

## **CORONAVIRUS (COVID-19) ADVISORY**

### **IMPORTANT INSTRUCTIONS ON HOW TO PARTICIPATE AND WATCH THE HERCULES CITY COUNCIL MEETING**

On March 16, 2020, the Health Officer of Contra Costa County issued an Order through April 7, 2020 that directed that all individuals living in the county to shelter at their place of residence except that they may leave to provide or receive certain essential services or engage in certain essential activities and work for essential businesses and governmental services.

Under the Governor's Executive Order N-25-20, this meeting may utilize teleconferencing or other virtual meeting platforms. Pursuant to the Governor's Executive Order N-25-20, teleconferencing restrictions of the Brown Act have been suspended.

Beginning with the April 14, 2020 Hercules City Council meeting, the City Council will conduct its meeting utilizing ZOOM.

DUE TO THE SHELTER IN PLACE ORDERS AND PURSUANT TO EXECUTIVE ORDER N-25-20, direct public attendance or participation at council meetings has been suspended and the Council Chambers will be closed to the general public. City Council and staff will participate virtually through the ZOOM application. Applicants, consultants, and others with matters before the Council will be allowed to participate via ZOOM but must make prior arrangements with the City Clerk.

How to watch the meeting from home:

1. Comcast Channel 28
2. Livestream online at <https://hercules.legistar.com/Calendar.aspx>

We are happy to accommodate written public comments. Public Comment will be accepted by email to [lmartin@ci.hercules.ca.us](mailto:lmartin@ci.hercules.ca.us) during the meeting, prior to the close of public comment on an item and read into the record during public comment. Additional ways to provide your public comment is to mail your comment to City of Hercules, ATTN: City Clerk – Public Comment (Meeting Date), 111 Civic Drive, Hercules, CA 94547 via USPS in time to reach the City Clerk no later than 5:45 p.m. on the day of the meeting or by telephone by calling (510) 799-8215 no later than 5:45 p.m. on the meeting date. All comments received by the close of the public comment period will be available after the meeting as supplemental materials and will become part of the official meeting record. The City cannot guarantee that its network and/or the site will not be uninterrupted. To ensure that the City Council receives your comments, you are strongly encouraged to submit your comments in writing in advance of the meeting by 5:45 p.m. on the day of the Council meeting.

Individuals wishing to address the City Council are asked to provide the following information:

1. Subject Line to contain the words "PUBLIC COMMENTS"
2. (Optional) - Name, address and contact information of person providing comments.
3. General topic or agenda item you wish to comment on.

All public comments are allowed up to 3 minutes to relay their message or concern. All public comments are recorded and become part of the public record. A limit of 30 minutes will be devoted to taking public comment during the first public comment period on the agenda. If any speaker comments have not been read into the record at the conclusion of the initial 30 minute period, time will be reserved at the conclusion of the meeting to read the remaining comments.

# City of Hercules

111 Civic Drive  
Hercules, CA 94547



## Meeting Agenda

**Tuesday, January 12, 2021**

**7:00 PM**

**CLOSED SESSION - NONE.  
REGULAR SESSION - 7:00 PM.**

**Virtual Meeting Via Zoom**

## **City Council**

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

*David Biggs, City Manager  
Patrick Tang, City Attorney*

*To view webcast of meetings, live or on demand, go to the City's website at [www.ci.hercules.ca.us](http://www.ci.hercules.ca.us)*

**I. SPECIAL MEETING - CLOSED SESSION – NONE.**

**II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS - NONE.**

**III. CONVENE INTO CLOSED SESSION - NONE.**

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

**V. REPORT ON ACTION TAKEN IN CLOSED SESSION**

**VI. PLEDGE OF ALLEGIANCE**

**VII. MOMENT OF SILENCE**

**VIII. INTRODUCTIONS/PRESENTATIONS/COMMISSION REPORTS**

1. [21-002](#) **Proclamation Recognizing and Congratulating Laura Bond on Being Area 104 Starbucks Manager of the Year**

Attachments: [Proclamation - Laura Bond - Starbucks](#)

2. [21-010](#) **Proclamation Recognizing Planning Commissioner Susan Tolley for her Years of Service**

Attachments: [Proclamation -Commissioner Tolley - 2011-2020](#)

3. [21-007](#) **Council on Aging Annual Report by Jennifer Doran, City Representative on Contra Costa County Advisory Council on Aging Recommendation: Receive and file report.**

Attachments: [Council on Aging Report - J.Doran](#)

**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**

1. [21-009](#) **First Reading of Ordinance No. 532 Adding Chapter 2-1.06 to Title 2 "Administration entitled "Electronic Filing of Campaign Disclosure Documents".**  
**Recommendation:** Open the public hearing, take public testimony, waive the first reading, and approve the introduction of Ordinance 532 amending Title 2 of the Hercules Municipal Code by adding Chapter 2-1.06, "Electronic Filing of Campaign Disclosure Documents".  
  
**Attachments:**     [Staff Report - Ordinance Adding Chapter to Title 2 - electronic filing of campaign stmts](#)  
                                 [Attach 1 - Ordinance 532](#)  
                                 [Attach 2 - Assembly Bill No 2151](#)  
                                 [Attach 3 - Proposal 2020](#)
2. [21-008](#) **Zoning Text Amendment #20-03: City Ordinance to update Municipal Code Section 13-35-320 to address changes in State housing law affecting local regulation of Accessory Dwelling Units (ADUs)**  
**Recommendation:** Open the public hearing, take public testimony, waive the first reading, and approve the introduction of Ordinance No. 531 amending Hercules Municipal Code Title 13, Chapter 35 "Specific Land Use Requirements" to update the City's current policies and processes for accessory dwelling units (ADU's) for conformity with current State law.  
  
**Attachments:**     [Staff Report - ADU 2020 Ordinance - 2021-01-12](#)  
                                 [Attach 1 - ADU 2020 Ordinance - 2021-01-12](#)

**XII. CONSENT CALENDAR**

1. [21-003](#) **Minutes**  
**Recommendation:** Approve the regular meeting minutes of December 12, 2020.  
  
**Attachments:**     [Minutes - 120820 - Regular](#)
2. [21-005](#) **Review Upcoming Council Agenda Items List**  
**Recommendation:** Receive report, discuss, and provide direction, if any.  
  
**Attachments:**     [Staff Report - Qrtly Review Agenda Pending Items](#)  
                                 [Attach 1 - Agenda Pending Items List](#)

**XIII. DISCUSSION AND/OR ACTION ITEMS**

1. [20-407](#) **FY 2019-20 Comprehensive Annual Financial Reports**  
**Recommendation:** Receive the fiscal year 2019-20 Comprehensive Annual Financial Reports (CAFR) and Accept the Audited Financial Statements.



**Attachments:**     [Staff Report - FY 19-20 Annual Audit](#)  
[Attach 1 - SAS Letter or Required Communication Letter in an Audit](#)  
[Attach 2 - Hercules Public Financing Authority \(PFA\) Financial Statements](#)  
[Attach 3 - Hercules Wastewater Fund Financial Statements](#)  
[Attach 4 - Placeholder for Agreed Upon Procedure \(AUP\) Report on Measure B for Year End](#)  
[Attach 5 - Placeholder for Agreed Upon Procedure \(AUP\) Report on Measure C for Year End](#)  
[Attach 6 - Agreed Upon Procedure \(AUP\) Report on GANN Appropriation Limit Calculation](#)  
[Attach 7 - FY 19-20 General Fund - Reconciliation Between Budgetary and GAAP Basis of A](#)  
[Attach 8 - FY 19-20 General Fund Audited FY 19-20 Year-End Result and Updated FY 20-21](#)

2.     [20-427](#)     **Recognized Obligation Payment Schedule for the Period of July 1, 2021 through June 30, 2022 (ROPS 21-22)**  
**Recommendation:** Adopt a Resolution approving the recognized obligation payment schedule for the period of July 1, 2021 through June 30, 2022 (ROPS 21-22).

**Attachments:**     [Staff Report - ROPS 21-22\\_SA](#)  
[Attach 1 - Resolution - ROPS 21-22 Resolution Successor Agency ROPS](#)  
[Attach 2 - Hercules ROPS 21-22 RAD App](#)

3.     [21-004](#)     **2021 Development Site Update and Review**  
**Recommendation:** Receive report, discuss, and provide direction if any.

**Attachments:**     [Staff Report - Development Sites Update 01122021](#)  
[Attach 1 - Development Update January 2021](#)

4.     [21-001](#)     **Contra Costa County Library Commission Appointment**  
**Recommendation:** Consider making an appointment to the Contra Costa County Library Commission to an unexpired term ending June 30, 2023.

**Attachments:**     [Staff Report - Library Commission Appointment](#)

5.     [21-006](#)     **2021 Council Appointments on Regional Committees and Council Subcommittees**  
**Recommendation:** Express additional interest and availability for the 2021 Council Appointments on Regional Committees and Council Subcommittees to be made by the Mayor.

**Attachments:**     [Staff Report - Council Appointments to Regional Committees](#)  
[Attach 1 - 2020 CC Appointed Reps - Approved 01.28.2020](#)

**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.

**XVI. ADJOURNMENT**

The next Regular Meeting of the City Council will be held on Tuesday, January 26, 2021 at 7:00 p.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](http://www.ci.hercules.ca.us) and can receive e-mail notification of agenda and staff report postings by signing up to receive an enotice from the City's homepage. Agendas and staff reports may also be obtained by contacting the Administrative Services Department at (510) 799-8215.

(Posted: January 7, 2021)

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

1. SPECIAL ACCOMODATIONS: 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 510-799-8215 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, Hercules Post Office, and on the City's website ([www.ci.hercules.ca.us](http://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.

**PROCLAMATION**  
**RECOGNIZING AND CONGRATULATING LAURA BOND**  
**ON BEING AREA 104 STARBUCKS MANAGER OF THE YEAR**

**WHEREAS**, Laura Bond is the General Manager of the I-80 & Willow Starbucks in Hercules; and

**WHEREAS**, Starbucks named Laura Bond as the Manager of the Year for 2020 for Area 104 which consists of more than 120 stores; and

**WHEREAS**, this honor highlights Laura’s many achievements as part of the Starbucks family and her business acumen; and

**WHEREAS**, the recognition from Starbucks highlighted that Laura “... creates an environment that is uplifting and uses her tools to bring her team through change in times of uncertainty;” and

**WHEREAS**, Laura and Starbucks are a valued partner in the community supporting a variety of events and causes with Partner involvement encouraged, including City Senior and Parks & Recreation events like: Breakfast with Santa, Teen Winer Wonderland, Eggstravaganza, Scarecrow Contest, Trunk or Treat, and Holiday Tree lighting; and

**WHEREAS**, the Hercules I-80 & Willow store also regularly support the Hercules Police Department by supporting events like National Night Out, hosts Coffee with a Cop, and other community outreach events.

**NOW THEREFORE BE IT PROCLAIMED** that I, Chris Kelley, Mayor of the City of Hercules, on behalf of the entire City Council and the Hercules community, congratulate and commend Laura Bond for her achievement on being named Starbucks District 104 Manager of the Year for 2020 and do express our gratitude and thanks for her and Starbucks on-going support of the community and the City of Hercules.

In witness thereof, I have hereunto set my hand and cause the Seal of the City of Hercules to be affixed this 12th day of January 2021.

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Chris Kelley, Mayor

## **PROCLAMATION**

### **COMMENDING PLANNING COMMISSIONER SUSAN TOLLEY FOR DEDICATION AND SERVICE TO THE HERCULES COMMUNITY 2011 - 2020**

**WHEREAS**, Susan Tolley was appointed by the City Council to the position of Planning Commissioner on March 22, 2011 for a four-year term, and successively reappointed in 2015 and 2017; and

**WHEREAS**, during Commissioner Tolley's tenure she was actively involved in the Commission's discussion and review of planning, land use, environmental, economic development, and circulation issues that affect the City of Hercules, its residents, non-profits, and businesses; and

**WHEREAS**, highlights during Commissioner Tolley's time on the Planning Commission include reviewing and approving designs for:

- The Victoria Crescent at Alexandria subdivision;
- The Muir Pointe subdivision;
- The first phases of the mixed-use Transit Village area of the Bayfront project, including The Exchange, The Grand, and Blocks M, O, & P;
- The Sycamore Crossing project, including the City's first hotel;
- The Willow Avenue Self-Storage and Automotive Center; and
- The Hill Town project; and

**WHEREAS**, Commissioner Tolley played an integral role in the Planning Commission's review and recommendation of key policies, including:

- Updating the City's Housing Element, Circulation Element, Safety Element and Hazard Mitigation Plan;
- Establishing legally compliant ordinances governing telecommunications facilities and accessory dwelling units; and

**WHEREAS**, Commissioner Tolley has distinguished herself as a dedicated, thoughtful, knowledgeable, respectful and respected Commissioner, committed to reviewing projects and policies with a sense of fairness; and

**WHEREAS**, Commissioner Tolley's service to the City of Hercules has contributed to an enhanced reputation for the City throughout the region and the continued support of our residents for thoughtful, sustainable development and growth.

