962,800	224,613	(1,738,187)
Total revenues	<u>852,000</u>	<u>1,962,800</u>	<u>284,231</u>	<u>(1,678,569)</u>
EXPENDITURES:				
Capital outlay	1,099,000	4,103,274	2,221,641	1,881,633
Debt services:				
Principal	115,000	115,000	114,900	100
Interest and fiscal agent fee	112,000	112,000	111,530	470
Total expenditures	<u>1,326,000</u>	<u>4,330,274</u>	<u>2,448,071</u>	<u>1,882,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(474,000)	(2,367,474)	(2,163,840)	203,634
OTHER FINANCING SOURCES				
Transfers in	474,000	589,579	854,010	264,431
Total financing sources	<u>474,000</u>	<u>589,579</u>	<u>854,010</u>	<u>264,431</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,777,895)</u>	<u>(1,309,830)</u>	<u>\$ 468,065</u>
FUND BALANCE:				
Beginning of year			1,998,781	
End of year			<u>\$ 688,951</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 35,026	\$ 35,026
Charges for services	-	-	5,622	5,622
Total revenues	<u>-</u>	<u>-</u>	<u>40,648</u>	<u>40,648</u>
EXPENDITURES:				
Current:				
Streets and public works	60,000	73,036	17,207	55,829
Capital outlay	-	-	20,055	(20,055)
Total expenditures	<u>60,000</u>	<u>73,036</u>	<u>37,262</u>	<u>35,774</u>
NET CHANGE IN FUND BALANCE	<u>\$ (60,000)</u>	<u>\$ (73,036)</u>	3,386	<u>\$ 76,422</u>
FUND BALANCE:				
Beginning of year			1,709,071	
End of year			<u>\$ 1,712,457</u>	

INTERNAL SERVICE FUNDS



City of Hercules
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
ASSETS				
Current assets:				
Cash and investments	\$ 315,624	\$ 1,014,319	\$ 772,199	\$ 2,102,142
Total current assets	<u>315,624</u>	<u>1,014,319</u>	<u>772,199</u>	<u>2,102,142</u>
Noncurrent assets:				
Net OPEB asset - PEHMCA	-	8,088	4,044	12,132
Capital assets:				
Depreciable and amortizable, net	622,847	314,107	-	936,954
Total noncurrent assets	<u>622,847</u>	<u>322,195</u>	<u>4,044</u>	<u>949,086</u>
Total assets	<u>938,471</u>	<u>1,336,514</u>	<u>776,243</u>	<u>3,051,228</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	198,763	105,407	304,170
OPEB-related deferred inflows of resources (PEHMCA)	-	22,414	11,208	33,622
OPEB-related deferred outflows of resources (SOMAR)	-	23,892	11,946	35,838
Total deferred outflows of resources	<u>-</u>	<u>245,069</u>	<u>128,561</u>	<u>373,630</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	6,743	33,107	39,850
Salaries and benefits payable	-	4,650	1,614	6,264
Compensated absences, due in one year	-	26,598	7,199	33,797
Subscription liability, due in one year	-	11,494	-	11,494
Total current liabilities	<u>-</u>	<u>49,485</u>	<u>41,920</u>	<u>91,405</u>
Noncurrent liabilities:				
Compensated absences	-	8,866	2,399	11,265
Subscription liability	-	23,948	-	23,948
Net pension liability	-	487,989	258,786	746,775
Net OPEB liability - SOMAR	-	67,250	33,625	100,875
Total noncurrent liabilities	<u>-</u>	<u>588,053</u>	<u>294,810</u>	<u>882,863</u>
Total liabilities	<u>-</u>	<u>637,538</u>	<u>336,730</u>	<u>974,268</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions-related deferred outflows of resources	-	60,999	32,349	93,348
OPEB-related deferred outflows of resources (PEHMCA)	-	61,613	30,807	92,420
OPEB-related deferred outflows of resources (SOMAR)	-	21,106	10,552	31,658
Total deferred inflows of resources	<u>-</u>	<u>143,718</u>	<u>73,708</u>	<u>217,426</u>
NET POSITION				
Net investment in capital assets	622,847	278,665	-	901,512
Unrestricted	315,624	521,662	494,366	1,331,652
Total net position	<u>\$ 938,471</u>	<u>\$ 800,327</u>	<u>\$ 494,366</u>	<u>\$ 2,233,164</u>

City of Hercules
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
OPERATING REVENUES:				
Charges for services	\$ 148,300	\$ 1,271,986	\$ 787,000	\$ 2,207,286
Other operating revenues	6,052	5,376	-	11,428
Total operating revenues	<u>154,352</u>	<u>1,277,362</u>	<u>787,000</u>	<u>2,218,714</u>
OPERATING EXPENSES:				
Salaries and benefits	-	400,903	182,438	583,341
Services and supplies	500	588,998	627,271	1,216,769
Depreciation and amortization	123,466	91,886	-	215,352
Total operating expenses	<u>123,966</u>	<u>1,081,787</u>	<u>809,709</u>	<u>2,015,462</u>
OPERATING INCOME (LOSS)	<u>30,386</u>	<u>195,575</u>	<u>(22,709)</u>	<u>203,252</u>
NONOPERATING (EXPENSES)				
Interest (expenses)	-	(358)	-	(358)
CHANGES IN NET POSITION	<u>30,386</u>	<u>195,217</u>	<u>(22,709)</u>	<u>202,894</u>
NET POSITION:				
Beginning of year	908,085	605,110	517,075	2,030,270
End of year	<u>\$ 938,471</u>	<u>\$ 800,327</u>	<u>\$ 494,366</u>	<u>\$ 2,233,164</u>

City of Hercules
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Vehicle Replacement	Technology Services	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from internal services provided	\$ 154,352	\$ 1,277,238	\$ 787,000	\$ 2,218,590
Cash paid to suppliers for goods and services	(500)	(618,194)	(601,997)	(1,220,691)
Cash paid to employees for services	-	(394,933)	(160,999)	(555,932)
Net cash provided by operating activities	153,852	264,111	24,004	441,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments related to the acquisition of capital assets	(484,215)	(87,417)	-	(571,632)
Principal repayments related to capital purposes	-	(12,073)	-	(12,073)
Interest repayments related to capital purposes	-	(358)	-	(358)
Net cash (used in) capital and related financing activities	(484,215)	(99,848)	-	(584,063)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(330,363)	164,263	24,004	(142,096)
CASH AND CASH EQUIVALENTS:				
Beginning of year	645,987	850,056	748,195	2,244,238
End of year	<u>\$ 315,624</u>	<u>\$ 1,014,319</u>	<u>\$ 772,199</u>	<u>\$ 2,102,142</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 30,386	\$ 195,575	\$ (22,709)	\$ 203,252
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	123,466	91,886	-	215,352
(Increase) Decrease in Assets and Deferred Outflows				
Pensions-related deferred outflows	-	(119,462)	(67,420)	(186,882)
OPEB-related deferred outflows	-	(20,093)	(10,048)	(30,141)
Increase (Decrease) in Liabilities and Deferred Inflows				
Accounts Payable	-	(29,320)	25,274	(4,046)
Salaries and benefits payable	-	(13,344)	(6,218)	(19,562)
Net pension liability	-	314,856	183,181	498,037
Net OPEB liability	-	19,351	9,676	29,027
Pensions-related deferred inflows	-	(173,173)	(89,911)	(263,084)
OPEB-related deferred inflows	-	3,440	1,720	5,160
Compensated absences	-	(5,605)	459	(5,146)
Total adjustments	<u>123,466</u>	<u>68,536</u>	<u>46,713</u>	<u>238,715</u>
Net cash provided by operating activities	\$ 153,852	\$ 264,111	\$ 24,004	\$ 441,967



FIDUCIARY-CUSTODIAL FUNDS



City of Hercules
Combining Statement of Fiduciary Net Position
Fiduciary Funds - Custodial Funds
June 30, 2023

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ASSETS			
Cash and investments	\$ 338,401	\$ 70,875	\$ 409,276
Cash and investments with fiscal agents	55,798	-	55,798
Total assets	394,199	70,875	465,074
NET POSITION			
Restricted for individuals, organization, and other government	394,199	70,875	465,074
Total net position	\$ 394,199	\$ 70,875	\$ 465,074

(Concluded)

City of Hercules
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - Custodial Funds
For the Year Ended June 30, 2023

	Reassessment District 05-01	Taylor Woodrow Maintenance LMOD	Total
ADDITIONS:			
Taxes and assessments	\$ 230,700	\$ -	\$ 230,700
Investment income	6,758	1,418	8,176
Total additions	<u>237,458</u>	<u>1,418</u>	<u>238,876</u>
DEDUCTIONS:			
Administration	8,320	-	8,320
Interest and fiscal agent fee	193,196	-	193,196
Principal payment to refunding escrow	57,572	-	57,572
Total deductions	<u>259,088</u>	<u>-</u>	<u>259,088</u>
CHANGES IN FIDUCIARY NET POSITION	(21,630)	1,418	(20,212)
NET POSITION:			
Beginning of year	415,829	69,457	485,286
End of year	<u>\$ 394,199</u>	<u>\$ 70,875</u>	<u>\$ 465,074</u>

(Concluded)

STATISTICAL SECTION



City of Hercules

Description of Statistical Section Contents

This part of the City of Hercules' annual comprehensive 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 172-181)

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 182-189)

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 190-196)

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 197)

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 198-205)

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, 2023

	2014	2015	2016	2017	2018
<i>Governmental activities</i>					
Net investment in capital assets	\$ 62,588,422	\$ 65,597,425	\$ 67,814,198	\$ 73,286,966	\$ 76,304,118
Restricted	13,670,630	21,070,727	7,026,074	18,239,035	21,086,055
Unrestricted	36,350,966	16,564,422	34,482,114	27,146,535	24,579,483
Total governmental activities net position	<u>\$ 112,610,018</u>	<u>\$ 103,232,574</u>	<u>\$ 109,322,386</u>	<u>\$ 118,672,536</u>	<u>\$ 121,969,656</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 9,897,549	\$ 9,942,508	\$ 11,637,225	\$ 9,503,346	\$ 10,572,862
Restricted	-	-	-	-	-
Unrestricted	20,211,271	22,931,509	22,643,219	27,529,908	29,000,343
Total business-type activities net position	<u>\$ 30,108,820</u>	<u>\$ 32,874,017</u>	<u>\$ 34,280,444</u>	<u>\$ 37,033,254</u>	<u>\$ 39,573,205</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 72,485,971	\$ 75,539,933	\$ 79,451,423	\$ 82,790,312	\$ 86,876,980
Restricted	13,670,630	21,070,727	7,026,074	18,239,035	21,086,055
Unrestricted	56,562,237	39,495,931	57,125,333	54,676,443	53,579,826
Total primary government net position	<u>\$ 142,718,838</u>	<u>\$ 136,106,591</u>	<u>\$ 143,602,830</u>	<u>\$ 155,705,790</u>	<u>\$ 161,542,861</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, 2023				
	2019	2020	2021	2022	2023
<i>Governmental activities</i>					
Net investment in capital assets	\$ 76,082,830	\$ 73,639,890	\$ 69,628,982	\$ 60,257,709	\$ 60,790,322
Restricted	21,495,653	20,047,707	20,047,707	7,183,715	10,730,230
Unrestricted	26,259,010	23,471,208	24,205,660	10,532,917	11,624,496
Total governmental activities net position	<u>\$ 123,837,493</u>	<u>\$ 117,158,805</u>	<u>\$ 113,882,349</u>	<u>\$ 77,974,341</u>	<u>\$ 83,145,048</u>
<i>Business-type activities</i>					
Net investment in capital assets	\$ 9,384,765	\$ 11,587,259	\$ 7,230,469	\$ 15,704,349	\$ 19,602,539
Restricted	7,582,403	7,674,002	7,679,725	-	-
Unrestricted	23,910,447	23,244,232	29,474,812	18,566,052	15,798,815
Total business-type activities net position	<u>\$ 40,877,615</u>	<u>\$ 42,505,493</u>	<u>\$ 44,385,006</u>	<u>\$ 34,270,401</u>	<u>\$ 35,401,354</u>
<i>Primary government</i>					
Net investment in capital assets	\$ 85,467,595	\$ 85,227,149	\$ 76,859,451	\$ 75,962,058	\$ 80,392,861
Restricted	29,078,056	27,721,709	27,727,432	7,183,715	10,730,230
Unrestricted	50,169,457	46,715,440	53,680,472	29,098,969	27,423,311
Total primary government net position	<u>\$ 164,715,108</u>	<u>\$ 159,664,298</u>	<u>\$ 158,267,355</u>	<u>\$ 112,244,742</u>	<u>\$ 118,546,402</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, 2023				
	2014	2015	2016	2017	2018
Expenses					
Governmental Activities:					
General Government	\$ 4,350,428	\$ 3,133,995	\$ 3,706,717	\$ 4,025,706	\$ 4,105,705
Public Safety	4,905,837	5,094,319	5,299,440	5,365,068	7,034,658
Public Works	5,761,359	4,880,174	4,667,439	5,035,767	6,894,640
Parks and recreation	2,147,560	2,074,783	2,216,525	3,050,786	2,657,763
Community Development	3,295,068	742,529	400,754	640,428	491,562
Interest on Long-Term Debt	1,073,240	1,277,353	1,301,053	1,220,791	1,141,982
Total Governmental Activities	21,533,492	17,203,153	17,591,928	19,338,546	22,326,310
Business-Type Activities:					
Sewer	3,494,287	2,834,835	3,854,974	3,092,380	3,750,261
Hercules Municipal Utility	2,491,837				
Total Business-Type Activities Expenses	5,986,124	2,834,835	3,854,974	3,092,380	3,750,261
Total Primary Government Expenses	<u>\$ 27,519,616</u>	<u>\$ 20,037,988</u>	<u>\$ 21,446,902</u>	<u>\$ 22,430,926</u>	<u>\$ 26,076,571</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 282,512	\$ 361,223	\$ 128,430	\$ 113,875	\$ 3,866,023
Public Safety	576,345	523,708	543,761	1,171,960	524,703
Public Works	4,570,184	6,150,061	12,784,856	12,014,579	5,218,076
Parks and recreation	1,623,655	1,604,294	1,538,554	1,715,375	1,696,769
Community Development	200,601	890,867	364,191	823,972	1,534,666
Total Government Activities Program Revenues	7,253,297	9,530,153	15,359,792	15,839,761	12,840,237
Business-Type Activities:					
Sewer	5,619,601	6,028,122	5,595,044	5,797,766	6,145,215
Hercules Municipal Utility	2,070,923	-	-	-	-
Total Business-Type Activities Program Revenue	7,690,524	6,028,122	5,595,044	5,797,766	6,145,215
Total Primary Government Program Revenues	<u>\$ 14,943,821</u>	<u>\$ 15,558,275</u>	<u>\$ 20,954,836</u>	<u>\$ 21,637,527</u>	<u>\$ 18,985,452</u>
Net (Expense)/Revenue					
Governmental Activities	(14,280,195)	(7,673,000)	(2,232,136)	(3,498,785)	(9,486,073)
Business-Type Activities	1,704,400	3,193,287	1,740,070	2,705,386	2,394,954
Total Primary Government Net Expense	<u>\$ (12,575,795)</u>	<u>\$ (4,479,713)</u>	<u>\$ (492,066)</u>	<u>\$ (793,399)</u>	<u>\$ (7,091,119)</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, 2023				
	2019	2020	2021	2022	2023
Expenses					
Governmental Activities:					
General Government	\$ 5,094,236	\$ 4,634,707	\$ 4,435,331	\$ 4,768,150	\$ 4,929,390
Public Safety	7,055,390	8,844,059	9,273,713	6,581,205	7,556,734
Public Works	6,727,710	8,447,150	7,715,011	8,560,194	8,220,052
Parks and recreation	2,564,008	2,786,635	2,104,559	2,312,529	2,503,805
Community Development	630,341	595,927	918,476	1,253,855	483,875
Interest on Long-Term Debt	1,256,456	1,159,848	959,355	1,007,813	905,708
Total Governmental Activities	23,328,141	26,468,326	25,406,445	24,483,746	24,599,564
Business-Type Activities:					
Sewer	5,343,759	4,593,120	3,894,420	5,221,938	5,086,004
Hercules Municipal Utility					
Total Business-Type Activities Expenses	5,343,759	4,593,120	3,894,420	5,221,938	5,086,004
Total Primary Government Expenses	\$ 28,671,900	\$ 31,061,446	\$ 29,300,865	\$ 29,705,684	\$ 29,685,568
Program Revenues					
Governmental Activities:					
General Government	\$ 1,816,337	\$ 719,485	\$ 1,343,812	\$ 1,030,250	\$ 816,793
Public Safety	882,823	743,462	540,238	3,539,598	3,781,755
Public Works	4,433,560	5,546,868	4,196,125	5,827,479	5,575,763
Parks and recreation	1,731,066	1,030,758	396,289	1,034,873	1,423,942
Community Development	1,658,265	517,920	552,090	8,329,364	389,324
Total Government Activities Program Revenues	10,522,051	8,558,493	7,028,554	19,761,564	11,987,577
Business-Type Activities:					
Sewer	6,003,202	5,719,257	5,769,396	5,852,278	5,922,758
Hercules Municipal Utility	-	-	-	-	-
Total Business-Type Activities Program Revenue	6,003,202	5,719,257	5,769,396	5,852,278	5,922,758
Total Primary Government Program Revenues	\$ 16,525,253	\$ 14,277,750	\$ 12,797,950	\$ 25,613,842	\$ 17,910,335
Net (Expense)/Revenue					
Governmental Activities	(12,806,090)	(17,909,833)	(18,377,891)	(4,722,182)	(12,611,987)
Business-Type Activities	659,443	1,126,137	1,874,976	630,340	836,754
Total Primary Government Net Expense	\$ (12,146,647)	\$ (16,783,696)	\$ (16,502,915)	\$ (4,091,842)	\$ (11,775,233)