**NOW THEREFORE BE IT PROCLAIMED** that I, Chris Kelley, Mayor of the City of Hercules, on behalf of the entire City Council and the Hercules community, do hereby recognize and honor Planning Commissioner Susan Tolley for her many years of service and contributions to the City and to the community.

In witness whereof, I hereunto set my hand and cause the Seal of the City of Hercules to be affixed this 12<sup>th</sup> day of December 2021.

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Chris Kelley, Mayor

CC: City Council

November 20, 2020

Mayor Roland Esquivias

111 Civic Drive

Hercules, CA 94547

Dear Mr. Mayor Esquivias,

As your representative on the county's Advisory Council on Aging, I want to update you on my council activities over the past 3 years.

As you know, the 40 member Advisory Council serves in an advisory capacity to the Board of Supervisors. Besides approving programs and advising the Area Agency on Aging, council members participate in work groups where most of our work is accomplished. These work groups include Planning, Membership, Health, Housing, Legislative, Elder Abuse prevention, and Technology which provides senior trainings. Each work group focuses on adequacy of services provided and advocacy for seniors.

Hercules is well represented on the Advisory Council. Gerald Richards is chair of the county wide housing committee and Jagjit Bhambra is on the legislative group. I am chair of the Membership Committee. This committee is responsible for recruitment of new members and ensuring continued commitment from current members. I attend four meetings per month.

The council's accomplishments in 2019 included:

- Developing and distributing an informational pamphlet about the Council. This serves as a recruitment strategy.

- Meeting and discussing senior issues with each district's BOS member. Jagjit and I met with Supervisor Federal Glover.
- Partnering with the county's Elder Abuse Prevention Project.
- Developing a mentoring project for a new member to team with an experienced member in order to better understand the workings of the council. A formal orientation is also provided.
- Holding a Well-attended conference on Master Plan on Aging in conjunction with Choice in Aging.
- Planning a Sept. 2020 educational conference on "Retiring in the Bay Area." Due to Covid 19, this conference was cancelled and rescheduled for fall, 2021.

This year, the Advisory Council met in person in January and February. In July, we returned to remote meetings of the council and work groups. All meetings will continue to be via zoom until our group can meet in person again.

At the local level, over three years, I have had lunch with seniors at the senior center in order to learn about their concerns. I provided new brochures and literature to the senior center as needed. I met and volunteered with the Friends of Hercules, especially in planning the Breakfast with Santa fundraiser. I now try to pass on senior related information via Nextdoor.

County-wide, Seniors identify two main areas of need- affordable housing and transportation. Members of the council attend county wide meetings to address these problems. An info fact sheet developed by the housing workgroup is attached.

I willingly serve as the representative of Hercules at the city council's pleasure. If you have questions, please contact me at 510 206-4894.



Sincerely,

  
Jennifer Doran



# NO PLACE TO CALL HOME

EMERGING HOUSING STRUGGLES IN CONTRA COSTA COUNTY  
MEAN OLDER ADULTS NEED YOUR HELP



Contra  
Costa  
County's  
Growing  
Number of  
Older Adults

3rd largest  
population in  
the Bay Area



**1 IN 5** RESIDENTS IS 60  
YEARS OR OLDER

**223,361**

60+ POPULATION  
**TODAY**

**386,606**

60+ POPULATION  
**IN 2030**

## PERCENTAGE OF RESIDENTS 60+ BY CITY TODAY

**35%**

Walnut Creek (23,342)

**19%**

Concord (24,297)

**18%**

Richmond (18,962)

**16%**

Antioch (17,916)

## MONTHLY MEDIAN SOCIAL SECURITY INCOME



**\$1,738**

71% of Contra Costa County  
older adults live on this  
income alone



## MONTHLY INCOME NEEDED TO AFFORD BASIC NEEDS



**\$2,287**

Older Adult Who Rents



**\$2,996**

Older Adult with a Mortgage

High Housing  
Costs Leave  
Many Older  
Adults on  
Fixed  
Incomes  
Struggling to  
Make Ends  
Meet

## HOUSING COST-BURDENED

Spending 30% or more of  
income on housing

**65%**

Single older  
adult with a  
mortgage

**54%**

Single older  
adult who rents

## NOT ENOUGH AFFORDABLE HOUSING TO MEET THE NEED

**12,585**

Number of older adults 62+  
on waitlists for subsidized housing

## HOMELESS POPULATION IN CONTRA COSTA COUNTY

**20%**

55+ older  
adults

**88%**

increase of  
older  
adults 62+  
since 2017



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** Members of the City Council

**SUBMITTED BY:** Lori Martin, Administrative Services Director/City Clerk

**SUBJECT:** First Reading of Ordinance No. 532 Adding Chapter 2-1.06 to Title 2 “Administration” entitled “Electronic Filing of Campaign Disclosure Documents”.

**RECOMMENDED ACTION:** Open the public hearing, take public testimony, waive the first reading, and approve the introduction of Ordinance 532 amending Title 2 of the Hercules Municipal Code by adding Chapter 2-1.06, “Electronic Filing of Campaign Disclosure Documents”.

### **COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:**

There was no commission or subcommittee review of this item.

### **FISCAL IMPACT OF RECOMMENDATION:**

If the proposed Ordinance is approved by City Council, staff will review options to process the electronic filing of campaign disclosure documents by retaining the services of a third-party vendor who specializes in this type of work. The annual cost for this service/subscription is \$3700 which includes a \$900/year discount if the Campaign Disclosure E-Filing is combined with the Form 700 E-Filing. The cost for just the Campaign Disclosure E-Filing on its own would be \$3400 annually. The annual cost can be accommodated within the adopted City Clerk Department and Information Technology Department budgets for Fiscal Year 2020-21.

### **DISCUSSION:**

Effective January 1, 2021, State Assembly Bill 2151 will require a local government agency to post on its internet website, within 72 hours of the applicable filing deadline, a copy of any specified statement, report, or other document filed with that agency in paper format. This bill will require that the statement, report, or other document be made available for four (4) years from the date of the election associated with the filing. By imposing a new duty on local government agencies, this bill will impose a state-mandated local program.

Government Code Section 84615 authorizes the City to adopt an ordinance that requires elected officers, candidates, and committees to file campaign disclosure documents electronically. City Council action is needed for the adoption of a finding that the electronic filing system will operate securely and not unduly burden filers. In order to comply with the new law, staff recommends that

the City Council adopt an ordinance requiring the electronic filing of campaign disclosure documents and statements of economic interests so that these documents can be redacted, as permitted by law, and posted to the City website in a cost-effective manner.

The proposed ordinance requires the electronic filing of campaign disclosure documents and is in compliance with Government Code Section 84615 and AB 2151. However, should the proposed ordinance not be adopted by City Council, City Clerk staff would be required to manually redact campaign disclosure documents and post them onto the City website within 72 hours of filing in order to comply with AB 2151. Because this process can be very labor-intensive and time-sensitive, staff will consider retaining the services of a third-party vendor specializing in this area.

Staff has reached out to Netfile which provides this service to many agencies throughout California and is an FPPC approved vendor and approved system. The City of Hercules currently has approximately 31 filers of the Form 700 which consists of Required 87200 filers as well as Designated filers. The online portal can be accessed from any mobile device or computer, filers can file expanded and or combined statement filings. This system also has the ability to track all Ethics Training and Harassment Training filers and their filings which is a bonus. FPPC does require a \$1000 application filing fee which is paid on the City's behalf by Netfile.

Filing Campaign Disclosure documents and Form 700s electronically where the public has the ability to access these redacted filings 24/7 promotes the City Council's objective to develop and maintain on-going efforts that increase transparency in city government.

#### **ATTACHMENTS:**

1. Ordinance 532
2. AB 2151
3. NetFile Proposal



## **ORDINANCE NO. 532**

### **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HERCULES ADDING CHAPTER 2-1.06 “ELECTRONIC FILING OF CAMPAIGN DISCLOSURE DOCUMENTS” TO TITLE 2 “ADMINISTRATION” OF THE HERCULES MUNICIPAL CODE RELATING TO CAMPAIGN DISCLOSURE DOCUMENTS**

**WHEREAS**, California Government Code section 84615 currently provides that a local agency may adopt an ordinance to require an elected officer, candidate, committee, or other person required to file statements, reports, or other documents required by Chapter 4 of the Political Reform Act (commencing with Section 84100 of the Government Code), except an elected officer, candidate, committee, or other person who receives contributions totaling less than \$2,000 and who makes independent expenditures totaling less than \$2,000 in a calendar year, to file those statements, reports, or other documents online or electronically with the local filing officer; and

**WHEREAS**, the City intends to enter into an agreement with NetFile, Inc., a vendor approved by the California Secretary of State, to provide an online electronic filing system (“System”) for campaign disclosure statements and statements of economic interest forms; and

**WHEREAS**, the City Council finds that the System will operate securely and effectively and will not unduly burden filers. Specifically: (1) the System will ensure the integrity of the data and include safeguards against efforts to tamper with, manipulate, alter or subvert the data; (2) the System will only accept a filing in the standardized record format developed by the California Secretary of State and compatible with the Secretary of State’s system for receiving an online or electronic filing; and (3) the System will be available free of charge to filers and to the public for viewing filings; and

**WHEREAS**, the City of Hercules desires to amend the Hercules Municipal Code to add a new Chapter relating to electronic filing of campaign and conflict of interest statements.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HERCULES DOES HEREBY ORDAIN AS FOLLOWS:**

**SECTION 1. Recitals.** The City Council hereby incorporates the above recitals into this Ordinance by this reference.

**SECTION 2. Amendment.** That the City Council of the City of Hercules does hereby amend Hercules Municipal Code Title 2 by adding Section 2-1.06, to read as follows:

**Chapter 2.106 – Electronic Filing of Campaign Disclosure Documents and Statements of Economic Interests.**

- (a) Any elected officer, candidate, committee, or other person required to file statements, reports, or other documents required by Title 9 of the Government Code, commencing with Section 84100, except an elected officer, candidate, committee or other person who receives contributions totaling less than \$2,000, and makes expenditures totaling less than \$2,000 in a calendar year shall file those statements, reports or other documents online or electronically with the City Clerk.
- (b) Any person holding a position listed in Government Code section 87200 or designated by the City's conflict of interest code shall file any required Statement of Economic Interest reports online or electronically with the City Clerk.
- (c) In any instance in which an original statement, report of other document must be filed with the California Secretary of State and a copy of that statement, report or other document is required to be filed with the City Clerk, the filer may, but is not required to, file the copy electronically.
- (d) If the city's electronic filing system is not capable of accepting a particular type of statement, report or other document an elected officer, candidate, committee or other person shall file that document with the City Clerk in an alternative format.

**SECTION 3. SEVERABILITY.** If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid, such decisions shall not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have adopted the Ordinance, and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be deleted.

**SECTION 4. Effective Date and Publication.** The City Clerk shall certify to the adoption of this Ordinance and shall publish or post the Ordinance as required by law. This Ordinance shall be effective thirty (30) days from date of final adoption.

**THE FOREGOING ORDINANCE** was first read at a regular meeting of the Hercules City Council on the 12th day of January, 2021, and was passed and adopted at a regular meeting of the Hercules City Council on the \_\_\_\_ day of \_\_\_\_\_, 2021, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Chris Kelley, Mayor

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Lori Martin, MMC  
Administrative Services Director / City Clerk

**Assembly Bill No. 2151**  
**CHAPTER 214**

An act to add Section 84616 to the Government Code, relating to the Political Reform Act of 1974.

[ Approved by Governor September 28, 2020. Filed with  
Secretary of State September 28, 2020. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 2151, Gallagher. Political Reform Act of 1974: online filing and disclosure system.

The Political Reform Act of 1974 requires the filing of specified statements, reports and other documents. Under the act, a local government agency may require these filings to be made online or electronically with the local filing officer, as specified. The act requires the local filing officer to make all data so filed available on the internet in an easily understood format that provides the greatest public access.

This bill would require a local government agency to post on its internet website, within 72 hours of the applicable filing deadline, a copy of any specified statement, report, or other document filed with that agency in paper format. This bill would require that the statement, report, or other document be made available for four years from the date of the election associated with the filing. By imposing a new duty on local government agencies, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a  $\frac{2}{3}$  vote of each house of the Legislature and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

**DIGEST KEY**

## BILL TEXT

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS  
FOLLOWS:

### SECTION 1.

Section 84616 is added to the Government Code, to read:

**84616.**

(a) Within 72 hours of each applicable filing deadline, a local government agency shall post on its internet website a copy of any statement, report, or other document required by Chapter 4 (commencing with Section 84100) that is filed with that agency in paper format. If the final day of the 72-hour period is a Saturday, Sunday, or holiday, the period is extended to the next day that is not a Saturday, Sunday, or holiday. Before posting, the local filing officer shall redact the street name and building number of the persons or entity representatives listed on any statement, report, or document, or any bank account number required to be disclosed by the filer. Providing a link on the agency's internet website to the statement, report, or other document satisfies this subdivision.

(b) A statement, report, or other document posted pursuant to this section shall be made available for four years from the date of the election associated with the filing.

### SEC. 2.

If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

### SEC. 3.

The Legislature finds and declares that this bill furthers the purposes of the Political Reform Act of 1974 within the meaning



**From:** [Tom Diebert](#)  
**To:** [Lori Martin](#)  
**Subject:** Price breakdown by System  
**Date:** Tuesday, January 5, 2021 4:26:33 PM

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Hi Lori,

I was nice speaking with you this afternoon.

The cost breakdown per system is as follows:

Campaign Disclosure E-filing system: \$3,400/year ongoing

Form 700 E-filing system: \$1,200/year ongoing (plus NetFile pays your initial FPPC application fee to become a paperless Form 700 agency of \$1,000)

Discount for taking both systems at the same time: (\$900/year)

Total for both systems after discount is taken: \$3,700/year (NetFile still pays your initial FPPC application fee of \$1,000)

If you have any other questions, just let me know. Have a wonderful rest of your day!

Best regards,

Tom Diebert

Mariposa HQ & Support Phone: 209.742.4100

Fresno Office Phone: 559.250.4847

Fax: 209.391.2200

Agency support e-mail: [staffhelp@netfile.com](mailto:staffhelp@netfile.com)

Pro-Treasurer support e-mail: [support@netfile.com](mailto:support@netfile.com)

Direct e-mail: [diebert@netfile.com](mailto:diebert@netfile.com)

Website: [www.netfile.com](http://www.netfile.com)



**NetFile**  
2707 Aurora Road  
Mariposa, CA 95338  
Tel (209) 742-4100  
Fax (209) 391-2200

December 14, 2020

Lori Martin, MMC  
Administrative Services Director/City Clerk  
City of Hercules  
111 Civic Drive  
Hercules, CA 94547

Dear Lori:

Thank you for the e-mails today. Here is some background information as well as a proposal for our e-filing and administration systems for both the Campaign Disclosure and Form 700 SEI filings.

### **How NetFile Works**

NetFile is a hosted solution that provides you with an extremely affordable system that will enable your filers to electronically file Campaign Statements and/or Form 700 filings.

### **Who Uses NetFile**

NetFile is being used by almost 200 local government agencies in CA today. For Cities, NetFile dominates this market space. Over 72% of Cities in CA using a Form 700 e-filing system and over 95% of Cities in CA using a Campaign e-filing system use NetFile. Our City clients in Northern CA using our systems include Albany, Antioch, Berkeley, Calistoga, Capitola, Carmel-By-The-Sea, Chico, Dublin, East Palo Alto, Fremont, Fresno, Gilroy, Half Moon Bay, Hayward, Hollister, Livermore, Lodi, Los Gatos, Manteca, Menlo Park, Milpitas, Modesto, Monterey, Morgan Hill, Mountain View, Oakland, Oakley, Oroville, Pacific Grove, Palo Alto, Patterson, Piedmont, Pleasanton, Redding, Richmond, Ross, Sacramento, Salinas, San Bruno, San Francisco, San Luis Obispo, San Rafael, Santa Clara, Santa Cruz, Santa Rosa, Sausalito, Sonoma, Stockton, Sunnyvale, Tiburon, Watsonville, West Sacramento, and the Town of Yountville. Our County clients in Northern CA using either one or both our systems are Alameda, Butte, Contra Costa, Del Norte, Madera, Marin, Merced, Monterey, Nevada, Placer, San Francisco, San Mateo, Santa Clara, Santa Cruz, and Shasta. We have several state agencies and boards and commissions in Northern CA who use our systems as well.

### **Cost Information**

NetFile does not charge any setup costs or hidden costs to worry about. Our ongoing fee includes everything (unlimited training, support, maintenance). All form changes and system updates are included as well. The cost for our systems for you would be as follows:

**Annual total for both systems: \$3,700/year\***

We can guarantee this pricing for up to 5 years.

### **NetFile's Included Main Features**

- Hosted platform means you don't need to load any software on your servers or apply any updates or security patches
- Includes your setup, unlimited support, maintenance, and unlimited training
- Automated correspondence and generate filing status reports on the fly
- Filer portal (where the filer creates and electronically files their documents)
- Industry exclusive Form 700 mobile device filer platform
- Your 87200 filers can paperless file directly to the FPPC through the NetFile system
- All your Form 700 and 87200 filers can create expanded and or combined statement filings
- NetFile pays for your initial FPPC \$1,000 paperless application fee
- Exclusive Campaign Filer training program that includes free telephone training by NetFile
- NetFile clients have the option to schedule live Campaign filer trainings in their office with NetFile staff providing the training
- Free public viewing portal to display your FPPC 800 series forms you are required to post online

### **NetFile's Exclusive Public Viewing Portal Features**

NetFile easily gives you the ability to show or not show electronically filed documents. Come January 1, 2021 AB 2151 comes into effect that requires local government agencies (like Cities and Counties) to post on the internet within 72 hours a copy of any campaign filing made (both paper and electronic). Any electronic filing through NetFile is instantly be posted online in redacted form as soon as it is e-filed by the filer.

### **Ethics Training and Sexual Harassment Training Tracking & 800 Series Form Public Site**

The NetFile Form 700 system also includes the ability to track all your Ethics Training and Sexual Harassment Training filers and their filings. The system also comes with a free public viewing portal to display your FPPC 800 series forms.

### **Cross Jurisdictional Electronic Filings**

NetFile is the ONLY solution that can offer you cross jurisdictional filings to all of our Form 700 agencies. The reason we can do this and others can't is ALL of our clients use our hosted solution. Just tell us which filers of yours file to our other agencies and we can link them at the database level to make their paperless filing easy across all their agencies.

### **How Long Does it Take to Setup?**

Currently our lead time is 2 days to set up a new agency. For Form 700 the FPPC has to approve you to become paperless and this takes approximately 2 weeks. To become a paperless filing agency for Campaign Disclosure requires an ordinance change. We can send you ordinances from other Cities to review.

### **The NetFile Difference**

The City of Santa Clara was our first Campaign agency back in 2003. The City of San Diego made history with our Campaign system having the first ever paperless campaign statement filed on January 22, 2013. Changing your ordinance is all you have to do! As mentioned above, I can send you samples of other agencies ordinances so you don't have to reinvent the wheel for your ordinance.

The California Political Treasurers Association has endorsed NetFile as the preferred system for local government clients. Attached is a press release about this.

For Form 700 Statements of Economic Interests, NetFile leads the way. Starting the end of 2006 for the County of San Bernardino as well as the Cities of Anaheim and San Diego, NetFile beat the competition to the market by 2 years. NetFile has industry exclusive features for the Form 700 system as well like dedicated mobile apps available through GooglePlay for android devices or the Apple App store for iPhones or iPads.

One of the most important advantages with NetFile is all your revenue spent with NetFile stays in the USA. Additionally, the philosophy at NetFile is that we are a Service Company not a Software Company. We feel our most important strength is the support we provide our clients. This starts at the top and percolates through every level of our organization.

#### **NetFile Social Responsibility Program**

Because City Clerks comprise our largest customer market segment, several years ago we developed a program geared towards giving back to the community of Clerks. In 2019 we spent over \$50k just on the CCAC! This included providing free Workshops for Cities all over CA. We had 135 clerks attend our Workshop in Ontario and 93 attend our Workshop in Mountain View in July 2019. This year, due to Covid, we have provided 5 free web-based workshops free to clerks to help them achieve their CMC or MMC accreditation. Over 900 clerks have attended these sessions to advance their education.

If you need any additional information, just let me know.

Best regards,



Tom Diebert  
Vice President, NetFile



## California Political Treasurer's Association

1127-11<sup>th</sup> Street, Suite 210  
Sacramento, CA 95814

January 1, 2020

Tom Diebert  
Vice President & COO  
NetFile, Inc.  
2707-A Aurora Road  
Mariposa, CA 95338

Dear Tom:

One of the goals of the California Political Treasurer's Association (CPTA) is to promote the concept of paperless electronic filing for Campaign Disclosure statements in California at all levels.

As such, we would like to acknowledge NetFile, Inc. and their contributions over the years to the local Agency filing community, specifically County and City Agencies in California.

Our members have worked with several of these Agencies and applaud NetFile's efforts in making their Agency system work within the confines of Assembly Bill 2452 which allows local governments to electronically file Campaign Statements in California in a true paperless fashion. We know the first ever paperless filing in CA took place on January 22, 2013 through a CPTA treasurer filing to a NetFile Agency system. Since then we have seen NetFile being adopted by several local government Agencies in CA today.

As such, we recommend that all local government Agencies in CA go to a paperless filing system for their Campaign Disclosure filings. From the prospective of the CPTA, we recommend those Agencies use NetFile as their preferred solution.

NetFile's background in Campaign Disclosure gives them the unique advantage of having expertise nowhere else available for the local government filing community. The fact that NetFile accounts for over 70% of all filings made to the Secretary of State of CA gives them a distinctive advantage in Campaign Disclosure expertise not found anywhere else. All of the treasurers agree that any filings made to local governments that use the NetFile system, makes the process easy and results in the ultimate level of transparency.

We applaud NetFile's efforts in promoting paperless electronic filing in CA and endorse them as the solution of choice for California local government Agencies.

Sincerely,

Laura Ann Stephen  
Vice President, Legislative Affairs

# Campaign Disclosure

## FPPC CAMPAIGN FORMS



### NetFile's advantages..

Hosted Platform  
 Setup Included  
 Filer Application  
 Public Portal  
 Internal Kiosk  
 Unlimited Support  
 Unlimited Training  
 Free Filer Training  
 3rd Party Uploads  
 CA Based Support  
 Preferred by CPTA  
 Industry Innovator  
 Industry Leader  
 Support Driven  
 Data Security

## E-FILING & ADMIN SYSTEM

### Campaign Statements Made Simple and Secure

Make your hard to track paper filing system obsolete with the most experienced provider of Campaign Disclosure systems! NetFile supports paperless as well as paper filed documents. Being hosted online, the agency, filer, and public can access the system any time day or night. NetFile is an extremely affordable solution for all sizes of local government agencies. Our system comes with around the clock support that is 100% based in California - no need to worry about foreign based programming or support.

Fact: NetFile's support is based from the top down.

Fact: NetFile considers itself to be a support and service company.

Fact: NetFile DOES NOT make contributions to local candidate controlled committees!

## Electronic Filing

First time filers can request free live software training from NetFile staff! Filers can input their data as they go or all at one time. Drafts can be generated at any time for review prior to filing. A link from your website starts the filing process. The site is hosted by NetFile but looks just like your site. NetFile servers ensure fast and efficient filings. The submitted filing is validated to stop amendments from happening in the first place. Online documentation available for the filer to make filing easy!

## Agency Management Tool

The system acts as your repository of filers and filings. Create the filers in the database just once. Notifications can be sent out through the system to filers. Track your filers and their deadlines through our advanced filing status report. Includes several industry exclusive tools to push information to staff regarding filers and their filings.

# Campaign Disclosure INFO SHEET

## **Document Viewing Portal - Public Transparency Site**

You can choose to have your filers' documents shown over the internet in redacted form with your own redaction specifications. You can even narrow down which filers you would want to show.

**ADVANCED PUBLIC SEARCH INCLUDED!** This means you can search for elements across all your electronically filed data. This guarantees the utmost in transparency for the public to view the filed data.

## **Document Viewing Portal - Private Site**

The system also comes with a kiosk mode that allows you to show filings in unredacted form, but only in your office. That way if someone walks in requesting to view a filing, you can just point them to one of your computers to search for the filings. They could print to your internal printer if they want to purchase a hard copy. No more pulling files and making copies that waste valuable staff time!

## **NetFile is Number One in California**

NetFile is California's first internet based accounting, disclosure, and data management system. Our clients accounts for well over half of all electronic disclosure document filings in the state of California. For our local government platform, there have been hundreds of thousands of e-filings made from both our Form 700 SEI filing and admin system as well as our Campaign Disclosure filing and admin system.

## **Unparalleled Training and Technical Support**

Our business model is based on an ongoing service with no long term contractual commitments from our clients. This guarantees you the best in training and support!

## **Contact Information:**

<b>Company Name:</b>	NetFile, Inc.
<b>Address:</b>	2707 Aurora Road Mariposa, CA, 95338
<b>Phone:</b>	(209) 742-4100 (Main Line & Support)
<b>Phone:</b>	(559) 250-4847 (Local Government Sales)
<b>Fax:</b>	(209) 391-2200
<b>E-mail:</b>	<a href="mailto:sales@netfile.com">sales@netfile.com</a>
<b>Website:</b>	<a href="http://www.netfile.com">www.netfile.com</a>

NetFile also has an e-filing system for local governments for Statements of Economic Interests FPPC Form 700 as well as Ethics Training Tracking and Sexual Harassment Training Tracking.