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,					
	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 992,934	\$ 1,173,026	\$ 1,233,207	\$ 1,286,788	\$ 1,376,354
Sales Taxes and use taxes	2,593,675	2,693,075	3,211,109	3,324,807	3,206,095
Franchise Tax	799,180	1,011,888	960,124	878,574	862,946
Other Taxes	3,265,624	3,511,023	3,628,145	3,712,519	3,906,865
Unrestricted Motor Vehicle Taxes In-Lieu	1,323,651	1,554,491	1,645,846	1,799,014	1,911,327
Use of Money and properties	1,002,389	1,055,791	1,133,587	1,114,795	1,334,955
Miscellaneous	1,397,677	476,033	1,029,258	448,688	1,189,560
Special items	-	-	-	-	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	7,387,453	(92,736)	(10,452)	-	-
Total Government Activities	<u>18,762,583</u>	<u>11,382,591</u>	<u>12,830,824</u>	<u>12,565,185</u>	<u>13,788,102</u>
Business-Type Activities:					
Use of Money and properties	45,822	23,484	24,058	47,424	200,280
Miscellaneous	86,637	-	-	-	-
Special items	561,703	-	-	-	-
Transfers	(7,387,453)	92,736	10,452	-	-
Total Business-Type Activities	<u>(6,693,291)</u>	<u>116,220</u>	<u>34,510</u>	<u>47,424</u>	<u>200,280</u>
Total Primary Government	<u>\$ 12,069,292</u>	<u>\$ 11,498,811</u>	<u>\$ 12,865,334</u>	<u>\$ 12,612,609</u>	<u>\$ 13,988,382</u>
Change in Net Position					
Governmental Activities	\$ 4,482,388	\$ 3,709,591	\$ 10,598,688	\$ 12,565,185	\$ 13,788,102
Business-Type Activities	(4,988,891)	3,309,507	1,774,580	47,424	200,280
Total Primary Government	<u>\$ (506,503)</u>	<u>\$ 7,019,098</u>	<u>\$ 12,373,268</u>	<u>\$ 12,612,609</u>	<u>\$ 13,988,382</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,				
	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Secured and unsecured property taxes	\$ 1,378,493	\$ 1,415,995	\$ 1,451,716	\$ 1,514,791	\$ 1,638,449
Sales Taxes and use taxes	3,988,702	4,212,285	4,775,496	6,263,066	6,192,500
Franchise Tax	852,751	948,503	862,104	970,054	988,108
Other Taxes	4,506,706	4,402,327	4,293,889	5,343,970	4,646,410
Unrestricted Motor Vehicle Taxes In-Lieu	1,990,306	2,128,054	2,239,058	2,341,444	2,456,900
Use of Money and properties	1,588,558	1,748,131	1,456,269	773,519	1,860,327
Miscellaneous	368,411	-	-	-	-
Special items	-	(3,624,150)	-	(39,586,347)	-
Extraordinary item - RDA Dissolution	-	-	-	-	-
Transfers	-	-	-	-	-
Total Government Activities	14,673,927	11,231,145	15,078,532	(22,379,503)	17,782,694
Business-Type Activities:					
Use of Money and properties	482,095	501,741	4,537	(157,318)	294,199
Miscellaneous	162,872	-	-	-	-
Special items	-	-	-	(10,587,627)	-
Transfers	-	-	-	-	-
Total Business-Type Activities	644,967	501,741	4,537	(10,744,945)	294,199
Total Primary Government	\$ 15,318,894	\$ 11,732,886	\$ 15,083,069	\$ (33,124,448)	\$ 18,076,893
Change in Net Position					
Governmental Activities	\$ 1,867,837	\$ (6,678,688)	\$ (3,299,359)	\$ (27,101,685)	\$ 5,170,707
Business-Type Activities	1,304,410	1,627,878	1,879,513	(10,114,605)	1,130,953
Total Primary Government	\$ 3,172,247	\$ (5,050,810)	\$ (1,419,846)	\$ (37,216,290)	\$ 6,301,660

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,				
	2014	2015	2016	2017	2018
General Fund					
Nonspendable	\$ 27,801,759	\$ 27,806,063	\$ 28,643,374	\$ 30,092,172	\$ 27,799,824
Restricted	-	-	-	-	-
Assigned	1,359,328	1,363,528	2,171,733	2,176,150	2,321,483
Unassigned	5,389,258	7,969,320	8,291,363	9,426,610	14,194,525
Total General Fund	<u>\$ 34,550,345</u>	<u>\$ 37,138,911</u>	<u>\$ 39,106,470</u>	<u>\$ 41,694,932</u>	<u>\$ 44,315,832</u>
All Other Governmental Funds					
Nonspendable	\$ 12,131,778	\$ 11,013	\$ 6,714,263	\$ 11,013	\$ 11,013
Restricted	8,253,115	21,070,727	12,443,589	20,587,964	20,556,143
Committed	-	-	-	-	-
Assigned	-	35,395	1,314,160	-	-
Unassigned (deficit)	(857,203)	(2,770,225)	(7,036,753)	(4,048,580)	(1,473,498)
Total all other governmental funds	<u>\$ 19,527,690</u>	<u>\$ 18,346,910</u>	<u>\$ 13,435,259</u>	<u>\$ 16,550,397</u>	<u>\$ 19,093,658</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,				
	2019	2020	2021	2022	2023
General Fund					
Nonspendable	\$ 29,402,817	\$ 29,769,663	\$ 30,034,997	\$ 10,806	\$ 9,975
Restricted	-	-	-	2,054,252	2,141,823
Assigned	5,937,646	6,205,655	5,915,247	6,022,247	6,022,247
Unassigned	10,027,085	8,398,945	10,008,178	22,926,831	25,703,647
Total General Fund	<u>\$ 45,367,548</u>	<u>\$ 44,374,263</u>	<u>\$ 45,958,422</u>	<u>\$ 31,014,136</u>	<u>\$ 33,877,692</u>
All Other Governmental Funds					
Nonspendable	\$ 11,013	\$ -	\$ -	\$ -	\$ -
Restricted	21,446,237	19,621,155	19,549,409	7,026,830	8,337,682
Committed	-	428,552	1,391,188	1,998,781	688,951
Assigned	-	-	-	-	-
Unassigned (deficit)	(226,591)	(98,458)	(162,793)	(734,289)	(624,175)
Total all other governmental funds	<u>\$ 21,230,659</u>	<u>\$ 19,951,249</u>	<u>\$ 20,777,804</u>	<u>\$ 8,291,322</u>	<u>\$ 8,402,458</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,				
	2014	2015	2016	2017	2018
Revenues					
Taxes and Assessments	\$ 7,651,413	\$ 8,389,012	\$ 9,032,585	\$ 9,202,688	\$ 9,352,260
Licenses and permits	315,086	480,645	344,374	496,355	1,081,912
Fines and forfeitures	66,488	62,069	60,434	47,824	48,579
Use of money and property	1,003,729	1,082,244	1,183,964	1,192,976	1,443,270
Intergovernmental	3,374,022	6,194,872	5,677,447	14,911,152	7,650,796
Charges For Services	4,434,327	5,079,255	4,660,592	5,157,696	5,684,127
Other Revenues	1,015,728	476,033	1,029,258	448,688	1,204,989
Total Revenues	17,860,793	21,764,130	21,988,654	31,457,379	26,465,933
Expenditures					
Current:					
General government	3,934,402	2,635,701	2,952,966	3,153,498	3,492,082
Public Safety	4,869,782	5,158,435	5,589,583	6,022,005	6,295,019
Streets and Public Works	3,820,523	3,104,609	2,772,877	3,469,283	4,300,078
Parks And Recreation	1,878,925	1,827,391	1,961,669	1,883,159	2,101,369
Community Development	1,882,181	743,110	399,215	640,625	468,011
Lease expense	-	-	-	-	-
Capital outlay	1,161,622	4,994,173	8,504,827	9,079,227	2,757,245
Debt service:					
Principal	583,104	604,474	626,149	653,144	580,473
Interest And Fiscal Agent Fees	1,213,038	1,189,346	1,164,163	1,136,588	1,307,495
Total Expenditures	19,343,577	20,257,239	23,971,449	26,037,529	21,301,772
Excess (deficiency) of revenues over (under) expenditures	(1,482,784)	1,506,891	(1,982,795)	5,419,850	5,164,161
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	-	-
Proceeds from loan	-	-	-	-	-
Proceeds from refunding bond	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	8,621,221	1,482,134	11,787,077	2,705,171	1,408,803
Transfers (out)	(1,363,768)	(1,574,870)	(11,803,454)	(2,705,171)	(1,408,803)
Sale of capital assets	381,949	-	-	-	-
Contributed Capital	-	-	-	-	-
Special Item	-	-	-	-	-
Total other financing sources (uses)	7,639,402	(92,736)	(16,377)		
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ 6,156,618	\$ 1,414,155	\$ (1,999,172)	\$ 5,419,850	\$ 5,164,161
Debt service as a percentage of noncapital expenditures	10%	12%	12%	11%	10%

NOTE:

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,				
	2019	2020	2021	2022	2023
Revenues					
Taxes and Assessments	\$ 10,726,652	\$ 10,727,692	\$ 14,098,060	\$ 16,889,724	\$ 16,705,743
Licenses and permits	844,806	796,397	952,294	707,300	647,374
Fines and forfeitures	50,058	62,582	36,586	48,663	46,057
Use of money and property	1,728,361	1,702,755	1,456,271	783,885	1,871,556
Intergovernmental	4,455,255	4,073,720	4,589,299	15,618,709	8,052,573
Charges For Services	7,964,546	5,282,444	1,150,164	2,319,388	2,339,112
Other Revenues	92,602	67,355	239,610	279,797	203,170
Total Revenues	25,862,280	22,712,945	22,522,284	36,647,466	29,865,585
Expenditures					
Current:					
General government	4,542,651	4,070,428	3,854,043	4,081,705	4,538,391
Public Safety	6,776,245	7,634,971	7,774,932	7,879,451	8,499,781
Streets and Public Works	4,357,212	4,080,345	4,638,912	4,514,842	5,486,683
Parks And Recreation	2,128,110	2,165,547	1,434,988	1,910,716	2,408,849
Community Development	616,899	557,672	792,456	1,061,135	537,341
Lease expense	-	-	-	-	-
Capital outlay	2,261,555	3,434,295	4,163,726	2,862,062	2,962,714
Debt service:					
Principal	613,153	646,201	469,113	1,198,248	1,549,333
Interest And Fiscal Agent Fees	1,285,738	1,239,573	1,224,118	983,728	916,671
Total Expenditures	22,581,563	23,829,032	24,352,288	24,491,887	26,899,763
Excess (deficiency) of revenues over (under) expenditures	3,280,717	(1,116,087)	(1,830,004)	12,155,579	2,965,822
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	-	8,870
Proceeds from loan	-	-	4,209,354	-	-
Proceeds from refunding bond	-	-	5,876,843	-	-
Payment to refunded bond escrow agent	-	-	(5,705,000)	-	-
Transfers in	2,511,094	1,730,899	1,405,555	5,723,857	6,928,066
Transfers (out)	(2,603,094)	(1,730,899)	(964,912)	(5,728,857)	(6,928,066)
Sale of capital assets	-	-	-	-	-
Contributed Capital	-	655,467	-	-	-
Special Item	-	(1,812,075)	(604,025)	(39,586,347)	-
Total other financing sources (uses)	(92,000)	(1,156,608)	4,217,815	(39,591,347)	8,870
Special/Extraordinary Item	-	-	-	-	-
Net Change in fund balances	\$ 3,188,717	\$ (2,272,695)	\$ 2,387,811	\$ (27,435,768)	\$ 2,974,692
Debt service as a percentage of noncapital expenditures	9%	9%	8%	10%	10%

NOTE:

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
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
2023	4,125,334,599	125,232,941	234,134,858	80,249,088	67,088,160	132,094,636	4,499,945,010

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* Includes State Unitary value of \$109,236 Assessed Value of Property in 2023

(1.) Total tax rate is the city share of the 1% Proposition 13 tax for 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)
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
2023	5.4221%	8,735,158,394	1.941170

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* Includes State Unitary value of \$109,236 Assessed Value of Property in 2023

(1.) Total tax rate is the city share of the 1% Proposition 13 tax for 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,				
	2014	2015	2016	2017	2018
Residential	\$ 2,177,990,007	\$ 2,567,234,136	\$ 2,762,167,273	\$ 2,984,511,909	\$ 3,171,302,525
Industrial	181,255,580	175,156,171	178,580,502	192,358,822	199,079,514
Commercial	78,806,569	71,672,395	78,083,558	79,706,704	86,604,265
Vacant	13,529,847	16,167,550	27,684,893	31,332,357	61,123,014
Institution	15,192,385	496,945	506,873	15,803,658	16,119,728
Recreation	2,735,888	9,411,388	9,461,565	9,716,963	9,502,881
Social	836,400	840,196	856,982	870,050	826,000
Miscellaneous	789,119	792,700	808,536	820,864	837,279
Rural	211,399	212,358	216,599	219,900	224,297
Unitary	7,815	11,977	11,977	11,977	11,977
Professional	577,000	577,000	-	-	-
Gross Secured Value	2,471,932,009	2,842,572,816	3,058,378,758	3,315,353,204	3,545,631,480
Unsecured	53,405,561	56,578,518	54,269,399	58,945,949	56,327,147
Exemptions	92,483,903	75,454,264	77,407,676	94,538,055	96,165,729
	<u>\$ 2,432,853,667</u>	<u>\$ 2,823,697,070</u>	<u>\$ 3,035,240,481</u>	<u>\$ 3,279,761,098</u>	<u>\$ 3,505,792,898</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,					
	2019	2020	#	2021	2022	2023
Residential	\$ 3,322,501,416	\$ 3,549,607,367		\$ 3,785,286,659	\$ 3,945,445,134	\$ 4,125,334,599
Industrial	196,779,448	199,145,259		204,766,171	209,565,059	234,134,858
Commercial	85,620,650	90,938,555		88,476,522	115,669,026	125,232,941
Vacant	62,680,104	53,134,753		51,585,587	52,389,446	50,702,734
Institution	16,442,120	16,770,959		17,106,375	17,283,594	17,629,262
Recreation	10,179,175	11,038,616		11,570,506	9,100,314	9,244,452
Social	842,520	1,334,000		1,360,679	1,374,774	1,402,269
Miscellaneous	854,023	871,101		888,520	897,723	915,841
Rural	228,781	233,355		238,021	240,485	245,294
Unitary	79,567	79,567		79,567	79,567	109,236
Professional	-	-		-	-	-
Gross Secured Value	3,696,207,804	3,923,153,532		4,161,358,607	4,352,045,122	4,564,951,486
Unsecured	56,782,463	59,062,998		58,291,816	57,802,705	67,088,160
Exemptions	97,967,035	108,788,587		111,756,157	131,601,392	132,094,636
	\$ 3,655,023,232	\$ 3,873,427,943		\$ 4,107,894,266	\$ 4,278,246,435	\$ 4,499,945,010

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

	2021-22	2022-23
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	0.006000	0.014000
East Bay Reg Pk Bd	0.002000	0.005800
West CC Unified Bd 98	0.002200	0.001300
West Contra Costa Unified	0.250500	0.217500
WCCUSD 2012 Bond	0.041200	0.037600
Community College	0.017600	0.016200
Total Override Rate	0.274600	0.319500
Total Tax Rate	1.319500	1.292400

Source: County Auditor Controller data, Avenu Insights & Analytics

Rates are not adjusted for Education Revenue Augmentation Fund

Tax Rate Area 4-001 is represented for this reports

*2019-20 is the city's first ACFR Statistical publication,
therefore, nine year ago 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	\$ 187,500,922.00	4.17%	\$ 158,341,612.00	6.51%
Hercules Block Q&R Dev Partner	77,571,637	1.72%		
WCV Aventine Hercules LLC	65,349,104	1.45%		
Hercules Land Partners LP	26,940,612	0.60%		
Trestle Hercules LLC	24,773,627	0.55%		
HD Development Of Maryland	19,922,549	0.44%	17,594,894	0.72%
Mary Terrace LLC	19,198,686	0.43%		
Hercules SPE MW LLC	12,828,464	0.29%		
Vacaville Mobile Home Park LLC	10,985,533	0.24%		
Tulloch John Brian Tre	10,593,522	0.24%	8,725,128	0.36%
Santa Clara VLY Housing Group	10,000,000	0.22%	5,310,000	0.22%
CS Creekside Hercules LLC	8,412,914	0.19%		
Dathe Robert P & Carlotta R	7,965,864	0.18%	6,864,746	0.28%
Hercules Sycamore Hills LLC	7,813,521	0.17%	6,733,462	0.28%
La Costalot LLC	7,791,820	0.17%	5,656,000	0.23%
CF United Propco LLC	7,461,500	0.17%		
Hercules Real Est Ltd Ptnship	7,317,766	0.16%	5,030,000	0.21%
Alcatraz475 LP	6,572,416	0.15%		
1560 Sycamore LLC	6,438,815	0.14%	4,053,000	0.17%
North First Street Properties	6,375,955	0.14%	2,943,070	0.12%
Madison MRH-1 Franklin LLC	6,069,735	0.13%		
Arrow Investment Partners LLC	5,784,154	0.13%	3,430,000	0.14%
Multiple O Holdings LLC	5,279,828	0.12%	4,550,000	0.19%
Adalan Properties LLC	4,899,937	0.11%	4,222,625	0.17%
Safeway Inc	4,586,799	0.10%		
Rago Dev Corp	-		11,100,000	0.46%
Mechanics Bank Of Richmond	-		9,712,383	0.40%
Orinda Investors LP	-		6,984,783	0.29%
Three Trees Holdings I LLC	-		6,900,000	0.28%
RPW Exchange Company	-		5,750,000	0.24%
Golden Gateway Assoc	-		5,708,272	0.23%
Creekside Shopping Center LLC	-		3,675,000	0.15%
Orb Partnership	-		3,543,530	0.15%
Hercules Bayfront LLC	-		3,391,900	0.14%
Bay To Bay Properties	-		3,267,351	0.13%
Convenience Retailers LLC	-		2,494,042	0.10%
Mega Investment Co			2,416,000	
Total Top 25 Taxpayers	\$ 558,435,680	12.41%	\$ 295,981,798	12.17%
Total Taxable Value	\$ 4,499,945,010	100.00%	\$ 2,432,845,852	100.00%

Source: County Assessor data, MuniServices, LLC / Avenu Insights & Analytics

* FY21-22 was the most recent data available



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
2014	\$ 1,238,594	\$ 1,238,594	100%	\$ 1,238,594	100%
2015	878,899	878,899	100%	878,899	100%
2016	1,044,373	1,044,373	100%	1,044,373	100%
2017	1,110,223	1,110,223	100%	1,110,223	100%
2018	1,168,687	1,168,687	100%	1,168,687	100%
2019	1,233,140	1,233,140	100%	1,233,140	100%
2020	1,296,155	1,296,155	100%	1,296,155	100%
2021	1,342,265	1,342,265	100%	1,342,265	100%
2022	1,378,587	1,378,587	100%	1,378,587	100%
2023	1,446,942	1,446,942	100%	1,446,942	100%
2024	1,638,449	1,638,449	100%	1,638,449	100%

Source: City of Hercules Records



City of Hercules

Principal Sales Tax Producers

Current Year and Nine Years Ago

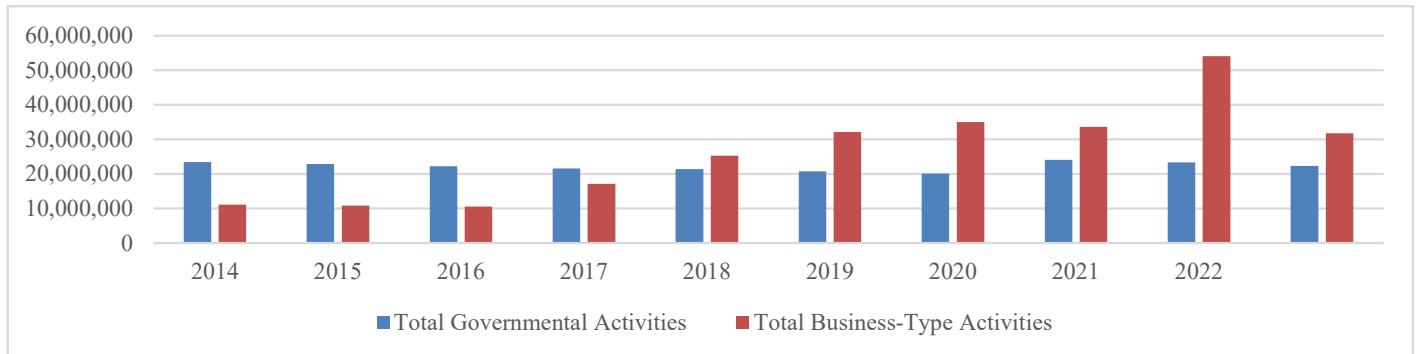
2022-23		2013-14	
Taxpayer	Business Type	Taxpayer	Business Type
Axus Technology	Office Equipment	A & B Die Casting	Heavy Industry
Big Lots	Department Stores	Big Lots	Department Stores
Bio Rad Laboratories	Chemical Products	Bio Rad Laboratories	Chemical Products
Burger King Restaurants	Restaurants	Burger King Restaurants	Restaurants
Cabalen Filipino Cuisine	Restaurants	Cigarettes City	Miscellaneous Retail
City Mechanical Incorporated	Bldg.Matls-Whse	Claws & Crows	Restaurants
City of Ember	Miscellaneous Retail	Conservation Mechanical System	Office Equipment
Domino's Pizza	Restaurants	Extreme Pizza	Restaurants
Dragon Terrace Restaurant	Restaurants	Henry W Wong	Miscellaneous Retail
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	Food Markets
Lucky Food Centers	Food Markets	Mazatlan Taqueria & Grill	Restaurants
Mazatlan Taqueria And Grill	Restaurants	McDonald's Restaurants	Restaurants
McDonald's Restaurants	Restaurants	Mountain Mike's Pizza	Restaurants
Mountain Mike's Pizza	Restaurants	Pro Media Ultrasound	Electronic Equipment
Rite Aid Drug Stores	Drug Stores	Rite Aid Drug Stores	Drug Stores
Round Table Pizza	Restaurants	Round Table Pizza	Restaurants
Safeway Service Stations	Service Stations	Save Mart Supermarkets	Food Markets
Safeway Stores	Food Markets	Shell Service Stations	Service Stations
Shell Service Stations	Service Stations	Starbucks Coffee	Food Markets
Taco Bell	Restaurants	Taco Bell	Restaurants
The Powder Keg Pub	Restaurants	The Powder Keg Restaurant	Restaurants
Union 76 Service Stations	Service Stations	Union 76 Service Stations	Service Stations
Willow Food & Liquor	Food Markets	Willow Food & Liquor	Liquor Stores

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, SBITA Purchases	
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)	14,261,843	9,768,525	24,030,368
2022	- (b)	13,765,105	9,512,473	23,277,578
2023	- (b)	13,160,739	9,185,625	22,346,364

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			
2014	\$ 24,400,000	\$ -	\$ 24,400,000	\$ 47,841,878	5.23%	1,942
2015	11,070,000	-	11,070,000	33,907,404	3.71%	1,366
2016	10,830,000	-	10,830,000	33,041,255	3.48%	1,321
2017	10,585,000	-	10,585,000	32,143,111	3.41%	1,271
2018	10,335,000	6,786,667	17,121,667	38,499,305	3.91%	1,490
2019	10,075,000	15,165,494	25,240,494	46,004,979	4.22%	1,772
2020	9,810,000	22,305,600	32,115,600	52,233,884	4.53%	1,992
2021	9,250,000	24,356,298	33,606,298	56,883,876	4.45%	2,199
2022	8,450,000	23,259,518	31,709,518	54,055,882	3.65%	2,072
2023	8,095,000	21,009,706	29,104,706	29,104,706	1.67%	1,107

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.





City of Hercules

Computation of Direct and Overlapping Debt

June 30, 2023

2022-23 Assessed Valuation: \$4,531,306,410

	Total Debt 6/30/23	% Applicable (a)	City's Share of Debt 6/30/23
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Bay Area Rapid Transit District	\$ 2,484,285	0.476%	\$ 11,825,197
Contra Costa Community College District	649,015,000	1.802%	11,695,250
John Swett Unified School District	71,654,863	7.983%	5,720,208
West Contra Costa Unified School District	1,188,146,381	11.003%	130,731,746
West Contra Costa Healthcare Parcel Tax Obligations	43,000,000	10.929%	4,699,470
East Bay Regional Park District	175,955,000	0.753%	1,324,941
California Statewide Communities development Authority Assessment Districts	3,934,960	100.000%	3,934,960
City of Hercules 1915 Act Bonds	2,454,484	100.000%	2,454,484
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 172,386,256
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Contra Costa County General Fund Obligations	\$ 193,515,000	1.796%	\$ 3,475,530
Contra Costa County Pension Obligation Bonds	-		-
West Contra Costa Unified School District Certificates of Participation	4,850,000	11.003%	533,646
City of Hercules General Fund Obligations	13,420,180	100.000%	13,420,180
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 17,429,355
Less: Contra Costa County obligations supported from revenue funds			914,691
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 16,514,664
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>			
	\$78,090,000	100%	\$ 78,090,000
TOTAL DIRECT DEBT			13,420,180
TOTAL GROSS OVERLAPPING DEBT			\$ 254,485,431
TOTAL NET OVERLAPPING DEBT			\$ 253,570,740
GROSS COMBINED TOTAL DEBT			\$ 267,905,611 (b)
NET COMBINED TOTAL DEBT			\$ 266,990,920

(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 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.80%
Total Direct Debt (\$14,041,843)	0.30%
Gross Combined Total Debt	5.91%
Net Combined Total Debt	5.89%

<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	\$1,776,799,158
Total Overlapping Tax Increment Debt	4.39%

Source: Avenue Insights & Analytics
California Municipal Statistics, Inc.



City of Hercules **Legal Debt Margin Information** **Last Ten Fiscal Years**

	For the Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Assessed Valuation	\$ 2,432,853,667	\$ 2,823,697,070	\$ 3,035,240,481	\$ 3,279,761,098	\$ 3,505,792,898
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 608,213,417	\$ 705,924,268	\$ 758,810,120	\$ 819,940,275	\$ 876,448,225
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 91,232,013	\$ 105,888,640	\$ 113,821,518	\$ 122,991,041	\$ 131,467,234
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 91,232,013</u>	<u>\$ 105,888,640</u>	<u>\$ 113,821,518</u>	<u>\$ 122,991,041</u>	<u>\$ 131,467,234</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

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**

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Assessed Valuation	\$ 3,655,023,232	\$ 3,873,427,943	\$ 4,107,894,266	\$ 4,278,246,435	\$ 4,499,945,010
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 913,755,808	\$ 968,356,986	\$ 1,026,973,567	\$ 1,069,561,609	\$ 1,124,986,253
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 137,063,371	\$ 145,253,548	\$ 154,046,035	\$ 160,434,241	\$ 168,747,938
Total net debt applicable to limit:					
General Obligation Bonds	-	-	-	-	-
Legal Debt Margin	<u>\$ 137,063,371</u>	<u>\$ 145,253,548</u>	<u>\$ 154,046,035</u>	<u>\$ 160,434,241</u>	<u>\$ 168,747,938</u>
Total debt applicable to the limit as a percentage of debt limit ¹					

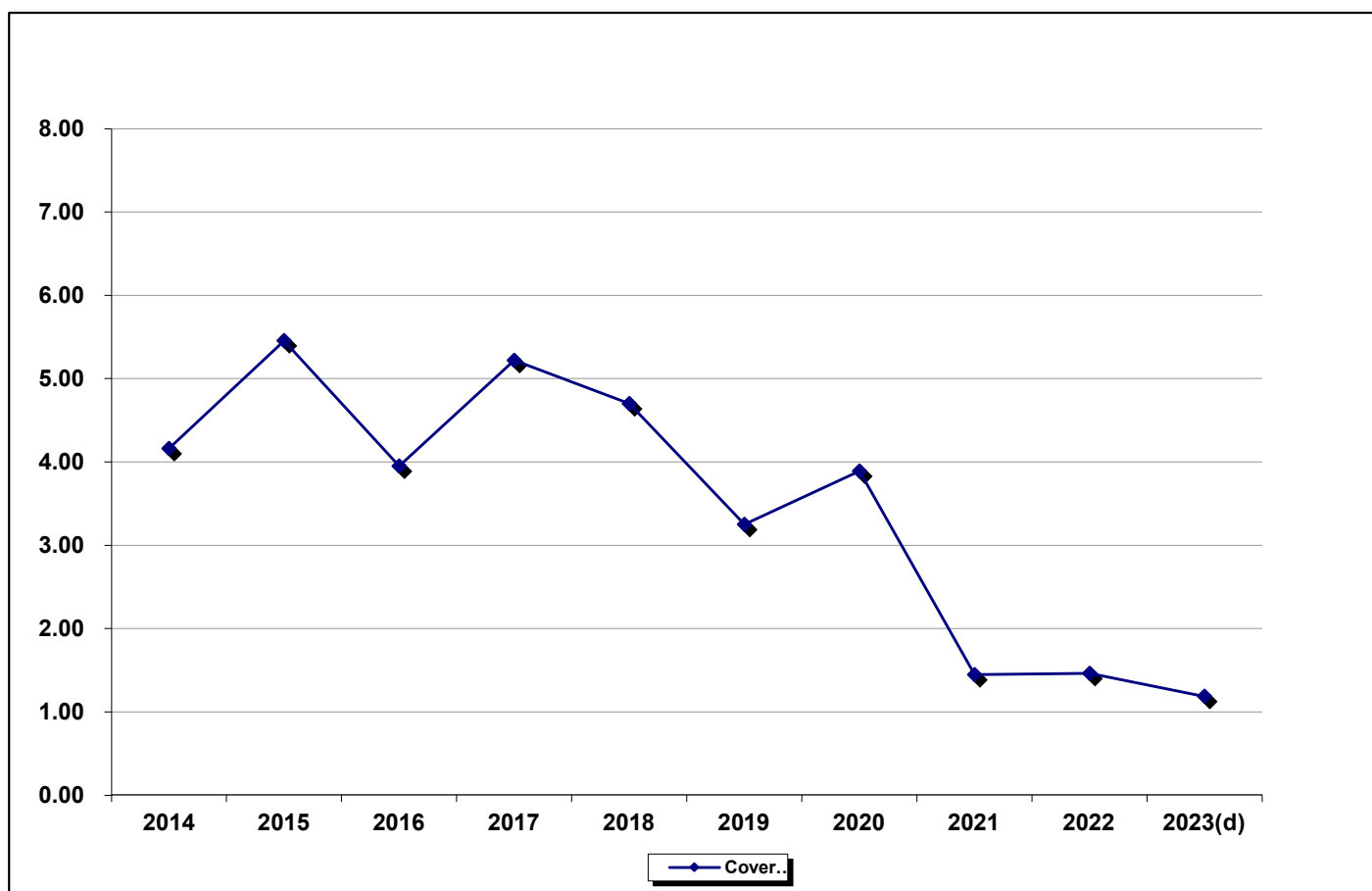
The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (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

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	
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
2023 ^(d)	5,922,758	-	3,473,988	2,448,770	1,451,141	611,583	2,062,724	1.19

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
(d) The debt payment to the State Water Resources Control Board scheduled for FY 2024 was paid and recorded in FY 2023

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
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
2023	26,297	1,739,577,055	66,151	42.7	29,672	3.7%	3.4%	1,147,653

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	2022-23		2021-22	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Bio-Rad Laboratories Inc	2,028	14.5%	2,052	14.8%
West Contra Costa Unified School District	242	1.73%	230	1.65%
Home Depot	163	1.16%	190	1.37%
Safeway	160	1.14%	162	1.17%
Pacific Bio Labs Inc	122	0.87%	95	0.68%
Contra Costa County Social Services	83	0.59%	124	0.89%
Lucky Supermarkets	60	0.43%	65	0.47%
City of Hercules	59	0.42%	56	0.40%
Kinder's Meats & Deli BBQ & Catering	48	0.34%	48	0.35%
Benda Tool & Model Works Inc	36	0.26%	43	0.31%
A & B Die Casting			24	0.17%
Total Top 10 Employers	3,001	21.44%	3,089	22.22%
Total City Labor Force (1)	14,000		13,900	

Source: MuniServices, LLC \ Avenu Insights & Analytics
Results based on direct correspondence with city's local businesses.
(1) Total City Labor Force provided by EDD Labor Force Data.

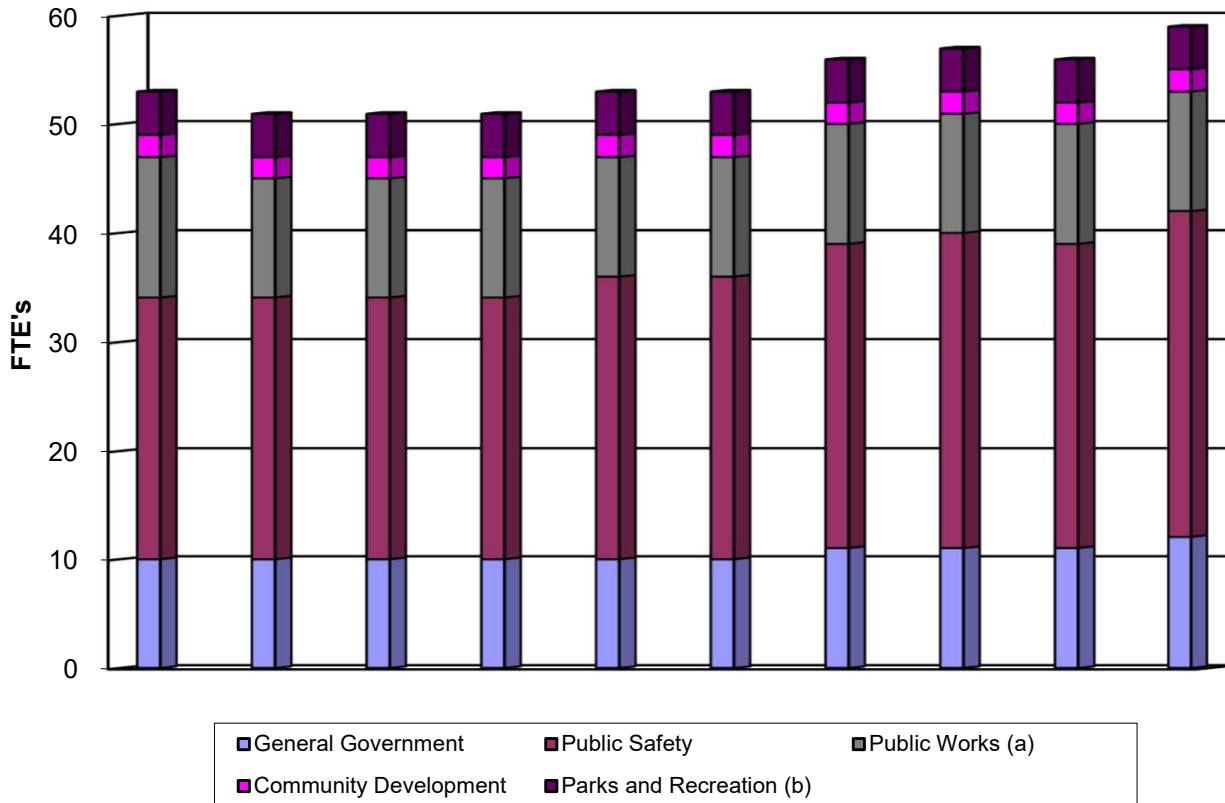
*2019-20 is the city's first ACFR Statistical publication,
therefore, nine year ago data is unavailable.