# FPPC Form 700

## STATEMENT OF ECONOMIC INTERESTS

Paperless Filing Solution



NetFile's advantages..

Hosted Platform  
FPPC Approved  
Setup Included  
Ethics & Sexual  
Harassment  
Training Tracking  
Filer Application  
Video Tutorials  
Public Portal  
Internal Kiosk  
Unlimited Support  
Unlimited Training  
Industry Innovator  
Industry Leader  
Support Driven  
Data Security

## E-FILING & ADMIN SYSTEM

### Forms 700/800/Plus Forms Training Tracking

Make your hard to track paper filing system obsolete with the most experienced and leading provider of e-filing systems! NetFile does support paperless as well as paper-filed documents. Being hosted online, the agency, filer, and public can access the system at any time day or night. NetFile is an extremely affordable solution for all sizes of local government agencies. Our system comes with around the clock support that is 100% based in California – no need to worry about foreign based programming or support.

Fact: NetFile's support is based from the top down.

Fact: NetFile considers itself to be a support and service company.

Fact: Nobody takes care of their clients like NetFile!

## Electronic Filing

Filers can no longer make mistakes that would cause them to amend their filings for missing required fields. All the filers' data from previous filings that can be used for future filings is retained to make their next filing extremely easy! Drafts can be generated at any time for review prior to filing. A link from your website starts the process. NetFile servers ensure fast and efficient filings. Online video tutorials and documentation makes it easy for filers!

## Agency Management Tool

The system acts as your repository of filers and filings. Create the filers in the database just once. Notifications can be sent out through the system to filers. Track your filers and their deadlines through our advanced filing status report. Includes several industry exclusive tools to push information to staff regarding filers and their filings.



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<b>E-mail:</b>	<a href="mailto:sales@netfile.com">sales@netfile.com</a>
<b>Website:</b>	<a href="http://www.netfile.com">www.netfile.com</a>

NetFile also has an e-filing system for local governments for their Campaign Disclosure filings and administration of **FPPC Forms 410, 450, 460, 461, 470, 496 & 497.**



## REPORT TO THE CITY COUNCIL

**DATE:** Regular Meeting of January 12, 2021

**TO:** Mayor Chris Kelley and Members of the City Council

**SUBMITTED BY:** Robert Reber, Community Development Director  
Christie Crowl, Assistant City Attorney

**SUBJECT:** Zoning Text Amendment #20-03—City Ordinance to update Hercules Municipal Code (Section 13-35.320) to address changes in state housing law affecting local regulation of Accessory Dwelling Units (“ADUs”)

### RECOMMENDED ACTION:

Open the public hearing, receive staff report, take public testimony, close the public hearing, and consider waiving the first reading and approving introduction of the draft zone text amendments to the City’s accessory dwelling unit regulations.

### FISCAL IMPACT OF RECOMMENDATION:

There are no direct fiscal impacts associated with this item.

### BACKGROUND:

An accessory dwelling unit (ADU), sometimes called a “second unit” or “in-law unit,” is a self-contained living unit on the same property as a primary residential building. These units must include a living and sleeping area, kitchen, and bathroom. They can be detached from or attached to a primary dwelling. An ADU can also be created by converting a garage or existing space in a home into a separate living unit. Typically, an ADU is used as a rental unit or as a home for an elderly relative, a caregiver, or an older son or daughter living at home.

In April 2018, the City adopted an updated ADU Ordinance to align with prior changes to state law. New state legislation was passed in late 2019 that further streamlines and clarifies the state’s evolving ADU requirements, expands opportunities for new ADUs, and limits the applicability of local zoning controls and requirements for certain ADUs. These recent changes to state law are intended to encourage the development of ADUs to address the statewide housing shortage, and now arguably conflict with and preempt certain aspects of the City’s current ADU requirements.

### DISCUSSION:

At the City Council’s August 8, 2020 meeting, City staff provided the Council a summary of the changes to state law, and Council directed staff to accordingly prepare amendments to the City’s ADU Ordinance consistent with state law, and to bring a draft of the amended ADU Ordinance back to the Council for consideration before introducing it to the Planning Commission for further review and

recommendation. Staff presented the draft ADU Ordinance to the City Council at its October 13 meeting, at which Council's consensus direction to staff was:

- Keep maximum ADU size at the minimum levels required by the State; and
- Require separate utility/sewer connections only when necessary due to technical reasons.

These directions from City Council were reflected in the revised draft Ordinance presented during a public hearing at the Planning Commission's regular meeting on November 2, 2020. The Planning Commission requested that staff further revise the draft accessory dwelling unit (ADU) ordinance to reflect several policy preferences and to more clearly explain some requirements, including:

- Requiring that garage spaces converted to ADUs replace garage doors with walls, windows, and/or doors rated by building code for habitable spaces.
  - *This change was initially recommended by the City Council at its regular meeting on October 27 and confirmed as appropriate by the Rodeo–Hercules Fire District (RHFD) and the City's Building Department following the Commission's November 2 meeting. RHFD further requested that detached ADUs have individual addresses separate from the primary residence. Addresses must be displayed on the ADU building so that they are clearly visible and legible from the street or adjacent alley. If the ADU is located on the property such that it cannot be seen from a street or alley, the property shall post a sign or display some other type of marker in the front yard with the ADU address on it, subject to Fire District approval.*
- Clarifying that **new** detached ADUs cannot be taller than 18 feet or 1 habitable story.
  - Exception: Second-story ADUs are allowed on top of existing, legally-approved detached structures, provided final height does not exceed that of the existing primary residence.
- Eliminating the requirement that access staircases be enclosed.
- Requiring that ADUs constructed on any property designated in the California Register of Historic Resources as a historic contributing or landmark structure shall adhere to the *Hercules Design Guidelines for Historic Preservation*.
- Clarifying that—in addition to the off-street parking spaces required for the existing residence—at least one new on-site parking space shall be provided for an ADU with one or more bedrooms, but that no additional off-street parking is required for a studio ADU (i.e., ADU without a separate bedroom space).

Consistent with the consensus views expressed by the City Council at its October 27 meeting, the Planning Commission on November 2 did not express interest in making the State-mandated requirements for ADUs more lenient (e.g., larger maximum sizes, lesser setbacks, reduced or waived parking requirements, lower fees, etc.). Furthermore, the Planning Commission did not feel it worthwhile to expend the time and effort to develop a list of pre-approved ADU plans, models, vendors, etc., especially given existing architectural diversity throughout the City.

The Commission continued its hearing to its November 16 meeting, at which the Commission considered City staff's recommendation to give clear direction regarding design standards. Except for "statewide exemption ADUs" (which are exempt from such criteria), the City can apply some design standards to ADUs, so long as the standards are objective and the review is strictly ministerial. The City's existing ADU design criteria strive to achieve some degree of aesthetic compatibility between an ADU and the primary residence through four reasonably objective design considerations:

architectural features; landscaping features; building materials; and paint color. The Planning Commission recommended retaining three of the four criteria (architectural features, building materials, and paint color) and eliminating one (landscape features). Under the draft Ordinance, ADUs need meet ***only one*** of the three criteria, thus allowing a greater degree of flexibility in ADU design.

Because of the extent of the proposed changes as compared to the existing Municipal Code section on ADUs, the draft ordinance is presented without tracked changes and recommended to replace the existing Municipal Code section in its entirety. Per state requirements and the Council's and Planning Commission's previous directions, the proposed ADU Ordinance includes the following provisions:

- JADUs: Defined as an ADU that is 500 square feet or less. JADUs must include an efficiency kitchen. The property owner must either reside in the JADU or the remainder of the dwelling. JADUs cannot be subject to any parking requirements, but do require deed restrictions prohibiting short-term rental.
- “Statewide exemption” ADUs: State law describes these units (ADUs/JADUs Within Existing Space, Detached ADUs 800 square feet or less and 16 feet in height or less) as a class of ADUs that are allowed by right, i.e., require only ministerial approval. These types of ADUs are not subject to the minimal design requirements that the City can impose on other ADUs, are not subject to impact fees, and cannot be required to install new or separate utility connections.
- Owner occupancy no longer required (except for Junior ADUs, which are no bigger than 500 sq. ft. and can share a bathroom with the primary residence).
- Impact fees charged only for ADUs 750 sq. ft. or larger and only in proportion to the square footage of the primary dwelling (e.g., at 50% if the ADU is 1,000 square feet and the primary dwelling is 2,000 square feet). ADUs are not considered “new” residential uses when calculating connection and/or capacity fees unless they are constructed with a new single-family dwelling.
- Definition of “ADUs Within Existing Space” clarified and development standards other than setbacks removed.
- New or separate sewer connections can be required for Attached ADUs and Detached ADUs that exceed 500 square feet, but not for JADUs or ADUs Within Existing Space.
- Planning Director must act on a complete ADU application within 60 days (e.g., approval, denial, or written comments describing necessary revisions).
- New maximum size requirements for attached/detached ADUs
  - Attached: 850 square feet if one bedroom, 1,000 if more than one bedroom, cannot exceed 50% of floor area of primary dwelling;
  - Detached: 850 square feet if one bedroom, 1,000 square feet if more than one bedroom.
- Setback requirements are now generally at 4 feet instead of 5 feet (except for ADUs Within Existing Space, JADUs, and certain “statewide exemption” ADUs that are generally smaller and within existing space as well).

- Each ADU must provide the lesser of one off-street parking space or one off-street parking space per bedroom. However, the City cannot require any parking or replacement parking for garage/accessory structure conversions, JADUs, ADUs Within Existing Space, and the “statewide exemption” ADUs.
- On single-family lots, one ADU *and* one Junior ADU are both allowed if exterior access is available and side and rear setbacks are sufficient for fire and safety.
- ADUs allowed in all zoning districts that permit multifamily dwellings, which in Hercules, would some commercial and mixed-use districts.
- On multifamily lots, at least one ADU and up to 25% of existing multifamily dwelling units are allowed within a building, and up to 2 detached ADUs subject to compliance with 18-foot height and four-foot setback requirements.
- Existing structures can be converted to or replaced with an ADU, regardless of whether it conforms with setback or building separation standards and without the replacement of off-street parking.
- Utility Connections: The draft ordinance requires most ADUs to pay capacity and connection fees proportionate to the square footage of the primary dwelling, with the caveat that ADUs cannot be considered “new” residential uses for the purposes of calculating these fees unless the ADU is constructed with a new primary dwelling. These fees will provide funding for improvements necessary to address capacity shortages.

#### **ENVIRONMENTAL DETERMINATION**

Under Public Resources Code Section 21080.17, the California Environmental Quality Act (CEQA) does not apply to the adoption of the proposed ordinance amendments by a city or county to implement the provisions of Section 65852.1 or 65852.2 of the Government Code (the state ADU law). The draft ordinance would implement Government Code Section 65852.2 within the City of Hercules in a manner that is consistent with the requirements of state law. As such, the adoption of the ordinance is exempt from CEQA.

#### **ATTACHMENTS:**

1. Draft Accessory Dwelling Unit Ordinance (Zoning Text Amendment #20-03)

## ATTACHMENT 1

### ORDINANCE NO. 20-\_\_

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HERCULES APPROVING ZONING TEXT AMENDMENT #20-03 REPEALING AND REPLACING SECTION 13-35.320 OF THE HERCULES MUNICIPAL CODE RELATED TO ACCESSORY DWELLING UNITS, AND FINDING THAT THIS ORDINANCE IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT.**

**WHEREAS**, the California Legislature, through Government Code Sections 65852.1 et seq, requires and authorizes cities to provide for accessory dwelling units (ADUs) on residential parcels; and

**WHEREAS**, to address the statewide housing shortage, the California Legislature recently passed several amendments to Government Code Sections 65852.1 et seq.— including but not limited to SB 13, AB 68, AB 881, AB 587, AB 670, and AB 671—which took effect January 1, 2020, and which reduce barriers, better streamline approval processes, and expand capacity to accommodate the development of ADUs and junior accessory dwelling units (JADUs); and

**WHEREAS**, the City currently provides for ADUs at Section 13-35.320 of the Municipal Code, and as a result of the recent changes to state law, the City proposes to update its existing requirements and make consistent amendments to definitions and regulations within the Municipal Code to conform to current state law (collectively, the “Zoning Text Amendment”); and

**WHEREAS**, the City Council, at its regular meetings on August 8, 2020, and October 13, 2020, directed staff to draft amendments to the City’s ADU Ordinance consistent with state law; and

**WHEREAS**, the Planning Commission held a properly noticed public hearing on November 2, 2020, and continued the hearing to November 16, 2020 and adopted Resolution 20-07 recommending that the City Council approve Zoning Text Amendment #20-03 amending Section 13-35.320 of the Municipal Code; and

**WHEREAS**, Chapter 13-52.400 of City of Hercules Municipal Code allows for amendments of the Zoning Ordinance whenever the City Council determines that: the proposed amendment is consistent with the General Plan; would not be detrimental to the health, safety, welfare, and public interest of the City; and is internally consistent and does not conflict with the purposes, regulations, and required findings of the Zoning Ordinance; and

**WHEREAS**, in accordance with Chapter 13-52 (Zoning Amendments) of the City of Hercules Municipal Code, the City Council received and considered Zoning Text Amendment #20-03 and related environmental review at a properly noticed public hearing on January 12, 2021, and did hear and use its independent judgment to consider all reports, recommendations, and testimony before taking any action on this Zoning Text Amendment.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HERCULES DOES  
HEREBY ORDAIN AS FOLLOWS:**

After due study and deliberation, and after convening a public hearing for the proposed Zoning Text Amendment #20-03 in accordance with Chapter 13-52.400 of the Hercules Municipal Code, the City Council finds that Zoning Text Amendment #20-03: is consistent with the General Plan; would not be detrimental to the health, safety, welfare, and public interest of the City; and is internally consistent and does not conflict with the purposes, regulations, and required findings of the Zoning Ordinance.