City of Hercules

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years



	For the Fiscal Year Ended June 30,									
Function	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	10.00	10.00	10.00	10.00	10.00	10.00	11.00	11.00	11.00	12.00
Public Safety	24.00	24.00	24.00	24.00	26.00	26.00	28.00	29.00	28.00	30.00
Public Works ^(a)	13.00	11.00	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
Total	53.00	51.00	51.00	51.00	53.00	53.00	56.00	57.00	56.00	59.00

NOTE:

(a) Public Works includes Wastewater and Solid Waste

(b) Parks and Recreation includes Library, Recreation and Park

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,				
	2014	2015	2016	2017	2018
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	-		-	18,738
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	12,550	1,843	7,707	13,142	16,245
Law violations:					
Part I and Part II crimes	811	96	571	957	867
Physical arrests (adult and juvenile)	450	45	245	403	449
Traffic violations	1,000	85	518	793	1,074
Sewer					
Sewer service connections	8,235	8,235	8,265	8,271	8

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
General Information					
Area in square miles	18.20	18.20	18.20	18.20	18.20
Number of registered voters	-	14,804	-	14,213	-
Number of Hospitals	-	-	-	-	-
Education:					
Student enrollment	2,823	2,825	2,797	2,753	2,539
Elementary schools	1,243	1,296	1,327	1,305	1,215
Junior high schools	584	594	603	596	590
High schools	996	935	867	852	734
Teachers (full & part time)	134	127	125	124	124
Function/Program					
Police:					
Police calls for Service	16,918	29,935	16,192	26,071	25,196
Law violations:					
Part I and Part II crimes	831	1,162	1,689	1,445	1,266
Physical arrests (adult and juvenile)	495	398	508	528	624
Traffic violations	1,383	975	607	902	524
Sewer					
Sewer service connections	8,327	8,326	84,010	8,410	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,				
	2014	2015	2016	2017	2018
Planning & Building:					
Number of Building Permits issued	672	631	622	782	778
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	13	11	12	12	10
Number of youth attendees	178	723	519	250	637
Aquatics:					
Number of aquatics programs	4	4	4	4	4
Number of aquatics attendees	2,898	1,396	2,266	1,739	1,390
Recreation Classes:					
Number of recreation programs	7	7	6	7	7
Number of recreation attendees	2,569	2,366	709	441	914
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	11	12	9	11	11
Number of preschool/gradeschool attendees	2,151	3,358	2,900	2,949	3,510
Seniors:					
Number of senior programs	14	14	14	14	14
Number of senior attendees	18,873	10,415	10,707	11,445	10,573
Number of meals served	8,702	8,791	8,787	9,811	8,880
Finance:					
Number of Business Licenses issued	647	664	734	665	819

Source: City of Hercules



City of Hercules

Operating Indicators by Function/Program (Continued)

Last Ten Fiscal Years

	For the Fiscal Year Ended June 30,				
	2019	2020	2021	2022	2023
Planning & Building:					
Number of Building Permits issued	753	389	675	1,016	1,013
Recreation and Parks:					
Youth & Teens:					
Number of youth programs	38	8	-	10	13
Number of youth attendees	550	112	-	243	178
Aquatics:					
Number of aquatics programs	4	2	4	9	308
Number of aquatics attendees	1,686	533	1,098	1,943	2,128
Recreation Classes:					
Number of recreation programs	7	4	3	16	24
Number of recreation attendees	817	124	16	500	398
Preschool/GradeSchool Programs:					
Number of preschool/gradeschool programs	11	8	-	11	9
Number of preschool/gradeschool attendees	3,319	869	-	2,510	2,482
Seniors:					
Number of senior programs	14	14	-	14	21
Number of senior attendees	12,577	2,778	-	5,984	15,655
Number of meals served	7,259	3,399	8,212	5,124	6,662
Finance:					
Number of Business Licenses issued	995	971	1,103	1,184	1,147

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, 2023				
	2014	2015	2016	2017	2018
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**

	For the Fiscal Year Ended June 30, 2023				
	2019	2020	2021	2022	2023
Function/Program					
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, 2023

Hercules Wastewater Fund
(An Enterprise Fund of the City of Hercules, California)
Basic Financial Statements
For the Year Ended June 30, 2023

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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, 2023, 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, 2023, 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 (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“*Government Auditing Standards*”). 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 opinion.

Emphasis of Matter

As described in Note 1 to the basic financial statements, these financial statements present only the Fund and do not purport to and do not present fairly the financial position of the City as of June 30, 2023, 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 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 GAAS 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 GAAS 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
Page 3

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 February 22, 2024 on our consideration of the City's internal control over the Fund's 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 Fund's 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 the Fund's financial reporting and compliance.

The Pw Group, LLP

Santa Ana, California
February 22, 2024

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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***

Independent Auditors' Report

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 ("*Government Auditing Standards*"), 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, 2023, 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 February 22, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not identified.

To the Honorable Mayor and Members of the City Council
of the City of Hercules
Hercules, California
Page 2

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 Per Group, LLP

Santa Ana, California
February 22, 2024

BASIC FINANCIAL STATEMENTS

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Hercules Wastewater Fund
Statement of Net Position
June 30, 2023

ASSETS	
Current assets:	
Cash and investments	\$ 18,830,203
Cash and investments with fiscal agent	8,327,888
Total current assets	<u>27,158,091</u>
Noncurrent assets:	
Net OPEB asset (PEHMCA)	12,132
Capital assets:	
Nondepreciable	3,456,514
Depreciable, net	36,922,843
Total noncurrent assets	<u>40,391,489</u>
Total assets	<u>67,549,580</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related deferred outflows of resources	445,145
OPEB-related deferred outflows of resources (PEHMCA)	33,622
OPEB-related deferred outflows of resources (SOMAR)	35,838
Total deferred outflows of resources	<u>514,605</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,026,678
Salaries and benefits payable	8,776
Accrued interest payable	16,055
Long-term debt - due within one year	1,557,797
Total current liabilities	<u>3,609,306</u>
Noncurrent liabilities:	
Long-term debt - due in more than one year	27,599,075
Net pension liability	1,092,885
Net OPEB liability (SOMAR)	100,875
Total noncurrent liabilities	<u>28,792,835</u>
Total liabilities	<u>32,402,141</u>
DEFERRED INFLOWS OF RESOURCES	
Pension-related deferred outflows of resources	136,612
OPEB-related deferred outflows of resources (PEHMCA)	92,420
OPEB-related deferred outflows of resources (SOMAR)	31,658
Total deferred inflows of resources	<u>260,690</u>
NET POSITION	
Net investment in capital assets	
Restricted for debt services	19,602,539
Unrestricted	15,798,815
Total net position	<u><u>\$ 35,401,354</u></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, 2023

OPERATING REVENUES:

Charges for services	\$ 5,922,758
Total operating revenues	<u>5,922,758</u>

OPERATING EXPENSES:

Salaries and benefits	821,479
Services and supplies	2,652,510
Depreciation	<u>990,241</u>
Total operating expenses	<u>4,464,230</u>

Operating income	1,458,528
-------------------------	-----------

NONOPERATING REVENUES (EXPENSES):

Interest income	294,199
Interest (expense)	<u>(621,774)</u>
Total nonoperating revenues (expenses), net	<u>(327,575)</u>

CHANGE IN NET POSITION	1,130,953
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NET POSITION:

Beginning of year	<u>34,270,401</u>
End of year	<u><u>\$ 35,401,354</u></u>

Hercules Wastewater Fund
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from customers	\$ 5,922,758
Cash paid to suppliers for goods and services	(971,308)
Cash paid to employees for services	(750,940)
Net cash provided by operating activities	4,200,510

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Payments related to the acquisition of capital assets	(2,283,619)
Principal repayments related to capital purposes	(2,604,812)
Interest repayments related to capital purposes	(968,747)
Net cash (used in) capital and related financing activities	(5,857,178)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earnings	294,199
Net cash provided by investing activities	294,199

NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,362,469)
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CASH AND CASH EQUIVALENTS:

Beginning of year	28,520,560
End of year	<u><u>\$ 27,158,091</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS
TO STATEMENT OF NET POSITION:**

Cash and investments	\$ 18,830,203
Cash and investments with fiscal agent	8,327,888
Total cash and cash equivalents	<u><u>\$ 27,158,091</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$ 1,458,528
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	990,241
(Increase) decrease in assets and deferred outflows	
Pensions-related deferred outflows	(283,060)
OPEB-related deferred outflows	(30,141)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	1,681,202
Salaries and benefits payable	(23,785)
Net pension liability	728,877
Net OPEB liability	17,658
Pensions-related deferred inflows	(355,956)
OPEB-related deferred inflows	16,529
Compensated absences	417
Total adjustments	<u>2,741,982</u>
Net cash provided by operating activities	<u><u>\$ 4,200,510</u></u>

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Hercules Wastewater Fund

Notes to the Basic Financial Statements

For the Year Ended June 30, 2023

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, 2023, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. GAAP.

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.

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).

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.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2023

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 6). 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

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 7). 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, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 - June 30, 2023

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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows and Inflows of Resources

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.

M. 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.

N. 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, 2023 consisted of the following:

Cash and investments pooled with City	\$ 18,830,203
Cash and investments with fiscal agents	<u>8,327,888</u>
Total	<u>\$ 27,158,091</u>

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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, 2023, the Fund has deposited \$18,830,203 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.

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, 2023

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, 2023, the Fund's investment consisted of \$18,830,203 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, 2023

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	\$ 18,830,203	\$ 18,830,203
Investments with fiscal agents:		
Money Market Mutual Funds	8,327,888	8,327,888
Total	\$ 27,158,091	\$ 27,158,091

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	\$ 18,830,203	N/A	\$ -	\$ 18,830,203
Investments with fiscal agents:				
Money Market Mutual Funds	8,327,888	N/A	8,327,888	-
Total	\$ 27,158,091		\$ 8,327,888	\$ 18,830,203

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, was as follows:

	Balance July 1, 2022	Additions	Reclassification/ Transfers	Balance June 30, 2023
Nondepreciable assets:				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	981,195	2,283,619	-	3,264,814
Total nondepreciable assets	1,172,895	2,283,619	-	3,456,514
Depreciable assets:				
Structures and improvements	38,325,271	-	-	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	14,945,319	-	-	14,945,319
Subtotal	53,520,935	-	-	53,520,935
Less: accumulated depreciation:				
Structures and improvements	(11,007,031)	(137,358)	-	(11,144,389)
Machinery and equipment	(215,394)	(4,560)	-	(219,954)
Infrastructure	(4,385,426)	(848,323)	-	(5,233,749)
Subtotal	(15,607,851)	(990,241)	-	(16,598,092)
Total depreciable assets, net	37,913,084	(990,241)	-	36,922,843
Total capital assets, net	\$ 39,085,979	\$ 1,293,378	\$ -	\$ 40,379,357

Depreciation expense in the amount of \$990,241 was charged to the Fund for the year ended June 30, 2023.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Long-Term Debt

Summary of changes in long-term debt for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year	Due in More Than One Year
State Water Resources						
Construction Loan	\$ 23,259,518	\$ -	\$ (2,249,812)	\$ 21,009,706	\$ 1,153,672	\$ 19,856,034
Wastewater Revenue Bonds, Series 2021A	8,450,000	-	(355,000)	8,095,000	365,000	7,730,000
Compensated Absences	51,749	30,440	(30,023)	52,166	39,125	13,041
Total	<u>\$ 31,761,267</u>	<u>\$ 30,440</u>	<u>\$ (2,634,835)</u>	<u>\$ 29,156,872</u>	<u>\$ 1,557,797</u>	<u>\$ 27,599,075</u>

A. 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, 2023. The outstanding balance as of June 30, 2023 was \$21,009,706.

The annual debt service requirements to maturity for the State Water Resources Construction Loan as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,153,672	\$ 357,165	\$ 1,510,837
2025	1,173,285	337,553	1,510,838
2026	1,193,230	317,606	1,510,836
2027	1,213,515	297,322	1,510,837
2028	1,234,145	276,692	1,510,837
2029-2033	6,492,658	1,061,529	7,554,187
2034-2038	7,063,618	490,567	7,554,185
2039	1,485,583	25,255	1,510,838
Total	<u>\$ 21,009,706</u>	<u>\$ 3,163,689</u>	<u>\$ 24,173,395</u>

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 4 – Long-Term Debt (Continued)

B. 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 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, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	400,000	151,725	551,725
2029-2033	2,150,000	609,280	2,759,280
2034-2038	2,425,000	337,544	2,762,544
2039-2041	1,600,000	57,715	1,657,715
Total	\$ 8,095,000	\$ 1,855,746	\$ 9,950,746

C. 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, 2023

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, 2023

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, 2023, 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	10.320%	7.470%

Employees Covered

At June 30, 2022, 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, 2023

Note 6 – Public Employee Retirement System (Continued)

A. General Information About the Pension Plans (Continued)

Contributions (Continued)

The City contributed \$105,146 towards the Fund's share of the Miscellaneous Pension Plan during the year ended June 30, 2023.

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 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	6.90%
Inflation	2.30%
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.

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. in determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension and fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. 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, 2023

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^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% was used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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: 6/30/21 (Valuation date)	\$ 2,537,625	\$ 2,173,617	\$ 364,008
Balance at: 6/30/22 (Measurement date)	4,067,367	2,974,482	1,092,885
Net changes during 2021-2022	<u>\$ 1,529,742</u>	<u>\$ 800,865</u>	<u>\$ 728,877</u>

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021 measurement date (June 30, 2022 reporting date) and 2022 measurement date (June 30, 2023 reporting date) was as follows:

	Fund's Proportion to City's Share Pool
Measurement date	
Proportion - June 30, 2021	0.00673%
Proportion - June 30, 2022	0.00946%
Change - Increase/(Decrease)	0.00273%

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% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous	\$ 1,647,340	\$ 1,092,885	\$ 636,706

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, 2023

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, 2023, the Fund recognized pension expense of \$195,007. At June 30, 2023, 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	\$ 105,146	\$ -
Changes of assumptions	111,989	-
Net difference between projected and actual earnings on pension plan investments	200,188	-
Difference between expected and actual experience	21,947	(14,699)
Employer contributions in excess/(under) proportionate share of contributions	-	(79,134)
Adjustments due to difference in proportions	5,875	(42,779)
Total	<u>\$ 445,145</u>	<u>\$ (136,612)</u>

\$105,146 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 measure period ended 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 Ended June 30	Miscellaneous Plan
2023	\$ 29,133
2024	27,568
2025	24,245
2026	122,441
2027	-
Thereafter	-
Total	<u>\$ 203,387</u>

E. Payable to the CalPERS Pension Plans

At June 30, 2023, the Fund had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2023.

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 (\$149/month for 2022 and 2023).

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, 2023 were \$5,879.

Actuarial Assumptions

The net OPEB liability of the Plan was determined using an actuarial valuation as of June 30, 2023 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	2021 CalPERS Mortality
Healthcare Trend Rate	4%

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

A. Retiree Healthcare Plan (PEHMCA) (Continued)

Actuarial Assumptions (Continued)

The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS for the miscellaneous participant type and the 2021 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.

Changes of Assumptions

There were not discount rate changes. However, the demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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%
	100.00%	

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: 6/30/22 (Valuation date)	\$ (136,327)	\$ (137,090)	\$ (763)
Balance at: 6/30/23 (Measurement date)	(130,814)	(142,946)	(12,132)
Net changes during 2022-2023	\$ (5,513)	\$ 5,856	\$ 11,369

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 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, 2022, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2022 and rolled forward to June 30, 2023 using standard update procedures.

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, 2023 measurement date and June 30, 2022 measurement date was as follows:

	Fund's Proportion to City's Share Pool
Proportion - June 30, 2022	5.35664%
Proportion - June 30, 2023	5.35714%
Change - Increase/(Decrease)	0.00050%

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%)
\$ 5,478	\$ (12,132)	\$ (26,770)

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%
\$ (30,493)	\$ (12,132)	\$ 11,014

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the Fund recognized OPEB expense of \$271 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, 2023, 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	\$ 614	\$ (82,306)
Changes of assumptions	21,944	(10,114)
Net difference between projected and actual earning on OPEB plan investments	11,064	-
Total	<u>\$ 33,622</u>	<u>\$ (92,420)</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
2024	\$ (3,191)
2025	(6,560)
2026	(4,521)
2027	(9,661)
2028	(9,739)
Thereafter	(25,126)
Total	<u>\$ (58,798)</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, 2023

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, 2023, 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	\$292 per month pre- 65; based on Kaiser premium post-65	\$388 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, 2023

Note 7 – Other Postemployment Benefits (“OPEB”) (Continued)

B. Retiree Cash Benefit Plan (SOMAR Plan) (Continued)

Contributions

For the year ended June 30, 2023, the Fund contributions recognized as part of OPEB expense for the SOMAR plan were \$2,303.

Actuarial Assumptions

The net pension liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2022 using the following actuarial assumptions:

Cost method	Entry age normal
Discount Rate	3.65%
Inflation	2.50%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2021 CalPERS tables

Changes of Assumptions

The interest assumption changed from 3.54% to 3.65%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems

Discount Rate

The discount rate used to measure the total OPEB liability for the SOMAR plan was 3.65% based on the Bond Buyer 20 Bond Index.

Proportionate Share of Net OPEB Liability and OPEB Expense

The Fund proportionate share of the net OPEB liability as of June 30, 2023, measurement date, is as follows:

Plan's Proportion to Total Plan at June 30, 2023	Proportionate Share of Net OPEB Liability
5.357%	\$ 100,875

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% (2.65%)	Current Discount Rate (3.65%)	Discount Rate + 1% (4.65%)
\$ 119,978	\$ 100,875	\$ 85,904

Hercules Wastewater Fund
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized pension expense of \$4,317 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, 2023, 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	20,084	\$ (15,648)
Changes of assumptions	15,754	(16,010)
Total	<u>\$ 35,838</u>	<u>\$ (31,658)</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
2024	\$ 458
2025	458
2026	458
2027	458
2028	458
Thereafter	1,890
Total	<u>\$ 4,180</u>

Payable to the OPEB Plan

At June 30, 2023, the Fund had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2023.

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.