**SECTION 1. Compliance with California Environmental Quality Act (“CEQA”):** The City Council determined that under Public Resources Code Section 21080.17, the California Environmental Quality Act (CEQA) does not apply to the adoption of the proposed ordinance amendments by a city or county to implement the provisions of Section 65852.1 or 65852.2 of the Government Code (the state ADU law). The draft ordinance would implement Government Code Section 65852.2 within the City of Hercules in a manner that is consistent with the requirements of state law. As such, the adoption of the ordinance is exempt from CEQA.

**SECTION 2.**

Title 13 of the Hercules Municipal Code Zoning Ordinance Section 35.320 – Accessory Dwelling Units, is hereby repealed and replaced with the following text:

**Sec. 13-35.320 Accessory Dwelling Units.**

1. Purpose. This section is intended to implement the General Plan policies which encourage accessory dwelling units (ADUs) on residential parcels, and is also intended to address the State’s ADU provisions as set forth in Government Code Section [65852.1](#) et seq. ADUs are commonly referred to as second units, in-law-units, and accessory-apartments, and contribute needed housing to the City’s housing stock. ADUs do not exceed the allowable density for the lot and are consistent with general plan and zoning designations.
2. Building Permit Required. The Planning Director shall ministerially approve building permits for ADUs in compliance with this Section 13-35.320. No public hearing or any additional permit shall be required of applicants seeking approval of an ADU pursuant to this Section 13-35.320. The Planning Director shall act on the application to create an ADU within 60 days from the date an application is complete if there is an existing single-family or multi-family dwelling on the lot. If the application involves an ADU where there is also an application for a new single-family dwelling on the lot, then the Planning Director may delay action on the ADU application to coincide with the single-family dwelling application as long as the Director applies the ministerial review required by this section. Applicants may request a delay or waive the 60-day approval period. Applications for ADUs not meeting the requirements of this section are subject to the administrative use permit requirements set forth in Chapter 13-50.
3. Definitions.
  - A. “Accessory dwelling unit (ADU)” shall consist of complete independent living facilities for one or more persons including permanent provisions for sleeping, living, eating,



cooking, and sanitation. An ADU shall have exterior entrance separate from the primary dwelling. An efficiency unit as defined in Health and Safety Code Section [17958.1](#) and a manufactured home as defined in Health and Safety Code Section [18007](#) are considered ADUs.

- B. “Attached ADU” means an ADU that is attached to an existing or proposed primary dwelling or accessory structure.
  - C. “ADU Within Existing Space” or “JADU Within Existing Space” means an ADU or JADU within the living area of an existing primary dwelling, within an attached or detached garage, or within other permitted accessory structure. An ADU Within Existing Space may include an expansion of up to 150 square feet beyond the physical dimensions of the existing structure to accommodate ingress and egress.
  - E. “Detached ADU” means an ADU that is not attached to an existing or proposed primary dwelling or accessory structure.
  - E. “Junior accessory dwelling unit (JADU)” means an ADU that is no more than 500 square feet in size and contained entirely within the walls of an existing or proposed single-family residence and which may or may not share sanitation facilities with the existing structure.
  - F. “Living area” includes the interior habitable area of a dwelling unit, including basements and attics, but does not include a garage or any accessory structure.
4. Lot Requirements. ADUs are allowed in single-family and multi-family residential zoning districts where there is exactly one conforming single-family residence or at least one conforming multi-family building on the parcel or proposed for the parcel. Except as specified in Section 10 below, a maximum of one ADU is allowed on a single-family lot. The City will not approve a building permit for an ADU unless and until the City receives the following:
- A. Deed Restriction. A copy of a recorded deed restriction that complies with Government Code Section [27281.5](#), and states that the ADU will not be rented for less than 30 days and that the ADU will not be sold separately from the primary residence; and
  - B. Fees.
    - (1) ADUs containing 750 or more square feet are subject to any fees for residential units required by the City’s Master Fee Schedule as it exists at the time the ADU application is filed. Fees shall be charged in proportion to the square footage of the primary dwelling (e.g., a 1,000 square-foot ADU would be charged 50 percent of the applicable fee if the primary dwelling is 2,000 square feet). ADUs on lots with a single-family residence are subject to single-family unit fees, while ADUs on lots with a multi-family residence are subject to multi-family unit fees. All fees are subject to the requirements of Government Code [65852.2](#) and the Mitigation Fee Act.
    - (2) ADUs Within Existing Space and ADUs containing less than 750 square feet are not subject to fees under this Subsection (4)(B).



- (3) Notwithstanding the requirements of this Subsection (4)(B), unless an ADU is constructed with a new single-family dwelling, it is not considered a “new” residential use for the purpose of calculating any connection fees, sewer facilities fees, or capacity charges. ADUs not constructed with a new single-family home are only subject to connection fees, sewer facilities fees, and capacity charges to the extent that such fees and charges apply to existing uses.

## 5. Development Standards.

- A. ADUs Within Existing Space. An ADU Within Existing Space or a JADU Within Existing Space is permitted as long as the side and rear setbacks are sufficient for fire and safety. No other development standards in this section apply to ADUs and JADUs Within Existing Space, except that:

- (1) Only one ADU Within Existing Space or one JADU Within Existing Space is allowed per lot unless a building permit or permits are obtained for multiple ADUs under Section 10(A) below;
- (2) Garage spaces converted to ADUs shall replace garage doors with walls, windows, and/or doors rated by building code for habitable spaces.

- B. Attached ADUs. Attached ADUs shall comply with the following requirements:

- (1) If the Attached ADU contains one bedroom, it shall not exceed 850 square feet. If the Attached ADU contains more than one bedroom, it shall not exceed 1,000 square feet.
- (2) All other development standards required by this Section 5.

- C. Detached ADUs. Detached ADUs shall comply with the following requirements:

- (1) If the Detached ADU contains one bedroom, it shall not exceed 850 square feet. If the Detached ADU contains more than one bedroom, it shall not exceed 1,000 square feet.
- (2) Detached ADUs shall have individual addresses separate from the primary residence. Addresses shall be displayed on the ADU building so that it is clearly visible and legible from the street or adjacent alley. If the ADU is located on the property such that it cannot be seen from a street or alley, the property shall post a sign or display some other type of marker in the front yard with the ADU address on it, subject to Fire District approval.
- (3) All other development standards required by this Section 5.

- D. Setbacks. No setbacks shall be required for ADUs Within Existing Space as long as side and rear setbacks are sufficient for fire safety. A setback of four (4) feet from side and rear lot lines is required for all other ADUs. No ADU shall be built over utility easements or recorded setbacks. No passageway between an ADU and an existing dwelling shall be required. All ADUs are subject to the same front and corner setbacks as the primary

residence, except that front setbacks may not preclude Statewide Exemption ADUs (see Section 10 below).

- E. Height. An ADU shall conform to the applicable height limits of the zoning district in which it is located, except that:

- (1) No new Detached ADU shall exceed 18 feet or 1 habitable story;
- (2) Second-story ADUs are allowed on top of existing, legally-approved detached structures, provided height does not exceed that of the existing primary residence.

- F. Building Code Requirements. Except as otherwise provided in this section, all Building Code requirements that apply to detached dwellings apply to Detached ADUs. Notwithstanding any requirements of this Subsection 5(F), a new or separate utility connection directly between the ADU and the utility is not required for either Detached ADUs or Attached ADUs unless a new or separate connection is necessary to serve the ADU due to:

- (1) the topography of the property;
- (2) existing impediments such as trees, structures, or easements;
- (3) the location of the ADU on the property; or
- (4) inadequate existing connections.

6. Design Standards. An ADU must conform to the design characteristics of the existing residence or residences. A determination of conformity shall be made if the ADU utilizes any of the following features of the existing residence or residences: architectural features, building materials, or paint color. When an existing garage is converted to an ADU, windows and/or door features may be required for consistency with fire and building codes and in consultation with the Fire Marshal. ADUs constructed on any property that is designated in the California Register of Historic Resources as a historic contributing or landmark structure shall adhere to the Hercules Design Guidelines for Historic Preservation.
7. Fire Sprinklers. If the primary residence, whether existing or proposed, is required to contain fire sprinklers, then sprinkler installation is also required for the ADU.
8. Parking. In addition to the off-street parking spaces required for the existing residence, each ADU with one or more bedrooms must provide at least one off-street parking space; for ADUs without separate bedrooms (i.e., studios), additional off-street parking is not required. ADU parking spaces may be provided as tandem parking, including on an existing driveway or in paved setback areas, excluding the non-driveway front yard setback. Parking requirements shall be waived if the ADU is located: (i) within one-half mile walking distance of a public transit stop; (ii) in a designated historic district; (iii) in part of an existing primary residence or an existing accessory structure pursuant to subsection (5)(A) of this section; (iv) in an area requiring on-street parking permits not offered to the ADU occupant; or (v) within 1 block of a car-sharing pickup/drop-off location.

9. Replacement Parking. When a garage, carport, or covered parking structure is demolished or converted in conjunction with the construction of an ADU (excluding JADUs), replacement parking shall not be required.

#### 10. Statewide Exemption ADUs.

- A. Notwithstanding the requirements of this Section 13-35.320, only building permits shall be required for ADUs or JADUs in the following circumstances:
  - (1) One ADU Within Existing Space of an existing or proposed single-family dwelling if the ADU has exterior access separate from the primary dwelling and sufficient side and rear setbacks for fire and safety.
  - (2) One JADU Within Existing Space of an existing or proposed single-family dwelling that has exterior access separate from the single-family dwelling, sufficient side and rear setbacks for fire and safety, and meets all requirements of Section 11 below.
  - (3) One detached, new construction ADU on a lot with an existing or proposed single-family dwelling that does not exceed four-foot side and rear setbacks, that has a total floor area of no more than 800 square feet, and that does not exceed 16 feet in height. An ADU approved pursuant to this subsection 10(A)(3) may be combined with a JADU described in subsection 10(A)(2) above.
  - (4) Multiple ADUs within the portions of existing multifamily dwelling structures that are not used as livable space, including but not limited to storage rooms, boiler rooms, passageways, attics, basements, or garages, if each unit complies with state building standards for dwellings. At least one ADU and up to 25% of the number of existing multi-family dwellings shall be allowed within an existing multifamily dwelling. No more than two detached ADUs are allowed on a lot with an existing multifamily dwelling, subject to a height limit of 16 feet and four-foot side and rear yard setbacks.
- B. No applicant for a building permit sought under this Section 10 shall be required to do, perform, or construct any of the following:
  - (1) Correct nonconforming zoning conditions; or
  - (2) Install fire sprinklers, unless they are required for the primary residence; or
  - (3) Install new or separate utility connection or pay any connection fee, sewer facilities fee, or capacity charge, unless the ADU is constructed with a new single-family home.
- C. ADUs constructed pursuant to this section cannot be rented for a term less than 30 days.
- D. An applicant for a building permit under this section may be required to provide proof of a percolation test within the last five years (or 10 years if the percolation test has been recertified).

11. Junior Accessory Dwelling Units (JADUs). One JADU may be built per residential lot zoned for single-family residences with an existing or proposed single-family residence. The owner of the existing or proposed single-family residence must reside in the JADU or the remaining portion of the single-family residence unless owner is a governmental agency, land trust, or housing organization.

A. Deed Restriction Required. The owner of the single-family lot upon which a JADU is constructed must record a deed restriction that: complies with Government Code Section [27281.5](#), runs with the land, states that the JADU cannot be separately sold from the single-family residence, states that the deed restriction can be enforced against future purchasers, and states that the size and attributes of the JADU must conform to the requirements of this Section 13-35.320 and state law.