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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, 2023

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans				
	June 30, 2022 ¹	June 30, 2021 ¹	June 30, 2020 ¹	June 30, 2019 ¹	June 30, 2018 ¹
Proportion of the Net Pension Liability	0.0095%	0.0067%	0.0072%	0.0068%	0.0066%
Proportionate Share of the Net Pension Liability	\$ 1,092,885	\$ 364,008	\$ 779,817	\$ 694,727	\$ 637,000
Covered Payroll	\$ 437,549	\$ 229,694	\$ 335,827	\$ 331,260	\$ 321,063
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	249.77%	158.48%	232.21%	209.72%	198.40%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	73.13%	85.66%	73.63%	75.07%	77.69%

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, 2023

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Measurement Date:	Miscellaneous Plans			
	June 30, 2017¹	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
Proportion of the Net Pension Liability	0.0067%	0.0065%	0.0056%	0.0057%
Proportionate Share of the Net Pension Liability	\$ 659,623	\$ 562,902	\$ 481,238	\$ 462,583
Covered Payroll	\$ 301,916	\$ 251,715	\$ 251,715	\$ 319,046
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	218.48%	223.63%	191.18%	144.99%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.39%	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, 2023

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans				
	2022-23¹	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution ²	\$ 105,146	\$ 88,805	\$ 102,423	\$ 95,532	\$ 91,514
Contribution in Relation to the Actuarially Determined Contribution ²	(105,146)	(88,805)	(102,423)	(95,532)	(91,514)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll ³	\$ 449,800	\$ 437,549	\$ 229,694	\$ 335,827	\$ 331,260
Contributions as a Percentage of Covered Payroll	23.38%	20.30%	44.59%	28.45%	27.63%

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 2.80% payroll growth assumption for fiscal year ended June 30, 2022; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 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 valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Hercules Wastewater Fund
Required Supplementary Information (Unaudited)
Schedule of Contributions to the Pension Plan (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years ¹

California Public Employees' Retirement System (CalPERS)

Fiscal Year:	Miscellaneous Plans			
	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution ²	\$ 63,159	\$ 52,105	\$ 52,884	\$ 34,760
Contribution in Relation to the Actuarially Determined Contribution ²	(63,159)	(52,105)	(52,884)	(34,760)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll ³	\$ 301,916	\$ 251,715	\$ 251,715	\$ 319,046
Contributions as a Percentage of Covered Payroll	20.92%	20.70%	21.01%	10.89%

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, 2023

	Last Ten Fiscal Years ¹				
Measurement Date:	June 30, 2023¹	June 30, 2022¹	June 30, 2021¹	June 30, 2020¹	June 30, 2019¹
Proportion of the Net OPEB Liability (Asset)	5.36%	5.36%	5.88%	6.80%	5.16%
Proportionate Share of the Net OPEB Liability (Asset)	\$ (12,132)	\$ (763)	\$ (28,052)	\$ (11,718)	\$ 66,474
Covered Payroll	\$ 229,694	\$ 335,827	\$ 335,827	\$ 331,260	\$ 321,063
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-5.28%	-0.23%	-8.35%	-3.54%	20.70%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	109.27%	100.56%	119.65%	106.92%	65.60%

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 the Proportionate Share of the Plan's Net OPEB Liability (Asset) - PEHMCA (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years ¹	
Measurement Date:	<u>June 30, 2018¹</u>
Proportion of the Net OPEB Liability (Asset)	<u>5.19%</u>
Proportionate Share of the Net OPEB Liability (Asset)	<u>\$ 75,521</u>
Covered Payroll	<u>\$ 301,916</u>
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	<u>25.01%</u>
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>59.11%</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, 2023

Fiscal Year:	Last Ten Fiscal Years ¹				
	2022-23²	2021-22²	2020-21²	2019-20²	2018-19
Actuarially Determined Contribution	\$ 5,879	\$ 7,721	\$ 1,179	\$ 11,571	\$ 18,642
Contribution in Relation to the Actuarially Determined Contribution	(5,879)	(7,721)	(1,179)	(11,571)	(18,642)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 449,800	\$ 437,549	\$ 229,694	\$ 335,827	\$ 331,260
Contributions as a Percentage of Covered Payroll	1.31%	1.76%	0.51%	3.45%	5.63%

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 Contributions to the OPEB Plan - PEHMCA (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years ¹

Fiscal Year:	2018-19
Actuarially Determined Contribution	\$ 10,641
Contribution in Relation to the Actuarially Determined Contribution	(10,641)
Contribution Deficiency (Excess)	\$ -
Covered Payroll	\$ 321,063
Contributions as a Percentage of Covered Payroll	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, 2023

	Last Ten Fiscal Years ¹			
Measurement Date:	June 30, 2023 ^{1 2}	June 30, 2022 ¹	June 30, 2021 ^{1 2}	June 30, 2020 ^{1 2}
Proportion of the Net OPEB Liability (Asset)	5.36%	5.36%	5.36%	5.36%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 100,875	\$ 71,848	\$ 86,665	\$ 99,901
Covered Payroll	\$ 437,549	\$ 364,008	\$ 345,902	\$ 335,827
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	23.05%	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%	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, 2023

	Last Ten Fiscal Years ¹			
Fiscal Year:	2022-23²	2021-22²	2020-21²	2019-20²
Actuarially Determined Contribution	\$ 2,303	\$ 2,342	\$ 2,332	\$ 2,182
Contribution in Relation to the Actuarially Determined Contribution	(2,303)	(2,342)	(2,332)	(2,182)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 437,549	\$ 364,008	\$ 345,902	\$ 33,587
Contributions as a Percentage of Covered Payroll	0.53%	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, 2023

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, 2023. The City's management is responsible for receipt of Measure B - Transactions and Use Tax Revenues and deposit of such proceeds into the City's General Fund. 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's management has agreed to and acknowledged that the procedures performed are appropriate for its purposes. 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, 2023.

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
7/12/2022*	\$ 178,272	\$ 178,272	\$ -
8/11/2022*	126,798	126,798	-
9/08/2022*	216,071	216,071	-
9/29/2022	175,753	175,753	-
10/27/22	106,914	106,914	-
12/08/22	206,507	206,507	-
1/5/2023	180,920	180,920	-
2/2/2023	103,225	103,225	-
2/2/2023**	189,154	-	189,154
3/2/2023	224,657	224,657	-
3/28/2023	155,735	155,735	-
4/27/2023	92,527	92,527	-
6/5/2023	201,302	201,302	-
6/30/2023***	496,006	496,006	-
	<u>\$ 2,653,841</u>	<u>\$ 2,464,687</u>	<u>\$ 189,154</u>

* The City accrued \$521,141 for the fiscal year ended June 30, 2022. These payments apply to part of that accrual.

** The City received October 2021 replacement check \$189,153.74 and recognized the revenue in FY23.

*** California Department of Tax and Fee Administration (CDTFA) confirmed \$166,014, \$119,069, and \$210,923 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 and is not intended to be and should not be used by anyone other than these specified parties.

The Per Group, LLP

Santa Ana, California
February 22, 2024

City of Hercules

Hercules, California

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

For the Year Ended June 30, 2023



**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, California (the "City") in evaluating whether the Measure N (formerly known as Measure C) Utility Users Tax Rate Revenues (UUT) is in accordance with the provisions of this measure for the year ended June 30, 2023. The City's management is responsible for the receipt of Measure N - Utility Users Tax Rate Revenues and deposit of such proceeds into the City's General Fund. The City is responsible for compliance with Measure N 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 N 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 2022/23 - Expected UUT VS Actual UUT
 - b) FY 2022/23 - Increase in Revenues Generated by Measure N

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 2022/23 - Expected UUT vs Actual UUT					
Type of Utility	Estimated Utility Billings (FY 22/23 Utility Billings as a Base)	Expected UUT ¹	Actual UUT	Variance	% Variance
Electricity	\$ 17,150,000	\$ 1,372,000	\$ 1,546,371	\$ 174,371	12.71%
Telephone	6,037,500	483,000	460,077	(22,923)	-4.75%
Gas	5,625,000	450,000	749,243	299,243	66.50%
Water	9,700,000	776,000	713,884	(62,116)	-8.00%
Cable	6,350,000	508,000	526,699	18,699	3.68%
Totals	\$ 44,862,500	\$ 3,589,000	\$ 3,996,274	\$ 407,274	11.35%

* Based on UUT of 8% of estimated utility billings

b) Schedule recalculated for mathematical accuracy with no exceptions.

FY 2022/23 -Increase in Revenue Generated by Measure N (formerly known as 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	1,546,371	1,159,779	386,592	404,272	17,680	4.37%
Telephone	460,077	345,058	115,019	95,949	(19,070)	-19.88%
Gas	749,243	561,932	187,311	214,478	27,167	12.67%
Water	713,884	535,413	178,471	203,070	24,599	12.11%
Cable	526,699	-	526,699	492,750	(33,949)	-6.89%
Totals	3,996,274	2,602,182	1,394,092	1,410,519	16,427	1.16%
¹ Based on the actual UUT collected for FY 2022/2023 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 21/22 & FY 22/23.						

- We traced the proceeds of the Measure N 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 N Utility Users Tax Rate Revenues of the City for the year ended June 30, 2023. 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
February 22, 2024

City of Hercules

Hercules, California

Independent Accountants' Report on Applying Agreed-Upon Procedures to Appropriations Limit Schedule

For the Year Ending June 30, 2024



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 accompanying Appropriations Limit Schedule of the City of Hercules, California (the "City") for the year ending June 30, 2024. The City's management 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 of meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution, which was agreed 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, 2024, 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. However, we noted that the City is not maximizing its calculation by using the City population factor for the year ended June 30, 2024 that will benefit the City the most. There is no impact as the City's appropriations for 2023-24 are below the limit.

3. We verified 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 verified 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 Pw Group, LLP

Santa Ana, California
February 22, 2024

City of Hercules
Appropriations Limit Schedule
For the Year Ending June 30, 2024

	Amount	Source
A. Appropriations Limit FY 2022-2023	\$ 506,343,344	Prior year appropriation limit adopted by the City
B. Calculation Factors:		
1) Population increase %	1.0136	California Department of Finance
2) Inflation increase %	1.0444	California Department of Finance
3) Total adjustment %	1.0586	(B1 x B2)
C. Annual Adjustment Increase	29,673,664	{(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	29,673,664	(C+D)
F. Appropriations Limit FY 2023-2024	\$ 536,017,008	(A+E)

See Accompanying Notes to Appropriations Limit Schedule.

City of Hercules
Notes to Appropriations Limit Schedule
For the Year Ending June 30, 2024

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 ending June 30, 2024, 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 ending June 30, 2024, 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 ending June 30, 2024.

CITY OF HERCULES

Presentation to the City Council
For the Fiscal Year Ended June 30, 2023

March 12, 2024



CONTENTS

- Scope of Work
- Required Communications (AU-C 260)
- Overview of the Financial Statements and Financial Indicators
- Key Pensions and Other Postemployment Benefits Information
- Financial Audit Results

SCOPE OF WORK

SCOPE OF WORK

- Audit of the Annual Comprehensive 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 N (formerly as Measure C) – Utility Users Tax Rate Revenues

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.
- 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.
- Communicate with those charged with governance

Required Communications (AU-C 260)

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.

- **Significant Estimates**

- Investment fair value
- Depreciation and amortization on capital assets
- Lease receivable
- Net pension liability
- Net other postemployment benefits (“OPEB”) liability

Required Communications (AU-C 260)

- **Sensitive Disclosures**

- Note 1 - Summary of Significant Accounting Policies
- Note 4 – Leases Receivable
- Note 8 – Retirement Plans
- Note 10 – Other Postemployment Benefits
- Note 12 – Commitments and Contingencies
- Note 14 – Stewardship, Compliance, and Accountability

- **Misstatements**

- There were no material uncorrected misstatement.

Required Communications (AU-C 260)

- **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 AND FINANCIAL INDICATORS

City of Hercules
Government-Wide Statement of Net Position
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets	<u>\$ 134,581,000</u>	<u>\$ 67,550,000</u>	<u>\$ 202,131,000</u>
Deferred Outflows of Resources	<u>9,151,000</u>	<u>515,000</u>	<u>9,666,000</u>
Liabilities	<u>46,900,000</u>	<u>32,402,000</u>	<u>79,302,000</u>
Deferred Inflows of Resources	<u>13,687,000</u>	<u>261,000</u>	<u>13,948,000</u>
Net Position:			
Net investment in capital assets	60,790,000	19,603,000	80,393,000
Restricted	10,730,000	-	10,730,000
Unrestricted	<u>11,625,000</u>	<u>15,799,000</u>	<u>27,424,000</u>
Total Net Position	<u><u>\$ 83,145,000</u></u>	<u><u>\$ 35,402,000</u></u>	<u><u>\$ 118,547,000</u></u>

City of Hercules
Government-Wide Statement of Activities
For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	\$ 3,025,000	\$ 5,923,000	\$ 8,948,000
Operating Grants and Contributions	8,895,000	-	8,895,000
Capital Grants and Contributions	68,000	-	68,000
Total Program Revenues	11,988,000	5,923,000	17,911,000
Expenses	24,600,000	5,086,000	29,686,000
Net Cost of Services	(12,612,000)	837,000	(11,775,000)
General Revenues (Loss)	17,783,000	294,000	18,077,000
Changes in Net Position	\$ 5,171,000	\$ 1,131,000	\$ 6,302,000

**City of Hercules
Governmental Activities
Cost of Services to Tax Revenues
For the Years Ended June 30, 2023 and 2022**

	2023	2022	Change
Cost of Services	<u>\$ 12,612,000</u>	<u>\$ 4,722,000</u>	<u>\$ 7,890,000</u>
Tax Revenues	<u>13,465,000</u>	<u>14,092,000</u>	<u>(627,000)</u>
Ratio	<u>94%</u>	<u>34%</u>	<u>60%</u>

**City of Hercules
General Fund Summary
Fund Balance
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Fund Balance:			
Nonspendable	\$ 10,000	\$ 11,000	\$ (1,000)
Restricted	2,142,000	2,054,000	88,000
Committed	8,000,000	-	8,000,000
Assigned	6,197,000	6,022,000	175,000
Unassigned	17,529,000	22,927,000	(5,398,000)
Total Fund Balance	<u><u>\$ 33,878,000</u></u>	<u><u>\$ 31,014,000</u></u>	<u><u>\$ 2,864,000</u></u>

City of Hercules
General Fund Summary
Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022

	2023	2022	Change
Revenues	\$ 19,495,000	\$ 27,042,000	\$ (7,547,000)
Expenditures	(17,657,000)	(16,109,000)	(1,548,000)
Revenues over Expenditures	1,838,000	10,933,000	(9,095,000)
Other Financing Sources	1,026,000	1,910,000	(884,000)
Speical item	-	(27,787,637)	27,787,637
Change in Fund Balance	<u>\$ 2,864,000</u>	<u>\$ (14,944,637)</u>	<u>\$ (9,979,000)</u>

City of Hercules
General Fund
Unassigned Fund Balance to Annual Expenditures
For the Years Ended June 30, 2023 and 2022

	2023	2022	Change
Unassigned Fund Balance	<u>\$ 17,529,000</u>	<u>\$ 22,927,000</u>	<u>\$ (5,398,000)</u>
Annual Expenditures	<u>17,657,000</u>	<u>16,109,000</u>	<u>1,548,000</u>
Ratio	<u>99%</u>	<u>142%</u>	<u>-43%</u>
Committed/Assigned/Unassigned Fund Balance	<u>\$ 33,868,000</u>	<u>\$ 28,949,000</u>	<u>\$ 4,919,000</u>
Ratio	<u>192%</u>	<u>180%</u>	<u>12%</u>

KEY PENSION AND OPEB INFORMATION

Net Pension Liability – Misc. Plan

	2023	2022
Plan Total Pension Liability	\$ 33,376,000	\$ 31,470,000
Plan Fiduciary Net Position	(24,408,000)	(26,956,000)
Net Pension Liability	<u>\$ 8,968,000</u>	<u>\$ 4,514,000</u>
Funding Ratio	<u>73%</u>	<u>86%</u>
Contribution Made During the Fiscal Year	<u>\$ 863,000</u>	<u>\$ 961,000</u>

Net Pension Liability – Safety Plan

	2023	2022
Plan Total Pension Liability	\$ 43,442,000	\$ 38,998,000
Plan Fiduciary Net Position	(32,655,000)	(33,620,000)
Net Pension Liability	<u>\$ 10,787,000</u>	<u>\$ 5,378,000</u>
Funding Ratio	<u>75%</u>	<u>86%</u>
Contribution Made During the Fiscal Year	<u>\$ 1,240,000</u>	<u>\$ 1,127,000</u>

Net OPEB Liability – PEHMCA PLAN

	2023	2022
Plan Total OPEB Liability	\$ 2,442,000	\$ 2,545,000
Plan Fiduciary Net Position	(2,668,000)	(2,559,000)
Net OPEB Asset	<u>\$ (226,000)</u>	<u>\$ (14,000)</u>
Funding Ratio	<u>109%</u>	<u>101%</u>
Contribution Made During the Fiscal Year	<u>\$ 110,000</u>	<u>\$ 144,000</u>

Net OPEB Liability – SOMAR PLAN

	2023	2022
Plan Total OPEB Liability	\$ 1,883,000	\$ 1,341,000
Plan Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 1,883,000</u>	<u>\$ 1,341,000</u>
Funding Ratio	<u>0%</u>	<u>0%</u>
Contribution Made During the Fiscal Year	<u>\$ 44,000</u>	<u>\$ 44,000</u>

FINANCIAL AUDIT RESULTS

AUDIT RESULTS

- **Financial Statements**
 - **Unmodified Opinion**
 - 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 N**
 - No exceptions were noted
 - **Other Results**
 - No disagreements with management
 - No material weaknesses in internal controls over financial reporting were reported
 - No accounting issues

**HQ - ORANGE COUNTY**

200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO

4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122

SACRAMENTO

1511 Corporate Way
Suite 220
Sacramento, CA 95831

WALNUT CREEK

2121 North California Boulevard
Suite 290
Walnut Creek, CA 94596

LAS VEGAS

1980 Festival Plaza Drive
Suite 300
Las Vegas, NV 89134

PHOENIX

2 N. Central Avenue
Suite 1800
Phoenix, AZ 85004

**DISCUSSION AND/OR ACTION
AGENDA ITEM
2. 22-799**



STAFF REPORT TO THE CITY COUNCIL

DATE: Special Meeting of March 12, 2024

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Michael Roberts, Public Works Director/City Engineer

SUBJECT: Memorandum of Understanding with Recyclemore Regarding the Implementation of SB 1383 Requirements

RECOMMENDED ACTION:

Adopt a resolution approving a Memorandum of Understanding (MOU) between West Contra Costa Integrated Waste Management Authority (Recyclemore) and the City of Hercules regarding implementation of SB 1383 regulatory requirements.

BACKGROUND:

The City is a member agency of the West Contra Costa Integrated Waste Management Authority (RecycleMore), a Joint Powers Authority. RecycleMore is responsible for implementing most State mandated recycling and organics programs in West County and is agreeable to expanding their existing operations to achieve compliance with certain new requirements of Senate Bill (SB) 1383 on behalf of their member agencies. SB 1383's stated purpose is to reduce short-lived climate pollutants by increasing organics collection and diversion. The law mandates all residents and businesses subscribe to organics waste collection, edible food recovery programs, education and outreach, processing of complaints and waivers, record keeping, inspections, monitoring and enforcement.

This MOU will allow RecycleMore to efficiently utilize their specialized expertise to meet the new requirements of SB 1383 while minimally burdening City staffing, which is at minimal levels.

ANALYSIS:

As covered in the MOU (Att #2) and outlined in the Draft Workplan between Member Agencies and RecycleMore (Att #3) , RecycleMore would be responsible for the majority of the new requirements of SB 1383 as follows:

1. Compliance monitoring and site visits.
2. Waiver evaluation.
3. Outreach and education.
4. Route reviews for contamination monitoring.
5. The edible food recovery program, including identifications, inspections, education, and engagement with food recovery organizations.
6. Capacity planning.
7. Enforcement activities, up to the limits described below.
8. Recordkeeping and reporting associated with the above items.

The City would be responsible for the remaining requirements, which cannot be achieved by RecycleMore, either due to operational issues or lack for enforcement authority:

1. Certain updates to the City's franchise agreement with Republic Services, negotiations for which are currently underway.
2. Procurement of recovered organic waste products, including recycled compost and mulch products.
3. Procurement of recycled content paper products (such as printer paper, toilet paper, paper towels, etc.) that are recyclable as described by SB 1383 and subsequent legislation.
4. Issuance of penalties for violating municipal code requirements, if recommended by RecycleMore and deemed to be appropriate. RecycleMore is responsible for all steps leading to possible issuance of penalties, and it is not anticipated that penalties will be issued except in the case of repeated non-compliance. Example violations may include:
 - a. Non-subscription to recycling or organics collection.
 - b. Not participating in source separating recycling or organics from garbage.
 - c. Lacking adequate signage or not matching color requirements of collection containers.
5. Recordkeeping and reporting associated with the above items.

FISCAL IMPACT:

There is no fiscal impact associated with approving this MOU.

ATTACHMENTS:

1. Resolution approving the Memorandum of Understanding Between West Contra Costa Integrated Waste Management Authority and the City of Hercules Regarding Implementation of SB 1383 Regulations.
2. Memorandum of Understanding
3. Draft Workplan between Member Agencies and RecycleMore

RESOLUTION NO. 24-

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES APPROVING
A MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN WEST CONTRA
COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY (RECYCLEMORE) AND
THE CITY OF HERCULES REGARDING IMPLEMENTATION OF SB 1383
REGULATORY REQUIREMENTS**

WHEREAS, the City is a member agency of the West Contra Costa Integrated Waste Management Authority (RecycleMore), a Joint Powers Authority; and

WHEREAS, RecycleMore is responsible for implementing most State mandated recycling and organics programs in West County and is agreeable to expanding their existing operations to achieve compliance with certain new requirements of Senate Bill (SB) 1383 on behalf of their member agencies; and

WHEREAS, the MOU will allow RecycleMore to efficiently utilize their specialized expertise to meet these new requirements of SB 1383 while minimally burdening City staffing, which is at minimal levels.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hercules that the City Council hereby approves a Memorandum of Understanding between West Contra Costa Integrated Waste Management Authority (Recyclemore) and the City of Hercules regarding implementation of SB 1383 regulatory requirements.

The foregoing Resolution was duly and regularly adopted at a special regular meeting of the City Council of the City of Hercules held on the twelfth day of March, 2024 by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

Dan Romero, Mayor

ATTEST:

Eibleis Melendez, City Clerk

**Memorandum of Understanding
Between West Contra Costa Integrated Waste Management Authority and the City of
Hercules Regarding Implementation of SB 1383 Regulations**

This Memorandum of Understanding (“**MOU**”) is made this day of _____, 2023 (“**Effective Date**”) by and between the CITY OF HERCULES (“**Hercules**”), a municipal corporation hereinafter referred to as “**City**” and the WEST CONTRA COSTA INTEGRATED WASTE MANAGEMENT AUTHORITY, a California joint powers authority (“**Authority**”) (individually “**Party**” and collectively “**Parties**”).

RECITALS

A. The Authority is a joint powers authority established pursuant to the California Joint Exercise of Powers Act (Gov. Code §§ 6500 *et seq.*) pursuant to the Joint Exercise of Powers Agreement (“**JEPA**”); and

B. The City is a party to the JEPA and has entered into a franchise agreement with a solid waste collection services provider (“**Provider**”) for the collection of Solid Waste and recyclables (“**Franchise Agreement**”). The Franchise Agreement provides for certain rights and delegated authorities to the respective solid waste service provider; and

C. The Authority operates certain core programs on behalf of and for the benefit of its Member Agencies, including but not limited to providing education regarding recycling, composting, and other methods of waste diversion, and conducting, preparing, and submitting all monitoring and reporting pursuant to the Integrated Waste Management Act (California Public Resources Code §§ 40000 *et seq.*); and

D. Senate Bill 1383, the Short-lived Climate Pollutant Reduction Act (which added Sections 39730.5, 39730.6, and 39730.8 to the Health and Safety Code, and added Chapter 13.1 (commencing with Section 42652) to Part 3 of Division 30 of the Public Resources Code, as amended, supplemented, superseded, and replaced from time to time) (“**SB 1383**”), sets statewide organic waste disposal reduction targets of 50 percent by 2020 and 75 percent by 2025, based on the 2014 organics waste disposal baseline, set forth in Section 39730.6 of the Health and Safety Code, and requires California Department of Resources Recycling and Recovery (“**CalRecycle**”) to develop regulations to reduce organics in landfills as a source of methane; and

E. CalRecycle adopted the SB 1383 Regulations that created a new Chapter 12 (Short-lived Climate Pollutants) of Division 7 of Title 14 of the California Code of Regulations and amended portions of regulations of Title 14 CCR and Title 27 CCR (“**SB 1383 Regulations**”). The SB 1383 Regulations impose requirements on counties, cities, residential households, commercial businesses (including multi-family residential dwellings), commercial edible food generators, haulers, self-haulers, food recovery organizations, and food recovery services to support achievement of statewide organic waste disposal reduction targets; and

F. The SB 1383 Regulations require cities and counties to adopt and enforce a mechanism to implement relevant provisions of the SB 1383 Regulations concerning regulation of organic waste collection services, generators of organic waste, waste haulers, and generators, and processors of edible food, together with enforcement mechanisms and administrative civil penalties

for violations of local regulations; and

G. The SB 1383 Regulations also require cities and counties, among other things, to implement programs requiring organic waste generators and waste haulers to meet minimum standards for organic waste collection services, inspect waste containers for prohibited contamination of materials, provide education and outreach information to organic waste generators, report to CalRecycle on compliance with SB 1383 Regulations, and maintain records of compliance with SB 1383 Regulations; and

H. The Provider has developed programs for Organics Waste collection as required by the Franchise Agreement and applicable law; and

I. Pursuant to 14 CCR 18981.2(b), cities and counties may designate a public or private entity to fulfill their SB 1383 obligations to adopt an enforceable mechanism through a MOU. However, 14 CCR 18981.2(c) specifies that cities and counties shall remain ultimately responsible for compliance with SB 1383 Regulations; and

J. The Parties wish to enter into this MOU to designate certain roles and responsibilities that the Authority shall assume on behalf of the City to implement the SB 1383 Regulations that took effect on January 1, 2022 under the terms and conditions as set forth herein.

NOW, THEREFORE, in consideration of the foregoing, the Parties hereby agree as follows:

AGREEMENT

1. Recitals. The foregoing recitals are true and correct and hereby incorporated herein.

2. Term. This MOU shall commence on the Effective Date and remain in full force and effect until terminated as set forth in Section 9.

3. Definitions.

(a) “**Authority**” means the West Contra Costa Integrated Management Authority.

(b) “**Blue Container**” shall have the same meaning as in 14 CCR Section 18982.2(a)(5). The Parties acknowledge that the City may use the term “Recycling Container” in its ordinances to refer to what are defined as Blue Containers herein.

(c) “**California Code of Regulations**” or “**CCR**” means the State of California Code of Regulations. CCR references in this MOU are preceded with a number that refers to the relevant Title of the CCR (e.g., “14 CCR” refers to Title 14 of CCR).

(d) “**CalRecycle**” or “**Department**” means the California State Department of Resources Recycling and Recovery, which is the state agency designated with responsibility for developing, implementing, and enforcing the SB 1383 Regulations among other duties.

(e) “**City**” means the City of Hercules.

(f) “**City’s Representative**” means the City Manager or the City Manager’s designee.

(g) “**Commercial Business**” or “**Commercial**” means a firm, partnership, proprietorship, joint-stock company, corporation, or association, whether for-profit or nonprofit, strip mall, industrial facility, or a Multifamily Residential Dwelling, or as otherwise defined in 14 CCR Section 18982(a)(6). A Multi-Family Residential Dwelling that consists of fewer than five (5) units is not a Commercial Business for purposes of this MOU.

(h) “**Commercial Edible Food Generator**” includes a Tier One or a Tier Two Commercial Edible Food Generator as defined in 14 CCR 18982(a)(73) and (a)(74). For the purposes of this definition, Food Recovery Organizations and Food Recovery Services are not Commercial Edible Food Generators pursuant to 14 CCR Section 18982(a)(7).

(i) “**Compliance Review**” means a review of records by an Enforcement Agency to determine compliance with SB 1383 Regulations.

(j) “**Container Contamination**” or “**Contaminated Container**” means a container, regardless of type or color, that contains Prohibited Container Contaminants, or as otherwise defined in 14 CCR Section 18982(a)(55).

(k) “**County**” means the County of Contra Costa.

(l) “**Edible Food**” means food intended for human consumption, or as otherwise defined in 14 CCR Section 18982(a)(18). For the purposes of this MOU or as otherwise defined in 14 CCR Section 18982(a)(18), Edible Food is not Solid Waste if it is recovered and not discarded. Nothing herein requires or authorizes the recovery of Edible Food that does not meet the food safety requirements of the California Retail Food Code, as codified in the Health and Safety Code Section 113700, *et seq.*

(m) “**Enforcement Action**” means an action of the relevant Enforcement Agency to address non-compliance with SB 1383 Regulations including, but not limited to, issuing administrative citations, fines, penalties, or other remedies.

(n) “**Enforcement Agency**” means an entity with the authority to enforce part or all of SB 1383 Regulations as specified herein. The Authority and the City are each an Enforcement Agency.

(o) “**Food Recovery Organization**” means an entity that engages in the collection or receipt of edible food from Commercial Edible Food Generators and distributes that edible food to the public for food recovery either directly or through other entities or as otherwise defined in 14 CCR Section 18982(a)(25).

(p) “**Food Recovery Services**” means a person or entity that collects and transports edible food from a Commercial Edible Food Generator to a Food Recovery Organization or other entities for food recovery or as otherwise defined in 14 CCR Section 18982(a)(26).

(q) “**Generator**” means a person or entity that is responsible for the initial creation of Organic Waste, or as otherwise defined in 14 CCR Section 18982(a)(48).

(r) “**Gray Container**” shall have the same meaning as defined in 14 CCR Section 18982(a)(28). The Parties acknowledge that the City may use the term “Garbage Container” or

“Landfill Container” in its ordinances to refer to what are defined as Gray Containers herein.

(s) **“Green Container”** shall have the same meaning as defined in 14 CCR Section 18982(a)(29) and shall be used for the purpose of storage and collection of Organic Waste. The Parties acknowledge that the City may use the term “Organics Container” or “Compost Container” in its ordinances to refer to what are defined as Green Containers herein.

(t) **“Hauler”** means a person or entity who collects Organic Waste from a Generator and delivers it to a reporting entity, end user, or a destination outside of the state. “Hauler” includes public contract haulers, private contract haulers, and Self-Haulers. A person who transports material from a reporting entity to another person is a transporter, not a hauler.

(u) **“Hauler Route”** means the designated itinerary or sequence of stops for each segment of City’s collection service area, or as otherwise defined in 14 CCR Section 18982(a)(31.5).

(v) **“Implementation Record”** means all records, physical or electronic, that must be stored in one central location and are required by the SB 1383 Regulations.

(w) **“Inspection”** means an Enforcement Agency’s electronic or on-site review of records, containers, and an entity’s collection, handling, recycling, or landfill disposal of Organic Waste or Edible Food handling to determine if the entity is complying with requirements set forth in the SB 1383 Regulations, or as otherwise defined in 14 CCR Section 18982(a)(35).

(x) **“Member Agencies”** mean the parties to the JEPA. Current Member Agencies are the cities of El Cerrito, Hercules, Pinole, Richmond and San Pablo. The Member Agency boundaries for the purpose of this MOU are the legal boundaries of each of the incorporated municipalities.

(y) **“Organics,” or “Organic Waste”** means Solid Waste containing material originated from living organisms and their metabolic waste products, including but not limited to food, green material, landscape and pruning waste, organic textiles and carpets, lumber, wood, Paper Products, Printing and Writing Paper, manure, biosolids, digestate, and sludges or as otherwise defined in 14 CCR Section 18982(a)(46). Biosolids and digestate are as defined by 14 CCR Section 18982(a).

(z) **“Paper Products”** include, but are not limited to, paper janitorial supplies, cartons, wrapping, packaging, file folders, hanging files, corrugated boxes, tissue, and toweling, or as otherwise defined in 14 CCR Section 18982(a)(51).

(aa) **“Printing and Writing Paper”** include, but are not limited to, copy, xerographic, watermark, cotton fiber, offset, forms, computer printout paper, white wove envelopes, manila envelopes, book paper, note pads, writing tablets, newsprint, and other writing papers, posters, index cards, calendars, brochures, reports, magazines, and publications, or as otherwise defined in 14 CCR Section 18982(a)(54).

(bb) **“Prohibited Container Contaminants”** means the following: (i) discarded materials placed in the Green Container that are not identified as acceptable Organic Waste for the City’s Green Container; (ii) discarded materials placed in the Grey Container that are acceptable Organic Waste to be placed in the City’s Green Container.

(cc) “**Route Review**” means a visual Inspection of containers along a Hauler Route for the purpose of determining Container Contamination, and may include mechanical or electronic Inspection methods such as the use of cameras, or as otherwise defined in 14 CCR Section 18982(a)(65).

(dd) “**SB 1383 Regulations**,” means Chapter 12 (Short-lived Climate Pollutants) of Division 7 of Title 14 of the California Code of Regulations and amended portions of regulations of Title 14 CCR and Title 27 CCR. Regulatory references to specific sections listed in the MOU shall be to the SB 1383 Regulations, unless specifically noted otherwise.

(ee) “**Self-Hauler**” means a person, who hauls Solid Waste, Organic Waste or recyclable material he or she has generated to another person. Self-Hauler also includes a person who back-hauls waste, or as otherwise defined in 14 CCR Section 18982(a)(66). Back-haul means generating and transporting Organic Waste to a destination owned and operated by the generator using the generator’s own employees and equipment, or as otherwise defined in 14 CCR Section 18982(a)(66)(A).

(ff) “**Solid Waste**” has the same meaning as defined in Public Resources Code Section 40191, which defines Solid Waste as all putrescible and nonputrescible solid, semisolid, and liquid wastes, including garbage, trash, refuse, paper, rubbish, ashes, industrial wastes, demolition and construction wastes, abandoned vehicles and parts thereof, discarded home and industrial appliances, dewatered, treated, or chemically fixed sewage sludge which is not hazardous waste, manure, vegetable or animal solid and semi-solid wastes, and other discarded solid and semisolid wastes, with the exception that Solid Waste does not include any of the following wastes:

(i) Hazardous waste, as defined in the Public Resources Code Section 40141.

(ii) Radioactive waste regulated pursuant to the State Radiation Control Law (Chapter 8 (commencing with Section 114960) of Part 9 of Division 104 of the Health and Safety Code).

(iii) Medical waste regulated pursuant to the State Medical Waste Management Act (Part 14 (commencing with Section 117600) of Division 104 of the Health and Safety Code). Untreated medical waste shall not be disposed of in a Solid Waste landfill, as defined in Public Resources Code Section 40195.1. Medical waste that has been treated and deemed to be Solid Waste shall be regulated pursuant to Division 30 of the Public Resources Code.

Reference to any SB 1383 Regulations used in these definitions shall include the section cited, or any successor regulation.

4. Authority Responsibilities. The City hereby delegates to the Authority, and the Authority hereby accepts, the responsibilities enumerated in this Section 4 for compliance with the provisions of SB 1383 Regulations to the extent allowed by law and as specified herein. The Authority is concurrently, with its approval of this MOU, approving MOUs with the other Member Agencies in which it is accepting nearly identical delegations from the other Member Agencies (the “Other MOUs”). It is the Authority’s desire to administer responsibilities so delegated in a uniform fashion across all of the Members, so far as is feasible under the specific circumstances prevailing in each Member Agency. In furtherance of this intent, the Authority, in consultation with the Member Agencies, has developed an initial Workplan, attached as Exhibit A and hereby incorporated by

reference, that details the manner in which it will initially perform its responsibilities under this MOU and the Other MOUs. Each year, in conjunction with the Annual Budget and more often if needed, the Authority Board shall consider and approve any changes to the Workplan, including any amendments to align the Workplan with the Annual Budget and subject to the Executive Director's ability to make administrative changes to the Workplan as described in this Section 4.

The Workplan is intended to be a flexible framework that the Authority Board can revise from time to time as may be necessary or prudent. Authority shall provide City with proposed changes to the Workplan at least ten (10) days prior to approval by the Authority Board so that City may provide any comments or suggestions for the Authority Board's consideration.

The Parties agree that, to the extent permitted by law or regulation, the Authority may perform its responsibilities using its own staff or by contracting with public and private entities according to its Board-approved procurement policy. If Authority contracts with any public or private entity to perform its responsibilities, Authority shall notify City and provide contact information for the contracted entity. Whenever the Workplan is changed, the Authority shall provide the City with an updated version of the Workplan within ten (10) calendar days.

(a) Education and Outreach. The Authority shall conduct the following education and outreach on behalf of the City:

(i) Generators. Prior to February 1, 2022, the Authority shall make available to Generators, through print and/or electronic media and maintain on its website, the information required pursuant to 14 CCR Sections 18985.1 and 18985.2. The Authority shall update such information as necessary, but at least annually. Prior to disseminating any materials under this paragraph, Authority shall provide the materials to, and obtain approval of the materials from, the City Manager or designee. Each Party shall cooperate in good faith regarding the delivery, review, and approval materials to be disseminated pursuant to this Section, including delivering the materials for review and approval, delivering comments on the materials, and responding to such comments.

(ii) City Procurement Target. The Authority shall annually notify City of its Organic Waste product procurement target, as required and determined by CalRecycle. Before CalRecycle releases the official procurement targets for City on January 1, 2022 and every five years thereafter, the Authority shall assist City in calculating estimates of the procurement targets pursuant to 14 CCR 18993.1. In addition, the Authority will facilitate the City's procurement of recovered organic waste products.

(b) Reporting and Recordkeeping. The Authority shall conduct the following reporting and recordkeeping services on behalf of City:

(i) Organics Capacity and Edible Food Recovery. The Authority shall submit reports for Organics processing capacity and Edible Food recovery planning requirements to the County within 120 days of the County's request as required by 14 CCR 18992.3.

(ii) Implementation Record. The Authority shall be responsible for maintaining the City's Implementation Record, and making it available to the Department, in accordance with 14 CCR Sections 18985.3 and 18995.2. The Authority shall endeavor to obtain all records required by Chapter 12 and include them in the Implementation Record, and the City shall reasonably cooperate

with the Authority in obtaining such records from the City and third parties, including creating such records if necessary. Authority shall provide City with ongoing electronic access to the Implementation Record through a cloud-based software program, to the extent that the Authority maintains one, through the Term of this MOU. In the event that the Department requests access to the Implementation Record, the Authority shall promptly advise the City of the request.

(iii) Compliance and Annual Reports. The Authority shall submit the initial City compliance report and City annual reports to CalRecycle as required by 14 CCR 18994.1 and 18994.2. Authority shall provide a draft copy of such reports to the City's representative for its review and approval at least 14 days prior to the applicable reporting deadlines set forth in these sections.