B. JADU Development Standards. The following development standards apply to JADUs:

- (1) Efficiency Kitchen. A JADU must have at least an efficiency kitchen, which includes a cooking facility with appliances, and a food preparation counter and storage cabinets that are of reasonable size in relation to the size of the JADU.
- (2) Parking. JADUs are not subject to the parking requirements of Section 8 above but may provide one or more parking spaces at the option of the owner.
- (3) Utilities. For purposes of providing service for water, sewer, or power, including any connection fee, a JADU shall not be considered a separate or new dwelling unit. No separate or new utility connections are required for JADUs.

**SECTION 3. SEVERABILITY.** If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid, such decisions shall not affect the validity of the remaining portions of this Ordinance. The Council hereby declares that it would have adopted the Ordinance, and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be deleted.

**SECTION 4. Effective Date and Publication.** The City Clerk shall certify to the adoption of this Ordinance and shall publish or post the Ordinance as required by law. This Ordinance shall be effective thirty (30) days from date of final adoption.

**THE FOREGOING ORDINANCE** was first read at a regular meeting of the Hercules City Council on the 12th day of January, 2021, and was passed and adopted at a regular meeting of the Hercules City Council on the \_\_\_\_ day of \_\_\_\_\_, 2021, by the following vote:

**AYES:**  
**NOES:**  
**ABSENT:**  
**ABSTAIN:**

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Chris Kelley, Mayor

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Lori Martin, MMC  
Administrative Services Director / City Clerk



# City of Hercules

111 Civic Drive  
Hercules, CA 94547

## Meeting Minutes

### City Council

*Mayor Roland Esquivias*  
*Vice Mayor Chris Kelley*  
*Council Member Dion Bailey*  
*Council Member Dan Romero*  
*Council Member Gerard Boulanger*

*David Biggs, City Manager*  
*Patrick Tang, City Attorney*

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Tuesday, December 8, 2020

7:00 PM

Virtual Meeting via Zoom

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**CLOSED SESSION - NONE.**  
**REGULAR SESSION - 7:00 P.M.**

**I. SPECIAL MEETING - CLOSED SESSION – NONE**

**II. PUBLIC COMMUNICATION - CLOSED SESSION ITEMS - NONE**

**III. CONVENE INTO CLOSED SESSION - NONE**

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

**Present:** 5 - Mayor R. Esquivias, Vice Mayor C. Kelley, Council Member D. Bailey, Council Member D. Romero, and Council Member G. Boulanger

**V. REPORT ON ACTION TAKEN IN CLOSED SESSION - NONE**

**VI. PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Mayor Esquivias.

**VII. MOMENT OF SILENCE**

Mayor Esquivias called for a moment of silence for Hercules resident, Robert Santos who passed away recently.

**VIII. AGENDA ADDITIONS/DELETIONS**

None.

**IX. PUBLIC COMMUNICATIONS**

City Clerk Martin read public comments submitted by: Faye Porter; Susan Keefe; Margaret Short; Tanya Little; Susan Dunlap; Sarah Creeley; Celsa Taraya; Selina Williams; Lori Chinn; Susan Pricco; Pil Orbison.

**X. PUBLIC HEARINGS - NONE****XI. CONSENT CALENDAR**

**MOTION:** A motion was made by Vice Mayor Kelley, seconded by Council Member Bailey, to adopt the consent calendar. The motion carried by the following vote:

**Aye:** 5 - Mayor R. Esquivias, Vice Mayor C. Kelley, Council Member D. Bailey, Council D. Romero, Council Member G. Boulanger

1.     [20-403](#)     **Declaring Results of the November 3, 2020 General Municipal Election**  
**Recommendation:** Adopt a Resolution declaring the results of the General Municipal Election held on November 3, 2020.  
Approved.
2.     [20-406](#)     **Ordinance Amending the Hercules Municipal Code to Establish Sidewalk Vending Regulations Consistent with the Requirements of SB 946**  
**Recommendation:** Consider waiving the second reading and adopt Ordinance 530 amending Title 6 of the Hercules Municipal Code by adding Chapter 4 "Sidewalk Vending".  
Approved.
3.     [20-415](#)     **Meeting Minutes**  
**Recommendation:** Approve the regular meeting minutes of November 10, 2020 and the special meeting minutes of November 19, 2020.  
Approved.
4.     [20-398](#)     **Emergency Declaration Extension**  
**Recommendation:** Adopt a Resolution extending the Declaration of Local Emergency by 60 days to March 7, 2021.  
Approved.



5.     [20-400](#)     **Annual Local Commission Appointment List**  
          **Recommendation:** Review and receive the Annual Local Commission Appointment List commonly referred to as the Maddy Act.  
  
          Approved.
6.     [20-408](#)     **Investment Report for the Quarter Ending September 30, 2020**  
          **Recommendation:** Accept the Investment Report for the quarter ending September 30, 2020.  
  
          Approved.

## **XII. CITY COUNCIL PRESENTATIONS**

1.     [20-409](#)     Mayor Esquivias to Present a Proclamation to Council Member Boulanger  
  
          Mayor Esquivias read aloud and presented a Proclamation to outgoing Council Member Boulanger.
2.     [20-411](#)     Remarks from Council Member Boulanger  
  
          Council Member Boulanger provided comments. Members of the City Council each thanked Council Member Boulanger for his time on the City Council and his service to the residents of Hercules.
3.     [20-410](#)     Vice Mayor Kelley to Present a Proclamation to Mayor Esquivias  
  
          Vice Mayor Kelley read aloud and presented outgoing Mayor Esquivias with a Proclamation.
4.     [20-405](#)     Remarks from Mayor Esquivias  
  
          Mayor Esquivias provided comments. Members of the City Council thanked Mayor Esquivias for his time on City Council and his service to the residents of Hercules.  
  
          Contra Costa County Supervisor Glover provided comments and thanked outgoing Council Member Boulanger and Mayor Esquivias for their service to the residents and to the City of Hercules.

**XIII. OATHS OF OFFICE & INSTALLATION OF RE-ELECTED AND NEWLY ELECTED COUNCIL MEMBERS**

1. [20-412](#) Administer Oath of Office to Re-Elected Council Member Dan Romero and Newly Elected Council Members Alex Walker-Griffin and Tiffany Grimsley  
  
City Clerk Martin introduced the item and welcomed State Superintendent of Public Instruction, Tony Thurmond stating that Superintendent Thurmond is attending at the request of incoming Council Member Walker-Griffin to administer his oath of office. Superintendent Thurmond thanked outgoing Mayor Esquivias and Council Member Boulanger for their service to the City of Hercules and congratulated the re-elected and incoming Council Members. Superintendent Thurmond administered the oath of office to incoming Council Member Walker-Griffin. City Clerk Martin administered the oath of office to re-elected Council Member Romero and incoming Council Member Grimsley.
2. [20-414](#) Remarks from Council Members Romero, Walker-Griffin, Grimsley  
  
Council Members Romero, Walker-Griffin and Grimsley each provided remarks.

**XIV. RECESS**

Mayor Esquivias called for a 5 minute recess at 8:24 p.m.

**XV. RECONVENE - CALL TO ORDER - ROLL CALL**

Vice Mayor Kelley reconvened the meeting at 8:30 p.m.

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

**XVI. CITY COUNCIL REORGANIZATION**

1. [20-401](#) **Selection of Mayor and Vice Mayor**  
**Recommendation:** City Council to nominate and appoint a Mayor and Vice Mayor for 2021.  
  
Vice Mayor Kelley introduced the item.  
  
**MOTION: A motion was made by Council Member Bailey, seconded by Council Member Romero, to nominate and appoint Vice Mayor Kelley as Mayor. The motion carried by the following vote:**  
  
**Aye:** 5 - Vice Mayor C. Kelley, Council Member D. Bailey, Council Member D. Romero, Council Member A. Walker-Griffin, and Council Member T. Grimsley

1. [20-401](#)      **Selection of Mayor and Vice Mayor**  
**Recommendation:** City Council to nominate and appoint a Mayor and Vice Mayor for 2021.

**MOTION:** A motion was made by Council Member Romero, seconded by Council Member Walker-Griffin, to nominate and appoint Council Member Bailey as Vice-Mayor. The motion carried by the following vote:

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

2. [20-416](#)      Remarks from Newly Appointed Mayor and Vice Mayor  
  
Mayor Kelley and Vice Mayor Bailey provided comments.

## **XVII. DISCUSSION AND/OR ACTION ITEMS**

1. [20-399](#)      **City Council Regular Meeting Dates for the 2021 Calendar Year**  
**Recommendation:** Review the schedule of City Council regular meeting dates in 2021 and consider canceling one or more regular meetings in August and the November 23rd and December 21st regular meetings.

Mayor Kelley introduced the item. City Manager Biggs provided a staff report. Members of the City Council discussed the calendar, removing the second meeting in August from the calendar and tentatively approving the calendar and directed staff to bring the calendar back for review in May 2021 to determine if the City Council wishes to keep the first meeting in August on the calendar or cancel that meeting.

2. [20-402](#)      **2021 Council Appointments on Regional Committees and Council Subcommittees**  
**Recommendation:** Express interest and availability for the 2021 Council Appointments on Regional Committees and Council Subcommittees to be made by the Mayor at the January 12, 2021 City Council meeting.

Mayor Kelley introduced the item and asked each Council Member to express their interest and availability on regional committee assignments to the City Clerk and stated that she will consider their requests and make appointments at the January 12, 2021 meeting.

Mayor Kelley stated that due to the need to hold a Public Safety and Traffic Subcommittee meeting next week that she is making an interim appointment to this subcommittee to fill outgoing Council Member Boulanger's seat on this committee. Mayor Kelley appointed Vice Mayor Bailey as an interim appointment for December and will make the regular appointment at the January 12, 2021 City Council meeting.

**XVIII. PUBLIC COMMUNICATIONS**

None.

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

City staff and Council Members reported on attendance at events and community and regional meetings.

Future Agenda Items Requested:

Council Member Grimsley requested a presentation by a County Health official in regards to COVID-19 protocols and requirements in February. Mayor Kelley polled and received a consensus of City Council to add this item in February.

Council Member Walker-Griffin requested a presentation in January by the PHREED organization and also requested that staff provide information to the public in regards to recently signed Senate Bill 83. Mayor Kelley polled and received a consensus to add the presentation by PHREED at the second meeting in January and City Manager Biggs will provide information relating to SB 83 in the upcoming City Manager bi-weekly report which is available to the public.

Vice Mayor Bailey requested a discussion regarding public comments and making a request that the public be able to provide a public comment on a regular business item at the beginning of the meeting instead of waiting for the opening of the item. City Attorney Tang will review the City Council Rules of Procedure and provide a report to City Council at the next Council meeting.

**XX. ADJOURNMENT**

Mayor Kelley adjourned the meeting at 9:41 p.m.

\_\_\_\_\_  
Chris Kelley, Mayor

Attest:

\_\_\_\_\_  
Lori Martin, MMC  
Administrative Services Director/City Clerk



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager

**SUBJECT:** Review Upcoming Council Agenda Items List

**RECOMMENDED ACTION:** Review, Discuss and Provide Direction, if any.

**COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:** Not Applicable

**FISCAL IMPACT OF RECOMMENDATION:** None as a result of this item.

**DISCUSSION:** The City Council has requested that the Upcoming Council Agenda Items List be reviewed generally on a quarterly basis by the full Council. This list is kept on an updated basis as a tool to assist staff and the City Council in tracking items staff is planning on placing on future agendas, and includes future items requested by City Council consensus or action. Items requested by the City Council are noted as (Consensus).

The list is updated by the City Clerk following each City Council meeting and is reviewed each week in the City Manager's Department Head Team meeting.

The list was last reviewed by the full Council on September 22, 2020, at which time the Council requested the next review occur in January 2021.