(c) Edible Food Recovery Programs. The Authority shall coordinate and implement the SB 1383 Regulations' edible food recovery program requirements to which jurisdictions are subject under 14 CCR §§ 18991.1–18991.2. The Parties agree that these requirements may be wholly or partially satisfied by agreement with the County or other third parties. The Authority's duties shall include, but are not limited to: assessment of existing capacity for Edible Food recovery, establishing an Edible Food recovery program, inspection of Commercial Food Edible Generators for compliance, and education and outreach to all businesses, residents, Commercial Edible Food Generators, and any other entities or parties required by law.

(d) Organic Waste Processing Capacity and Diversion Planning. The Authority shall itself or in conjunction with the County estimate existing Organics processing and Edible Food recovery capacities available pursuant to 14 CCR 18992.1 and 18992.2. If it is found that either are lacking, the Authority shall assist City in creating an implementation plan to expand capacity.

(e) Receipt of Complaints. The Authority shall be responsible for receiving all written complaints of alleged SB 1383 Regulations violations relating to Generators, Haulers, Food Recovery Organizations and Food Recovery Services and Self-Haulers occurring or having occurred within City's jurisdiction ("**Complaints**"). Such Complaints shall include all of the following information in accordance with 14 CCR 18995.3:

(i) If the Complaint is not anonymous, the name and contact information of the complainant;

(ii) The identity of the alleged violator, if known;

(iii) A description of the alleged violation including location(s) and all other relevant facts known to the complainant;

(iv) Any relevant photographic or documentary evidence to support the allegations in the Complaint; and

(v) The identity of any witnesses, if known.

If the Authority receives a complaint, it shall forward a copy to City within ten (10) working days of receipt.

(f) Investigation of Complaints. Where a Complaint: 1) meets the requirements of

Section 4(e); and 2) the Authority determines that the allegations, if true, would constitute a violation of SB 1383 Regulations, it shall function as the Enforcement Agency for the purposes of investigation and commence an investigation within ninety (90) days of receiving such Complaint. The Authority may collaborate with City and/or a Hauler in such investigation where appropriate. It shall not be appropriate to collaborate with a Hauler where it is the subject of the Complaint. The Authority may decline to investigate a Complaint if, in its judgment, investigation is unwarranted because the allegations are contrary to facts known to it.

(i) Where the Authority has investigated or declined to investigate a non-anonymous Complaint, it shall notify the complainant regarding the results of the investigation through the contact information provided by the complainant. It shall provide a copy of such notice to the City within ten (10) working days of receipt.

(ii) The Authority shall maintain records of all Complaints received in compliance with Section 4(e) and responses provided in compliance with this subsection in the Implementation Record. The records shall include the Complaint as received and the Authority's determination of compliance or Notice of Violations issued.

(g) Enforcement. The Authority shall function as the Enforcement Agency and enforce Chapter 2 of Title 5 of the Hercules Municipal Code as required by SB 1383 by performing the following actions:

(i) Monitoring compliance of Generators, Haulers, Food Recovery Organizations and Food Recovery Services through Inspections, Compliance Review and Route Review conducted in accordance with SB 1383 Regulations (14 CCR § 18995.1). The Authority may collaborate with City and/or a Hauler in such Inspections, Compliance Review and Route Review where appropriate; and

(ii) Issuing Notice of Violations to Generators, Haulers, Food Recovery Organizations and Food Recovery Services and Self-Haulers in accordance with 14 CCR 18995.4 and providing a copy of such to City within ten (10) working days of issuance. The Authority may collaborate with City and/or a Hauler before issuance of a Notice of Violation where appropriate. It shall not be appropriate to collaborate with a Hauler where it is the subject of the Enforcement Action. If the violator fails to comply with the Notice of Violation within the deadline set forth therein, the Authority shall refer the matter to City to impose penalties pursuant to the SB 1383 Regulations and it shall function as the Enforcement Agency in that matter thereafter. Authority will provide support to City in carrying out the Enforcement Action, including providing testimonial and other evidence at any hearings, if necessary. If the Authority becomes aware that the violator has complied with the Notice of Violation, the Authority shall so notify the City.

(h) Waivers. The Authority shall create a standardized waiver request form, which shall be a printable document maintained on the Authority's website. Each time the Authority updates the form, it shall so advise the City and the Provider. The Authority shall review the following waiver requests and, may consult with the Provider regarding such request. Thereafter, the Authority shall consult with the City, and the City's Representative shall make the final determination whether to approve, deny, or modify the waiver, and Authority shall notify the applicant of such decision. The Authority will maintain, and regularly provide the City with, a list of Generators operating in its jurisdiction that have applied for waivers. The list shall include the status of the application.

(i) De Minimis Waivers: The Authority may waive a Commercial Business's obligation (including Multi-Family Residential Dwellings) to comply with some or all of the Organic Waste requirements of SB 1383 if the Commercial Business provides documentation that the business generates below a certain amount of Organic Waste material as set forth herein. Commercial Businesses requesting a de minimis waiver shall:

(1) Submit an application specifying the services that they are requesting a waiver from and provide documentation as noted herein; and

(2) provide sufficient documentation that either:

(a) The Commercial Business' total Solid Waste collection service is two cubic yards or more per week and Organic Waste subject to collection in a Green Container comprises less than 20 gallons per week per applicable container of the business' total waste; or

(b) The Commercial Business' total Solid Waste collection service is less than two cubic yards per week and Organic Waste subject to collection in a Green Container comprises less than 10 gallons per week per applicable container of the business' total waste; and

(3) Acknowledge that it must notify the Authority if circumstances change such that Commercial Business's Organic Waste exceeds threshold required for waiver, in which case the waiver will be rescinded; and

(4) Acknowledge that, if the de minimis waiver is granted, it will expire after 5 years and that the waiver is only valid as to the Commercial Business that applied for the waiver, and not as to the property or another business in the same location.

(ii) Physical Space Waivers: The Authority may waive an existing Commercial Business' or property owner's obligations (including Multi-Family Residential Dwellings) to comply with some or all of the recyclable materials and/or Organic Waste collection service requirements if it receives evidence from its staff, City staff, a hauler, licensed architect, or licensed engineer demonstrating that the premises lacks adequate space for the collection containers required for compliance with the Organic Waste collection requirements of SB 1383. A Commercial Business or property owner may request a physical space waiver through the following process:

(1) Submit an application form specifying the type(s) of collection services for which they are requesting a compliance waiver; and

(2) Provide documentation that the premises lacks adequate space for Blue Containers and/or Green Containers including documentation from its hauler, licensed architect, or licensed engineer; and

(3) Provide written verification to the Authority that it is still eligible for physical space waiver every five years, if the Authority has approved application for a physical space waiver.

(iii) Emergency Circumstances – Waivers for City: The Authority will notify CalRecycle and apply for a waiver to landfill Organics if City experiences a natural disaster, uses a recyclable materials or Organic Waste processing facility that has a temporary operational failure, or

unforeseen operational restrictions have been imposed upon it by a regulatory agency pursuant to 14 CCR 18984.13.

5. City Responsibility. City shall be responsible for all other applicable SB1383 and SB 1383 Regulations requirements not expressly delegated to and accepted by the Authority as set forth herein, including the Workplan as it may be amended from time to time pursuant to Section 4. If the City requests that the Authority accept an additional SB 1383 Regulation Responsibility or perform an additional Requirement listed in the Workplan, the Parties shall meet and confer regarding the request and implementation, if the Authority is willing to do so. Any changes to the Workplan shall comply with the provisions of Section 4.

6. Sharing of information. Within thirty (30) days of a request by the Authority, or as soon thereafter as such information is available to City, the City shall share with the Authority all data, documents, contact information for Generators within its jurisdiction, or any other information necessary for the Authority to carry out the responsibilities delegated to it in this MOU.

7. Staffing and funding. In order for the Authority to carry out its responsibilities in connection with the administration and implementation of the SB 1383 Regulations as specified in this MOU, the Parties agree that the Authority's costs associated with its responsibilities under this MOU and the Other MOUs will be funded through the Authority's budget and rate setting process, except as otherwise specified herein. These costs may include the Authority's cost to engage independent contractors to perform some or all of the duties delegated to it herein. Budget changes related to this MOU will be integrated into the Authority's regular budget process, as approved by the Board of Directors.

8. Indemnification/Hold Harmless. Each Party shall solely be liable for any and all damages, including attorneys' fees, resulting from the actions or omissions arising from its performance of the terms of this MOU, except as is expressly stated in Section 9. Each Party (the "Indemnifying Party") shall indemnify, defend and hold harmless the other Party (the "Indemnified Parties") from and against any and all claims, demands, actions, losses, damages, assessments, charges, judgments, liabilities, costs and expenses (including reasonable attorneys' fees and disbursements) that may from time to time be asserted by third parties against the Indemnified Parties because of any personal injury, including death, to any person or loss of, physical damage to or loss of use of real or tangible personal property, to the extent caused by the negligence or misconduct of the Indemnifying Party, its agents, employees or contractors in the performance of this MOU.

For purposes of indemnification set forth in this MOU, "Indemnified Parties" means the applicable party, its affiliates, successors and assigns and its and their employees, directors, officers, agents, and volunteers. The Indemnified Parties: 1) shall notify the Indemnifying Party in writing promptly upon learning of any claim or suit for which indemnification may be sought, provided that failure to do so shall have no effect except to the extent the Indemnifying Party is prejudiced thereby; 2) shall have the right to participate in such defense or settlement with its own counsel and at its own expense, but the Indemnifying Party shall have control of this defense or settlement; and 3) shall reasonably cooperate with the defense.

9. Apportionment of Penalties.

(a) Any penalties assessed against the City by CalRecycle that are the result of an

Authority's failure to satisfy its obligations under the following provisions of this Agreement and its alleged failure to comply with the corresponding provision of the SB 1383 Regulations shall be paid by the Authority:

- (i) Subdivision (a)(i) of Section 4 (14 CCR §§ 18985.1 and 18985.2)
 - (ii) Subdivision (b)(i) of Section 4 (14 CCR § 18992.3)
 - (iii) Subdivision (b)(ii) of Section 4 (14 CCR §§ 18985.3 and 18995.2)
 - (iv) Subdivision (b)(iii) of Section 4 (14 CCR § 18994.1)
 - (v) Subdivision (c) of Section 4 (14 CCR §§ 18991.1–18991.2)
 - (vi) Subdivision (d) of Section 4 (14 CCR §§ 18992.1 and 18992.2), with the express indication that the Authority shall not be required to pay a penalty arising from the City's failure to expand capacity.
 - (vii) Subdivision (e) of Section 4 (14 CCR §§ 18995.3(a)-(b))
 - (viii) Subdivision (f) of Section 4 (14 CCR §§ 18995.3(c)-(e))
 - (ix) Subdivision (g)(i) of Section 4 (14 CCR §§ 18995.1)
 - (x) Subdivision (g)(ii) of Section 4 (14 CCR §§ 18995.4) with the express indication that the Authority is not required to pay a penalty arising from an alleged failure to commence an action to impose penalties pursuant to 14 CCR sections 18997.1 and 18997.2 as the Authority's responsibility under subdivision (g) of Section 4 does not extend to commencing such actions.
 - (xi) Subdivision (h) of Section 4 (14 CCR §§ 18984.11) with the express indication that the Authority is not required to pay a penalty arising from the City's granting of a waiver that is alleged not to be consistent with 14 CCR § 18984.11.
- (b) For avoidance of doubt, the Parties hereby indicate that any penalties arising from SB 1383 Regulations requirements not expressly delegated to and accepted by the Authority as set forth herein shall not be payable by the Authority.
- (c) In the event that the Authority pays any penalties assessed against the City by CalRecycle that are the result of the alleged failure to comply with Subdivision (a)(i) of Section 4, the Authority shall be entitled to allocate a reasonable portion of the penalty to the City if the Authority had provided compliant educational materials to the City for approval, and the City failed to approve them.
- (d) Nothing in this Section shall prevent either the City or the Authority (on the City's behalf when the Authority is obligated to pay the penalty) from challenging CalRecycle enforcement activities. In the event that the Authority intends to challenge CalRecycle's imposition of a penalty imposed on the City, the City shall reasonably cooperate and assist the Authority in its legal challenge. Without limiting the generality of the foregoing, the City shall promptly share any Notices of Violation or accusation issued pursuant to 14 CCR 18997.5 that it receives related to any

alleged violations that subdivision (a) would require the Authority to pay.

(e) Any penalties paid by the Authority pursuant to this section shall be paid out of Authority funds.

10. Termination. Either Party may terminate this MOU upon giving at least one hundred and eighty (180) calendar days' prior written notice to the other Party in the manner set forth in Section 10. The parties expressly acknowledge, notwithstanding anything to the contrary in this Agreement, including specifically Section 7, and/or in the past or then-present Authority budgets, that the Authority shall have no obligation after termination to fund the City's compliance with the provisions of SB 1383 Regulations delegated to the Authority pursuant to this Agreement. If City terminates the MOU effective at the end of a rate year, the Authority will, in conjunction with its action that November to approve the following year's rate structure, and the Authority Board will calculate the amount due Pinole to reimburse it for its share of unspent compliance funds based on its percentage share of volume in the rate model during the prior year. The rate model adopted for the following year's rate structure shall not require the City or customers in the City to pay for any SB 1383 compliance activities undertaken by Authority.

11. Notice. All notices shall be in writing and shall be served by personal delivery during usual business hours at the principal office of the Party, to an officer or person apparently in charge of that office, or by depositing the same in the United States mail, postage prepaid, and addressed to the Party at its principal office, or to such other address as the Party may designate from time to time by written notice given in the manner specified in this Section.

Service of notice pursuant to this Section shall be deemed complete on the day of service by personal delivery or two (2) days after mailing if deposited in the United States mail.

12. Governing Law and Venue. This MOU shall be deemed to be executed within the State of California and construed in accordance with and governed by laws of the State of California. Venue in any proceeding or action among the Parties arising out of this MOU shall be in Contra Costa County, California.

13. Amendment. This MOU may only be modified or amended by a subsequent written agreement signed by all Parties.

14. Entire Agreement. This MOU, including the Workplan, as it may be amended, represents the entire and integrated agreement between the Parties as to the subject matter referenced herein.

15. Severability. No provision of this MOU shall be interpreted to require any unlawful action by any Party. If any term or portion of this MOU is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, then the meaning of that section or clause shall be construed so as to render it enforceable to the extent feasible. If no feasible interpretation would save the section or clause, it shall be severed from this MOU with respect to the matter in question, and the remainder of the MOU shall remain in full force and effect. However, in the event such a section or clause is an essential element of the MOU, the Parties shall promptly negotiate a replacement that will achieve the intent of such unenforceable section or clause to the extent permitted by law.

16. Execution in Counterpart. This MOU may be executed in counterparts and/or by facsimile or

other electronic means, and when each Party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original, and, when taken together with other signed counterpart, shall constitute one MOU, which shall be binding upon and effective as to all Parties.

17. No Waiver. The failure of any Party hereto to enforce any of the provisions of this MOU, or the waiver thereof in any instance, shall not be construed as a general waiver or relinquishment on its part of any such provision, and said provision shall nevertheless be and remain in full force and effect.

18. No Partnership. The relationship between the Parties shall not be that of partners, agents or joint ventures for one another, and nothing contained in this MOU shall be deemed to constitute a partnership or agency agreement between them for any purposes, including, but not limited to federal income tax purposes. The Parties, in performing any of their obligations hereunder, shall be independent contractors or independent parties and shall discharge their contractual obligations at their own risk.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have executed this MOU on the day and year first above written.

ATTEST:

CITY OF HERCULES

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney
ATTEST:

**WEST CONTRA COSTA INTEGRATED
WASTE MANAGEMENT AUTHORITY**

Board Secretary

Board Chair

APPROVED AS TO FORM:

Authority Counsel
5001258.5

Summary report: Litera Compare for Word 11.5.0.74 Document comparison done on 9/14/2023 1:10:35 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: iw://meyersnave-mobility.imanage.work/EBIMAN/5001258/3	
Modified DMS: iw://meyersnave-mobility.imanage.work/EBIMAN/5001274/11	
Changes:	
<u>Add</u>	78
Delete	62
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	140

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
General Provisions							
18981.2 (a)	Enforceable Ordinance	Adopt enforceable ordinances consistent with the requirements of chapter to mandate organic waste generators, haulers and entities to comply with requirements	Member Agencies		One-time; 1/1/2022	Completed	Store in individual member agency Implementation Records.
Article 3. Organic Waste Collection Services							
18984.1 (a)	Organic Waste Collection	Implement a three-container organic waste collection service and providing a green container (organics), a blue container (recycling), and a gray container to each generator (solid waste)	Member Agencies	Haulers	One time; 1/1/2022	Completed	Indicate in individual member agency Implementation Records.
18984.5 (a)	Contamination	Monitor the containers provided to the generators using three-container service to minimize contamination	RecycleMore	Haulers	7/1/2022	Inspection and Enforcement Program in development w/RecycleMore, cities, Haulers & subs	Written plan and agreement with Haulers. El Cerrito to have their own plan with credit back based on 7.5% from PCA rate structure
18984.5 (b)	Contamination Monitoring	Conduct a route review for prohibited container contaminants on randomly selected collection route annually . Containers may be randomly selected along a hauler route. This section should not be construed to require that every container on a hauler route must be sampled annually. Contact or written notice to generator upon discovering contaminants (left at door, gate and/or through mail, email, or electronic message) is required	RecycleMore	Haulers and Sub-consultant	7/1/2022; Annually	Inspection and Enforcement Program in development w/ RecycleMore, cities, Haulers and subcontractors	Written plan and agreement with Republic and their sub-consultant (i.e., Cascadia) El Cerrito to have their own plan with credit back based on 7.5% from PCA rate structure
18984.7 (a)-(b)	Container Colors	Provide collection containers to generators that comply with container color requirements specified in SB 1383	Member Agencies	Haulers	1/1/2022 1/1/2036	Bin & cart color changes implemented with both haulers for newly purchased containers, and	Current container orders are in compliance.