### **ATTACHMENTS:**

1. Upcoming Council Agenda Items

## Upcoming Agenda Items - Revised 01/06/21

[illegible]



Upcoming Agenda Items - Revised 01/06/21

Scheduled Meeting Date	Item	Staff Responsible	Presentation	Public Hearing	Consent	Discussion/Action
1/12/2021						
PH Notice due to LM:						
12/29/2020	Proclamation - Laura Bond (Starbucks)	Martin	X			
	Review and Accept Annual Audit for FY 19-20	Gato				X
Packet Distribution:	ADU Ordinance - 1st Reading and Introduction	Reber		X		
1/7/2021	Qrtly Review of Pending Agenda Items List	Biggs			X	
	Successor Agency to RDA - ROPS	Gato				X
	Regional Appointments	Martin				X
	Ordinance - Electronic Filing of Campaign Disclosure Stmts - 1st Reading	Martin		X		
	Council on Aging Annual Report - Jennifer Duran	Martin	X			
	Contra Costa County Library Commission Appointment	Martin				X
	Annual Development Update	Biggs				X
Scheduled Meeting Date	Item	Staff Responsible	Presentation	Public Hearing	Consent	Discussion/Action
1/26/2021	Closed Session - Claims					
PH Notice due to LM:						
1/12/2021	Continued Discussion - Sidewalk Liability Ordinance	Tang				X
	Affordable Housing Policies	Biggs/Reber				X
Packet Distribution:	Review of Council Policies - Ethics, Nepotism, etc.	Tang			X	
1/21/2021	Presentation by PHREED	Martin	X			
	Acceptance of Muir Pointe Public Improvements	Roberts			X	
	Adoption of Affordability Housing Policies	Biggs				X
	Review of Waste Water Fund Financial Study	Roberts/Gato				X
	First Look at LLAD for FY 21-22	Biggs				X
	ADU Ordinance - 2nd Reading and Introduction	Reber			X	
	Ordinance - Electronic Filing of Campaign Disclosure Stmts - 2nd Reading	Martin			X	
	Applicatio for LEAP Grant for Housing Element Update	Reber			X	

## Upcoming Agenda Items - Revised 01/06/21

[illegible]

Upcoming Agenda Items - Revised 01/06/21

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Upcoming Agenda Items - Revised 01/06/21

<b>JANUARY</b>						
	Successor Agency to RDA - ROPS					X
	Regional Appointments					X
	Review of Council Policies - Ethics, Nepotism, etc.					X
<b>FEBRUARY</b>						
	Mid-Year Budget Review					
	Proclamation - Police Officer of the Year					
	Quarterly Investment Report				X	
<b>MARCH</b>						
	Annual Housing Report			X		
	5 year Budget Forecast Updte					
	League Financial Diagnostic Tool					
	Strategic Plan Review					X
	Master Fee Schedule - Council Review (Finance Commission and CLSC to review first)				X	
<b>APRIL</b>						
	Annual Stormwater Parcel Assessment					X
<b>MAY</b>						
	Calling November Election (even numbered years)				X	
	Quarterly Investment Report				X	
	Quarterly Review of Future Agenda Items					X
	Public Hearing - CCTA GMP Checklist (even numbered years)			X		
<b>JUNE</b>						
	Budget Adoption and authorizing annual Contracts					X
	Annual renewals of LLADS					X
	Annual Fiber Optic Broadband per Resolution 16-084					X
<b>JULY</b>						
<b>AUGUST</b>	Quarterly Investment Report				X	
<b>SEPTEMBER</b>	City Manager Eval					
	Quarterly Review of Future Agenda Items					X
	City Attorney Eval (next due 2021)					
<b>OCTOBER</b>						
	Amend Conflict of Interest Code (even numbered years)				X	

Upcoming Agenda Items - Revised 01/06/21

<b>NOVEMBER</b>						
	Commission Interviews					X
	1st Qtr Revenue & Expenditure Report					X
	Quarterly Investment Report				X	
<b>DECEMBER</b>						
	Commission Appointments					X
	Reorganization of Council					X
	Confirming Election Results (even numbered years)				X	
	Quarterly Review of Future Agenda Items					X
	Maddy Act				X	
	AB1600 Report				X	



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager  
Edwin Gato, Director of Finance

**SUBJECT:** FY 2019-20 Comprehensive Annual Financial Report

### **RECOMMENDED ACTION**

Receive the Fiscal Year (FY) 2019-20 Comprehensive Annual Financial Report (CAFR) and Accept the Audited Financial Statements.

### **COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION**

This report will be presented to the Finance Commission regular meeting on January 20, 2021.

### **FISCAL IMPACT OF RECOMMENDATION**

There is no financial impact associated with accepting this report. The audited results of the FY 2019-20 fiscal year are utilized as a starting point in the development of the FY 2021-22 budget, especially in regard to the one-time funding.

### **BACKGROUND**

The CAFR 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 CAFR 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, 2020. The City selects its independent auditor through a competitive procurement process that includes member of the Finance Committee as proposal reviewers. The City's current independent auditor is in its first year auditing the City.

The quality of the City's financial reporting and the CAFR 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.

The City's CAFR includes the following major sections and information:

#### Introductory Section

- Letter of Transmittal – prepared by management and used to communicate information on areas that may have an impact on the City's finances now and in the future. This includes economic factors as well as budget and management factors.

#### Financial Section (the main body of the CAFR for current year information)

- Independent Auditors' Report – the City's report card on the content of the CAFR.
- Management's Discussion and Analysis (MD&A) – provides an analytical overview of the City's financial status and results for the year.
- Basic Financial Statements – reports finances at a point in time (assets - liabilities) and throughout the year (revenues - expenditures), and cash flows.
  - City-Wide Statements – overview of financial information including all of the City's operations by financial activity.
  - Fund Financial Statements – a detailed look at funds, reporting the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.
  - Notes to the Financial Statements (Notes) – a narrative explanation that accompanies the Basic Financial Statements.

#### Required Supplementary and Supplementary Information Sections

- Budget to Actual Comparisons – for all governmental funds with a legally adopted budget.
- Notes to Required Supplementary Information.
- Pension Information – schedule of changes in the net pension liability and related ratios; schedule of contributions by plan.
- OPEB Information – schedule of changes in the net Other Post-Employment Benefits (OPEB) liability and related ratios; schedule of contributions.
- A breakout of individual non-major funds – for funds that were presented in a cumulative manner in the Financial Section

#### Statistical Section (current and historical information – up to 10 years)

- Financial Trends
- Revenue Capacity Information
- Debt Capacity Information
- Demographic and Economic Information
- Operating Information



## **DISCUSSION**

This fiscal year ended June 30, 2020, the City converted its financial statement from Basic financial statement report to CAFR. The Basic financial statement typically presents only the basic financial report about the government. A CAFR, in contrast, presents a wider variety of important information intended to help the reader properly understand the basic statements, as illustrated above. The basic financial statements only show the financial section that consists of the MD&A, the basic financial statements, and the independent auditor's report, without the individual non-governmental fund financial statements and schedules.

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, 2020. The City's CAFR shows that the City continued to hold a sound financial position.

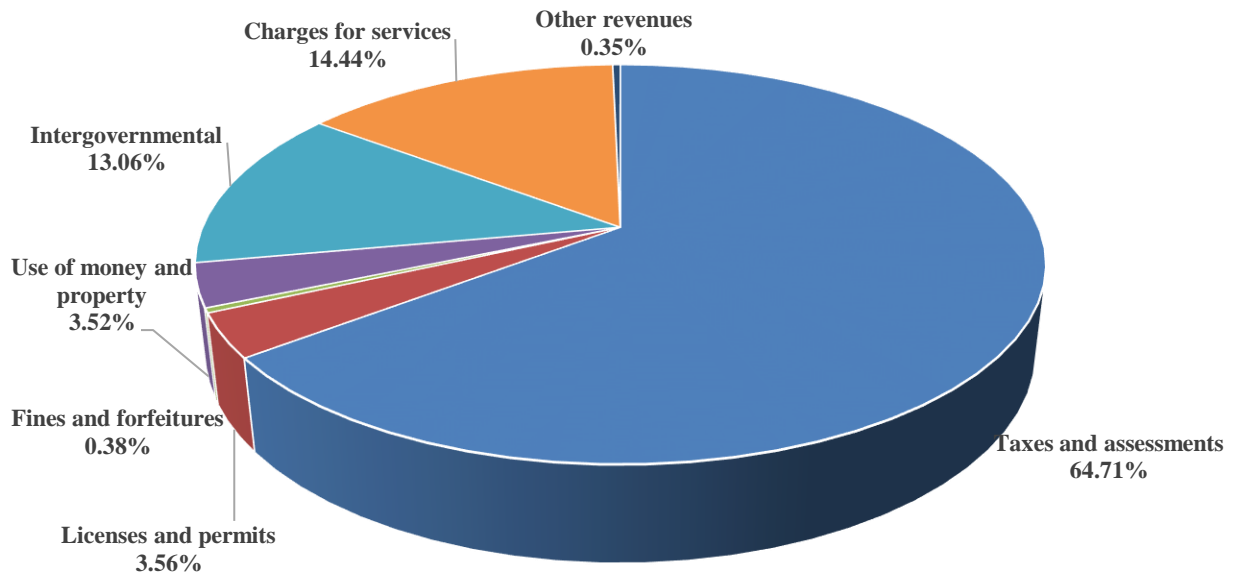
## **GENERAL FUND**

The General fund is the chief unrestricted operating fund of the City. The General Fund reflects the City's sound management practices and prudent financial decisions as steady growth and improved financial results are evident in the audit report for FY 2019-20. On June 30, 2020, the City's General Fund had a fund balance of over \$44 million, of which \$8.4 million is unassigned, and \$1.8 million is available for expenditures. They were no changes on the amounts reported compared to the preliminary FY 19-20, as discussed at the regular meeting last November 10, 2020. Moreover, the amounts presented in the preliminary FY 19-20 were on a budgetary basis of accounting.

The basis of accounting used for financial reporting purposes in accordance with Generally Accepted Accounting Principles (GAAP) is not necessarily the same basis used in preparing the budget document. For example, governmental funds are required to use the modified accrual basis of accounting in GAAP financial statements. In contrast, the cash basis of accounting or the "cash plus encumbrances" basis of accounting may be used in those same funds for budgetary purposes. Disparities between GAAP and the budgetary basis of accounting often occur because regulations governing budgeting (e.g., laws or ordinances of the state, county, City, or other jurisdiction) differ from GAAP. Thus, the City adopts its budgets each fiscal year on a cash plus encumbrances basis of accounting, which results in some items which are budgeted as expenditures, like, for example, transfers to reserves, being reflected in the audit as balance sheet adjustments/designation of fund balance. See attachment 7 for the reconciliation of differences between budgetary basis (cash plus encumbrances) and the GAAP basis of accounting.

## Revenue Analysis

### **FY 19-20 Audited General Fund Revenues**



The majority of General Fund revenues comes from the following categories, about 70% of total revenues:

- Utility Users Tax
- Sales Tax
- Property Taxes
- Intergovernmental: Vehicle License Fee (VLF)

The Utility User's Tax (UUT) is imposed by the City on the consumption of utility services, including (but not limited to) electricity, gas, water, sewer, telephone, and cable television. The City determines the rate of the tax and the use of its revenues. As of June 30, 2020, the City has collected about \$3.5 million, or 3% better than what was projected in the forecast (See attachment 8). This tax fluctuates with consumer consumption and is assessed based on a percentage of gross receipts. The following are the history of revenues collected from UUT:

	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>
Gas	301,190	411,681	515,824	399,849	393,007
Electricity	1,158,823	1,223,928	1,251,069	1,207,098	1,249,697
Telephone	1,069,750	959,670	883,172	737,161	600,549
Water	435,569	480,197	571,586	615,518	691,261
Cable	550,233	500,577	562,081	542,638	549,329
	<b><u>3,515,565</u></b>	<b><u>3,576,053</u></b>	<b><u>3,783,732</u></b>	<b><u>3,502,264</u></b>	<b><u>3,483,843</u></b>

Sales Taxes, the largest revenue source for the City's General Fund, is remitted to the City from the State on an on-going basis. This tax is also exceeded the revenue projections by \$500K (See attachment 8). Total Sales Tax revenue is highly concentrated within a few major operators. A few top producers generate over 30% of the City's sales tax. The following depicts the summary history of the City's sales tax revenues by the type of sales and use tax:

	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>
1% Bradley Burns	2,021,233	2,234,898	1,933,140	2,602,420	2,726,712
Prop 172	155,271	125,912	145,876	150,480	149,045
Measure B	1,034,605	963,996	1,127,079	1,235,801	1,336,528
	<b><u>3,211,109</u></b>	<b><u>3,324,806</u></b>	<b><u>3,206,096</u></b>	<b><u>3,988,701</u></b>	<b><u>4,212,285</u></b>

Property Tax and related taxes collected through June 30, 2020, which are the current year secured and unsecured, were slightly higher by 1% compared to the budget.