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
						all containers by 2036.	
18984.8 (a)-(c)	Container Labeling	Place a label on each new container or lid provided to generators consistent with the applicable container collection requirements and limitations of this article specifying what materials are allowed to be placed in each container and items that are prohibited container contaminants for each container	Member Agencies	Haulers	7/1/2022	Bin & cart label updates by Haulers for newly purchased containers and all containers by 2036.	Current container orders are compliant. Planning a relabeling project for existing.
18984.11	Waivers	Waive a commercial business' obligation to comply with some or all of the organic waste requirements due to: <ul style="list-style-type: none"> - De Minimis organic waste (<20 gallon or <10 gallon per week) - Physical Space 	RecycleMore/ Member Agencies		1/1/2022	RecycleMore has coordinated the waiver process with Member Agencies and Haulers.	Store in individual member agency Implementation Records.
Article 4. Education and Outreach							
18985.1 (a)	Outreach – Organic Waste Generators	Provide the following: information on organic waste generators requirements to properly separate materials in appropriate containers, methods for prevention of organic waste, recovering organic waste on site, community composting and any other local requirements, information on methane reduction benefits, the methods of organic waste recovery, the organic waste collection service uses, list of approved haulers, and how to recover organics, public health and safety and environmental impacts, information for edible food	RecycleMore/ Member Agencies	RecycleMore & Haulers	Prior to 2/1/2022; Annually	RecycleMore and Hauler Websites, Postcards, Letters to non-compliant, commercial & MFD toolkits	<u>Print:</u> 1) SB 1383 Postcards to commercial & residential generators 2) SB 1383 Fact Sheet 3) Organic Waste Recycling Poster (Republic Services) 4) Comprehensive Residential & Commercial Guide Brochure (Republic Services) 5) Multifamily Multipage Guide (Republic Services) 6) Composting at Home Brochure 7) Compost Giveaway Flyer (Republic Services) 8) Recycling Directory

EXHIBIT A**Draft SB 1383 Workplan between Member Agencies and RecycleMore****January 2024**

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
		recovery programs, information regarding self-hauling requirements					9) Quarterly Newsletters (Republic Services & EBS) <u>Website:</u> 10) Online Recycling Guide/What Goes in Each Cart 11) SB 1383 Compliance Pages (Businesses/ Multifamily Property Owners / Residents / Residents in Multifamily Properties) 12) Backyard Composting info & resources 13) Compost Giveaway (Republic Services) 14) Curbside Organics & Food Scrap Pail Program 15) Online Business Self-Reporting Form / Self-Haul / Waivers 16) School Recycling and Classroom Educational Programs/Organic Recycling at Schools 17) Garbage Collection Services Hauler Contact Information Resources <u>Social Media:</u> 18) SB 1383 Post 1/3: It's Coming 19) SB 1383 Post 2/3: Food Waste/Climate Change/Methane Education 20) SB 1383 Post 3/3: It's Here/Are You Ready? 21) Various postings on the following: a. Alternative suggestions and Awareness for Reducing, Reusing and Recycling b. Food Savings/ Sustainability/Waste Reduction Tips c. Ideas for repurposing food scraps

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
							d. Compost Giveaway for Residents/ Compost Workshop/ Discount Compost Bin Program
18985.2 (a)	Outreach – Edible Food Recovery	Develop a list of food recovery organizations and food recovery services operating within the jurisdiction and maintain the list on the jurisdiction's website	RecycleMore		On or before 2/1/2022	List is completed and website updated. Cities to add info on their websites.	RecycleMore has contacted all Food Recovery Organizations that serve the region to clarify their acceptance & contact info.
18985.2 (b)	Outreach – Edible Food Recovery	Provide commercial edible food generators that generate edible food with the following information: details about the edible food recovery program, information about commercial edible food generators, requirements and about food organizations and services operating within the jurisdiction and where a list of all services can be found	RecycleMore		Annually	Website, Tier 1 letters	RecycleMore is finalizing the Tier 1 Letters to send out
Article 7. Regulation of Haulers							
18988.1 (a)	Reporting	Require haulers to identify the facilities to which they will transport organic waste	RecycleMore	Haulers	On or before 2/1/2022	Information ready for reporting	Indicate in individual member agency Implementation Records.
18988.1 (b)	Enforceable Ordinance	If a jurisdiction allows generators to self-haul organic waste, adopt an ordinance or a similarly enforceable mechanism	Member Agencies		Completed	Individual Ordinances allow self-haul	Indicate in individual member agency Implementation Records.
Article 8. CALGreen Building Standards and Model Water Efficient Landscape Ordinance (MWELO)							
18989.1(a)	Enforceable Ordinance	Adopt an ordinance or enforceable requirement complying with	Member Agencies		On or before 2/1/2022	To be evaluated by each	Indicate in individual member agency Implementation Records.

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
		CalGreen Code Sections 4.410.2, 4.408.1, or 5.408.1				Member Agency	
18989.2(a)	Enforceable Ordinance	Adopt an ordinance or other enforceable requirement that requires compliance with the Model Water Efficient Landscape Ordinance	Member Agencies		On or before 2/1/2022	To be evaluated by each Member Agency	Indicate in individual member agency Implementation Records.
Article 10. Jurisdiction Edible Food Recovery Programs, Food Generators, and Food Recovery							
18991.1	Edible Food Recovery	Implement an edible food recovery program including: educating edible food generators, increase access to food recovery organizations and food recovery services, monitor commercial edible food generators compliance, increase edible food recovery capacity (if needed)	RecycleMore	County & Sub-consultant	9/1/2022	RecycleMore is working with RecycleSmart & the County for the regional program.	RecycleMore will educate food generators about edible food recovery organizations through a brochure with information on which organizations to partner with and how to track donations. RecycleMore has contracted with Abbe & Ass. to assist in the Edible Food Recovery Plan for West County.
18991.1 (b)	Edible Food Recovery	Jurisdictions may fund actions taken to comply with this section through franchise fees, local assessments or other funding mechanisms	RecycleMore/ Member Agencies		One time; Assessed as needed	N/A; informational	
Article 11. Capacity Planning							
18992.1 (b)	Organic Waste Recycling Capacity Planning	A jurisdiction contacted by a county pursuant to subdivision shall respond to the county's request for the information necessary to comply with the requirements of this article	RecycleMore	County	120 days of receiving request from County	N/A; respond to County as needed	
18992.1 (d)	Organic Waste Recycling Capacity Planning	If a county determines that organic waste recycling capacity, each jurisdiction that lacks sufficient capacity is required to submit an implementation schedule to the Department that demonstrates how it will ensure there is enough available capacity to recover the organic waste currently disposed	RecycleMore	County	As needed	N/A; respond to County as needed	
18992.2 (c)	Edible Food Recovery Capacity Planning	If a county identifies that new or expanded capacity is needed to recover the amount of edible food identified, each jurisdiction within that	RecycleMore	County	As needed	N/A; respond to County as needed	

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
		county that lacks capacity shall submit an implementation schedule to the Department that demonstrates how it will ensure there is enough new or expanded capacity to recover the edible food currently disposed					
Article 12. Procurement of Recovered Organic Waste Products							
18993.1 (a) (e)	Recovered Organic Waste Product Procurement	Procure quantity of recovered organic waste products that meets or exceeds its current annual recovered organic waste product procurement target. City shall comply with requirement by directly procuring recovered organic waste products or requiring, through written contract, that a direct service provider to the jurisdiction to procure recover organic waste products and provide written documentation	Member Agencies		1/1/2022; Annually	To be evaluated and implemented by each Member Agency	Indicate in individual member agency Implementation Records.
18993.3 (b)	Recycled Paper Content Procurement	Procure paper products, and printing and writing paper, consistent with the requirements of Sections 22150-22154 of the Public Contract Code	Member Agencies		1/1/2022; Ongoing	To be evaluated and implemented by each Member Agency	Store in individual member agency Implementation Records.
18993.3 (c)	Recycled Paper Content Procurement	Require businesses from whom it purchases paper products and printing to certify in writing the minimum percentage of postconsumer paper products and printing and writing paper offered or sold to jurisdiction	Member Agencies		1/1/2022; Ongoing	To be evaluated and implemented by each Member Agency	Store in individual member agency Implementation Records.
Article 13. Reporting							
18994.1 (a)	Reporting	Report to the department a copy of ordinances adopted pursuant to this chapter and the contact information for the person responsible for compliance with the container color requirements	RecycleMore/ Member Agencies		4/1/2022	Completed	Store in individual member agency Implementation Records.
18994.2 (a)	Reporting	Report for the period covering the entire previous calendar year	RecycleMore		10/1/2022; 8/1/2023		First Program reporting 10/1/22 and 8/1 thereafter.

EXHIBIT A
Draft SB 1383 Workplan between Member Agencies and RecycleMore

January 2024

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
					and annually thereafter	RecycleMore is working with the Haulers and will be prepared to report.	
Article 14. Enforcement Requirements							
18995.1 (a) (1) (A)	Enforcement	Have an inspection and enforcement program that is designed to ensure overall compliance with this chapter and complete a compliance review of all garbage accounts for commercial businesses that generate two cubic yards or more per week of solid waste and determine compliance, as well as conduct route reviews, and contamination requirements	RecycleMore/Mem ber Agencies	Haulers – Initial Inspections NOV – RecycleMo re Citations – Member Agencies	1/1/2022; Annually	Inspection and Enforcement Program in development with RecycleMore and Haulers	Store in individual member agency Implementation Records.
18995.1 (a) (2)	Enforcement	Conduct inspection of Tier 1 commercial edible food generators and organizations 2022, and Tier 2 on or after January 1, 2024	RecycleMore	Sub- consultant	1/1/2022; 1/1/2024	Inspection and Enforcement Program to be implemented	Store in individual member agency Implementation Records.
18995.1 (a) (3)	Enforcement	Inspect, conduct route or compliance reviews when investigating a complaint	RecycleMore		1/1/2022	RecycleMore will follow-up on complaints.	Store in individual member agency Implementation Records.
18995.1 (a) (4)	Enforcement	Provide educational material describing the applicable requirements of this chapter in response to violations	RecycleMore		1/1/2022- 12/31/2023	Inspection and Enforcement Program to be implemented	Store in individual member agency Implementation Records.
18995.1 (a) (5)	Enforcement	Enforce this chapter in response to violations	RecycleMore		1/1/2024	Inspection and Enforcement Program to be implemented	Store in individual member agency Implementation Records.
18995.1 (a) (6)	Enforcement	At least every five years from the date of issuance, verify through inspection that commercial businesses are meeting de minimis and physical space waivers for compliance	RecycleMore		Every 5 years	Inspection and Enforcement Program to be implemented	Store in individual member agency Implementation Records.
18995.1 (b)	Enforcement	Conduct a sufficient number of route reviews and inspections of entities described in this section to	RecycleMore/	Haulers & Sub- consultant	Ongoing	Inspection and Enforcement Program in	Store in individual member agency Implementation Records.

EXHIBIT A**Draft SB 1383 Workplan between Member Agencies and RecycleMore****January 2024**

Section Reference	Type of Requirement	Requirement	Responsible Party	Delegation	Frequency	Action Item(s)	Deliverables
		adequately determine overall compliance with this chapter				development with RecycleMore and Member Agencies	
18995.1 (c)	Enforcement	Generate a written or electronic record for each inspection, route review, and compliance review conducted pursuant to this chapter	RecycleMore	Haulers & Sub-consultant	Ongoing	Inspection and Enforcement Program in development with RecycleMore and Member Agencies	Store in individual member agency Implementation Records.
18995.1 (d)	Enforcement	Documentation of route reviews, compliance and inspection reviews, as well as other records of enforcement shall be maintained in the Implementation Record . Records will include copies of all documentation, enforcement actions, date of violation, date of compliance and educational materials	RecycleMore	Haulers & Sub-consultant	Ongoing	Inspection and Enforcement Program in development with RecycleMore, Hauler and Member Agencies	Store in individual member agency Implementation Records.

**DISCUSSION AND/OR ACTION
AGENDA ITEM
3. 22-800**



STAFF REPORT TO THE CITY COUNCIL

DATE: Special Meeting of March 12, 2024

TO: Mayor and Members of the City Council

VIA: Dante Hall, City Manager

SUBMITTED BY: Timothy Rood, AICP, Community Development Director

SUBJECT: Consideration of Establishing a City-Sponsored Event Policy

RECOMMENDATION ACTION:

Approve a resolution establishing a policy for City-sponsored events that allows the City Manager to fully or partially waive permit fees as an in-kind contribution to community events that the City co-sponsors with City-recognized nonprofit groups.

BACKGROUND:

Since approximately 2007, the City has recognized and supported community-based nonprofit organizations that improve and enhance the quality of life for the residents of Hercules through the City's [Nonprofit Group Recognition Program](#). Each year, the Recreation Department accepts nominations, which are reviewed and acted upon by the City's Community and Library Services Commission. Currently there are 14 nonprofits recognized by the City (Attachment 3). City-recognized nonprofits are eligible for reduced rates on facility rentals and are eligible to use certain City facilities at certain times for business meetings.

In 2023, the City completed its first comprehensive fee study since 2011, and on November 14, 2023 the Council adopted an updated fee schedule based on full cost recovery. The Council adopted new fees for Special Event Permits that vary based on attendance and whether the event is on public or private property. In the past, community events have been permitted through Temporary Use Permits for a nominal fee that essentially only covered printing and mailing the required notices. As the coordination of community events involves considerable staff time from multiple departments, the new cost-based fees are considerably higher than in the past particularly for larger events. For

example, the permit fee for an event on public property with 500 or more attendees is \$3,275, compared to the previous fee of \$415 for any temporary use permit.

ANALYSIS:

The City often participates in the planning and execution of community events sponsored by City-recognized nonprofit organizations, including the Bayfront Chamber and Rotary Club, among others. Although permit fees were not always consistently collected in the past, there has been no basis in City policy allowing staff to waive or reduce permit fees. The proposed policy would allow the City, at the discretion of the City Manager, to contribute to permit fees in kind as a contribution to events that the City cosponsors with City-recognized nonprofit organizations. The policy provides that co-sponsored events must be nonpartisan, nonsectarian and open to the entire Hercules community.

The proposed policy provides that community events would continue to be permitted through Special Event Permits, which are Temporary Use Permits administered by the Community Development Department. In addition, events involving street closures also require an encroachment permit from the Public Works Department, which is responsible for ensuring that street closures have proper signage and are safely barricaded in accordance with state and municipal codes, to protect the public health and safety.

Under the proposed policy, City-recognized nonprofits applying for Special Event permits could request a fee waiver or reduction at the time of application. The City Manager would determine within ten business days whether the City wished to co-sponsor the event and the extent of the fee reduction or waiver. For example, the City Manager might choose to collect a reduced fee sufficient to cover required notification printing and mailing costs, waiving the portion of the fee adopted to cover staff costs for reviewing and approving the permit.

FISCAL IMPACT:

The proposed policy would reduce the Special Event Permit fees accruing to the General Fund. The amount of the reduction would depend on the number of events co-sponsored with City-recognized nonprofits, as well as the extent of the fee reductions or waivers granted by the City Manager.

In 2023, the City issued nine Temporary Use Permits, four of which were for community events sponsored by a City-recognized nonprofit. These were the October 1st Run, Hercules Cultural Festival, Fourth of July, and National Night Out. Assuming 100 to 499 attendees for the October 1st Run and National Night Out, and 500 or more attendees for the Cultural Festival and Fourth of July, the current permit fees for these four events

would total \$11,940, all or part of which could be contributed in kind by the City under the proposed policy.

ATTACHMENTS:

1. Resolution Establishing a City-Sponsored Event Policy
2. City-Sponsored Event Policy
3. City-Recognized Nonprofit Groups

RESOLUTION NO. 24-__

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERCULES
ESTABLISHING A CITY-SPONSORED EVENT POLICY FOR THE CITY OF
HERCULES**

WHEREAS, the City of Hercules recognizes and supports community-based nonprofit organizations that improve and enhance the quality of life for the residents of Hercules through the City's Nonprofit Recognition Program; and

WHEREAS, the City of Hercules values the contribution of City-recognized nonprofit organizations to community life, including sponsorship of community events; and

WHEREAS, in 2023 the City of Hercules conducted its first fee study since 2011 and adopted an updated fee schedule based on full cost recovery; and

WHEREAS, the updated fees for large events are considerably higher than in the past; and

WHEREAS, the City often participates in the planning and execution of community events sponsored by City-recognized nonprofit organizations; and

WHEREAS, the City may wish to co-sponsor some community events organized by City-recognized nonprofit organizations; and

WHEREAS, the City may wish to contribute permit fees in kind as a contribution to events it cosponsors with City-recognized nonprofit organizations.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hercules that the City-Sponsored Event Policy for the City of Hercules hereto attached is approved and shall guide City sponsorship of community events in the City.

The foregoing Resolution was duly and regularly adopted at a special meeting of the City Council of the City of Hercules held on the 12th day of March, 2024 by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

Dan Romero, Mayor

ATTEST:

Eibleis Melendez
City Clerk

Council Policy on City-Sponsored Events

PURPOSE

To establish guidelines for: (1) City co-sponsorship of community events and (2) in-kind contribution of City permit fees to City co-sponsored events.

POLICY

It is the policy of the City of Hercules that community events sponsored by City-recognized nonprofit organizations may be co-sponsored by the City at the sole discretion of the City Manager.

In order to establish a policy with respect to the types of events the City may wish to co-sponsor and the City's contribution to such events, the following standards should be followed.

The City Manager is responsible for ensuring the proper execution of this policy.

STANDARDS

A. City Co-Sponsorship of Certain Community Events

1. At the discretion of the City Manager or his or her designee, the City may choose to co-sponsor certain community events that are organized by City-recognized nonprofit organizations.
2. "City-recognized nonprofit organizations" shall refer to organizations recognized by the City through its Nonprofit Group Recognition Program, which is administered by the Recreation Department and reviewed annually by the Community & Library Services Commission.
3. "Co-sponsored events" shall refer to public events organized by City-recognized nonprofit organizations that the City Manager elects to co-sponsor.
4. Co-sponsored events shall be open to the entire Hercules community and shall be nonpartisan and nonsectarian.
5. Publicity for co-sponsored events, such as event registration webpages, marketing communications, banners, and signs, shall include the City's name and/or logo on an equal basis with those of other sponsors.

City of Hercules, California

6. Event organizers must apply for all required Special Event Temporary Use Permits through the City's Community Development Department and/or Encroachment Permits through the City's Public Works Department. Requests for City co-sponsorship, if desired, shall be included as part of the permit application(s).
7. The City Manager shall determine, within ten (10) business days of the City's receipt of an application, whether the City wishes to co-sponsor the event. Such determinations shall apply only to the event date(s) listed on the permit application and shall not apply to subsequent events not listed on the application.

B. In-Kind Contribution of City Permit Fees for Co-Sponsored Events

1. At the sole discretion of the City Manager or his or her designee, the City may choose to make an in-kind contribution of a portion or all of the required permit fees for co-sponsored events.

ATTACHMENT 3

2024 City-Recognized Nonprofit Groups

- Bayfront Chamber of Commerce
- Boy Scout Troop 76
- Chinese Association of Hercules
- Friends of the Hercules Library
- Friends of the Hercules Senior Center
- Hercules Community Garden
- Hercules Community Library Foundation
- Hercules Democratic Club
- Hercules Education Foundation
- Hercules Historical Society
- Hercules Senior Citizens Club
- Hercules Sister City Association
- Rotary Club of Hercules
- West Contra Costa Youth Soccer League