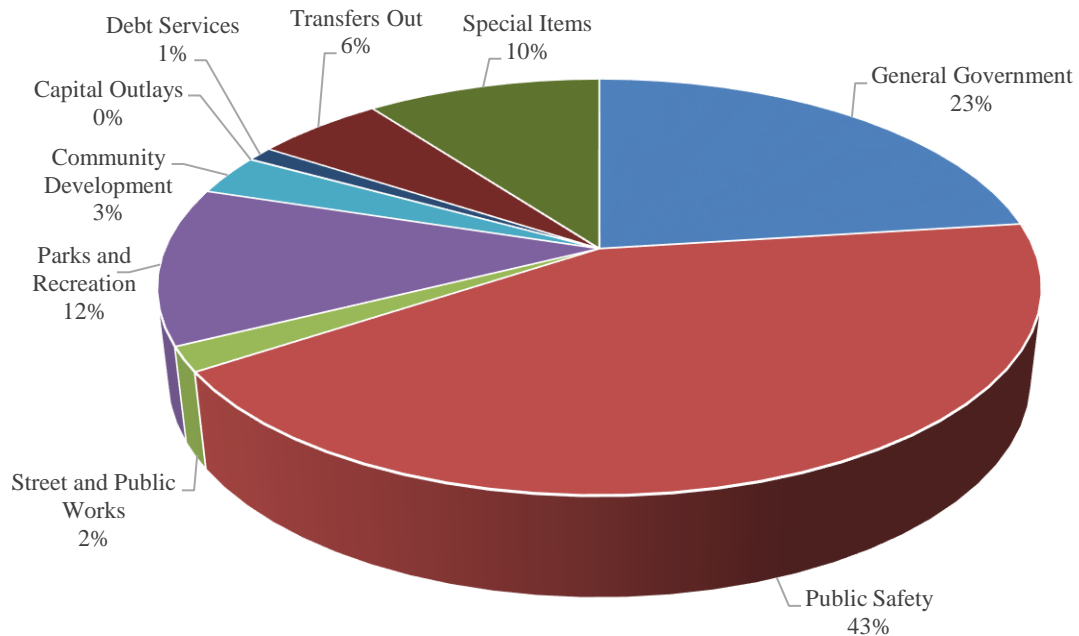
Also, the County anticipates the final deferred subordinated pass-thru payment of will be made in the next RPTTF distribution on January 2, 2021. The estimated City share of pass thru and residual RPTTF is approximately \$150K. This will be treated as one-time use of funding in future budget recommendations, as those payments will diminish as a fixed amount is of subordinated pass-throughs is fully repaid.

Due to COVID-19 closure, the Parks & Recreation program was closed for the last 3.5 months of the fiscal year or the last quarter. As a result, the staff revised the revenue projection downward during the adoption of the FY 20-21 Budget. The actual program receipts were 3% higher than the revised forecast, which was more than \$700,000 lower than what was included in the original budget.

Overall, the General Fund year-end revenues totals came in \$1 million, or 6% higher than the FY 19-20 revised budget figure.

## Expenditure Analysis

### **FY 19-20 Audited General Fund Expenditures**



This section discusses the General Fund expenditures. It includes encumbrances, which are obligations in the form of purchase orders or contracts chargeable to the budget for which a part of the budget is reserved. The FY 19-20 budget, as revised, was \$18.9 million. Operating expenses in total are all tracking 2% below the revised budget figure. The total operating costs were \$374K, better than projections (See attachment 8).

The Parks & Recreation revised projections show \$2.2 million of expenditures. The revised year-end estimates presented to the Council during the adoption of the FY 20-21 budget included the adjustments related to the impact of COVID-19. The actual expenditures were lower by 2% compared to the estimate.

## Net Annual Results

The General Fund operation resulted in higher revenues than anticipated, and expenditures came below the revised appropriation. Because the General Fund ended with positive results better than the projected FY 2020-21 Budget, there was no withdrawal needed to use reserves to bridge the gap as previously anticipated from the fund, and the City ended the FY 2019-20 with three months of expenditures or 25% as opposed to the 17% as projected.

Staff will revisit the FY 2020-21 Budget at mid-year and report to Council with recommendations to adjust the budget. As previously discussed in November when the preliminary results were presented, the budget adjustments will include the return of unused

money drawn from the reserve and other factors that will enhance the City's financial standings in FY 20-21. This includes subsequent events such as the allocation from CARES Act funding of \$315,000 and cash flow savings of \$458,000 from the library bonds' refinancing.

#### **OTHER GOVERNMENTAL FUNDS**

Fund balances in the City's other restricted governmental funds (including Debt Service, Gas Tax, Measure C Street Fund, City Capital Projects, and other governmental funds) totaled approximately \$20 million as of June 30, 2020. These funds are governed by many covenants and restrictions and may only be used on specific purpose.

#### **INTERNAL SERVICE FUNDS**

The available net position in the City's Internal Service Funds totaled approximately \$2.8 million as of June 30, 2020. This was higher by \$842K compared to the ending balance in the prior fiscal year due to an accumulation of reserves to meet future fleet, equipment, and information technology replacements, and facility maintenance needs.

#### **SEWER ENTERPRISE FUND**

The net position in the City's Sewer Fund totaled approximately \$42.5 million as of June 30, 2020, which was \$1.6 million greater than the ending balance in the prior fiscal year. Of the \$42.5 million in net position, \$11.5 million is invested in capital assets, \$7.6 million is restricted for debt service, and \$23.2 million is unrestricted for sewer system replacement.

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

In addition, the City prepares the City Financial Transactions and Annual Street Reports to be submitted to the California State Controller's Office by February 1, 2021, and December 1, 2020, respectively. Also, the City is required to issue the following supplemental reports: the FY 19-20 Public Financing Authority Financial Report, Wastewater Financial Report, and Agreed Upon Procedures (AUP) for Measure B and C, and GANN Appropriation Limit Calculation by December 31, 2020. These reports were issued before the due dates.

### **ATTACHMENTS:**

FY 19-20 Comprehensive Annual Financial Report (CAFR):

<https://www.ci.hercules.ca.us/government/finance/comprehensive-annual-financial-reports>

1. FY 19-20 SAS Letter or Required Communication Letter in an Audit
2. FY 19-20 Hercules Public Financing Authority (PFA) Financial Statements
3. FY 19-20 Hercules Wastewater Fund Financial Statements
4. FY 19-20 Agreed Upon Procedures (AUP) Report on Measure B
5. FY 19-20 Agreed Upon Procedures (AUP) Report on Measure C
6. FY 19-20 Agreed Upon Procedures (AUP) Report on GANN Appropriation Limit Calculation
7. FY 19-20 General Fund – Reconciliation Between Budgetary and GAAP Basis of Accounting
8. FY 19-20 General Fund – Audited Year-End Results (Budgetary Basis)

***Financial Impact***

**Description:**

**Funding Source:**

**Budget Recap:**

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

December 18, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hercules, California (the “City”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. As described in Note 1 to the financial statements, the City implemented the following accounting standards:

#### *New Accounting Standards*

*GASB Statement No. 95* - In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement is effective immediately and did not have a material effect on City's financial statements for the fiscal year ending June 30, 2020.

No other new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.



- Management's estimate of the net other postemployment benefits ("OPEB") liability is based on the actuarial valuation on total OPEB liability and financial statements on fiduciary net position. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 8 – Retirement Plans
- Note 10 – Other Postemployment Benefits
- Note 17 – Subsequent Events

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 18, 2020.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To the Honorable Mayor and the Members of the City Council  
of the City of Hercules  
Hercules, California  
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*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis ("MD&A"), Budgetary Comparison Schedule, the Schedules of Changes of in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining and Individual Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and the Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information 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.

Very truly yours,

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

Santa Ana, California

# **Hercules Public Financing Authority**

**(A Component Unit of the City of Hercules, California)**

Hercules, California

## **Independent Auditors' Report and Basic Financial Statements**

*For the Year Ended June 30, 2020*



**Hercules Public Financing Authority**  
**(A Component Unit of the City of Hercules, California)**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Hercules Public Financing Authority  
Hercules, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hercules Public Financing Authority (the "Authority"), a component unit of the City of Hercules, California (the "City"), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2020, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 1 to the basic financial statements, these financial statements present only the Hercules Public Financing Authority and do not purport to and do not present fairly the financial position of the City as of June 30, 2020, 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.

***An Uncertainty Relating to the Outcome of the Repayment of Outstanding Loans***

As described in Note 5 to the basic financial statements, the Fund has outstanding loans of \$6,703,250 owed by the former redevelopment agency (Agency) of the City. The outstanding loans represent approximately 22% of the Fund's assets. A written agreement between the Agency and the City that created and provided loans or other startup funds for the Agency that were entered into within two years of the formation of the Agency are not invalid. The City is currently working with the California Department of Finance to determine the outcome of these loans. The possible outcome of this matter cannot presently be determined. Accordingly, no provision for any allowance for doubtful accounts has been made in the financial statements for possible forgiveness of these loans. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

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 December 18, 2020 on our consideration of the Authority'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 Authority'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 Authority'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  
December 18, 2020



**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 Board of Directors  
of the Hercules Public Financing Authority  
Hercules, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Hercules Public Financing Authority (the "Authority"), a component unit of the City of Hercules, California (the "City"), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 may exist that have not been identified.

**Compliance and Other Matters**

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

To the Board of Directors  
of the Hercules Public Financing Authority  
Hercules, California  
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### **Purpose of this Report**

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

*The PwC Group, LLP*

Santa Ana, California  
December 18, 2020

## **BASIC FINANCIAL STATEMENTS**

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**Hercules Public Financing Authority**  
**Statement of Net Position**  
**June 30, 2020**

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**ASSETS**

Cash with fiscal agents	\$ 9,953,420
Lease receivable	13,414,814
Interest receivable	582,182
Advances to Successor Agency	<u>6,703,250</u>
<b>Total assets</b>	<u><u>30,653,666</u></u>

**LIABILITIES**

Interest payable	557,613
Bonds payable, due within one year	780,000
Bonds payable, due in more than one year	<u>22,588,234</u>
<b>Total liabilities</b>	<u><u>23,925,847</u></u>

**NET POSITION**

Restricted for debt services	<u>6,727,819</u>
<b>Total Net Position</b>	<u><u>\$ 6,727,819</u></u>

**Hercules Public Financing Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

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**EXPENSES:**

Interest and fiscal agent charges	\$ 1,477,066
-----------------------------------	--------------

**PROGRAM REVENUES:**

Lease revenues	<u>1,384,044</u>
----------------	------------------

**(EXPENSES) OVER REVENUES**

(93,022)

**GENERAL REVENUES**

Investment earnings	<u>117,591</u>
---------------------	----------------

**CHANGES IN NET POSITION**

24,569

**NET POSITION:**

Beginning of year	<u>6,703,250</u>
-------------------	------------------

End of year	<u><u>\$ 6,727,819</u></u>
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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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**Hercules Public Financing Authority**  
**Balance Sheet**  
**June 30, 2020**

	2003B PFA	2009 PFA	2010 PFA	
	Lease	Taxable Lease	Wastewater	
	Revenue Bonds	Revenue Bonds	Revenue Bonds	Total
<b>ASSETS</b>				
Cash with fiscal agents	\$ 285,195	\$ 1,994,223	\$ 7,674,002	\$ 9,953,420
Lease receivable	5,419,805	6,279,445	1,715,564	13,414,814
Interest receivable	24,216	365,008	192,958	582,182
Advances to Successor Agency	6,703,250	-	-	6,703,250
<b>Total assets</b>	<b>12,432,466</b>	<b>8,638,676</b>	<b>9,582,524</b>	<b>30,653,666</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	5,444,021	6,644,453	1,908,522	13,996,996
<b>Total deferred inflows of resources</b>	<b>5,444,021</b>	<b>6,644,453</b>	<b>1,908,522</b>	<b>13,996,996</b>
<b>FUND BALANCES</b>				
Restricted for debt services	6,988,445	1,994,223	7,674,002	16,656,670
<b>Total fund balances</b>	<b>\$ 6,988,445</b>	<b>\$ 1,994,223</b>	<b>\$ 7,674,002</b>	<b>\$ 16,656,670</b>

**Hercules Public Financing Authority**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

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<b>Total Fund Balances - Governmental Funds</b>	\$ 16,656,670
---	---------------

Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Lease receivables are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	13,996,996
---	------------

Long-term liabilities are to use and payable in the current period and, therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net position:

Bonds Outstanding	(23,825,000)
Unamortized Discount on Bonds Outstanding	456,766
Accrued Interest on Long-Term Debt	<u>(557,613)</u>

<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 6,727,819</u></u>
---	----------------------------

**Hercules Public Financing Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2020**

	2003B PFA Lease Revenue Bonds	2009 PFA Taxable Lease Revenue Bonds	2010 PFA Wastewater Revenue Bonds	Total
<b>REVENUES:</b>				
Lease revenues	\$ 2,735	\$ 23,660	\$ 91,196	\$ 117,591
Use of money and property	566,110	970,721	741,306	2,278,137
<b>Total revenue</b>	<u>568,845</u>	<u>994,381</u>	<u>832,502</u>	<u>2,395,728</u>
<b>EXPENDITURES:</b>				
<b>Debt services:</b>				
Principal	280,000	190,000	275,000	745,000
Interest and fiscal charges	286,010	724,665	465,903	1,476,578
<b>Total expenditures</b>	<u>566,010</u>	<u>914,665</u>	<u>740,903</u>	<u>2,221,578</u>
<b>Changes in fund balances</b>	2,835	79,716	91,599	174,150
<b>FUND BALANCES:</b>				
Beginning of year	6,985,610	1,914,507	7,582,403	16,482,520
End of year	<u>\$ 6,988,445</u>	<u>\$ 1,994,223</u>	<u>\$ 7,674,002</u>	<u>\$ 16,656,670</u>

**Hercules Public Financing Authority**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

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<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 174,150
Amounts reported for governmental activities in the statement of activities are different because:	
Lease receivables are reported as financial resources in the fund statements; however these amounts represent the change in the long-term investment in leases to the Hercules Public Financing Authority and decrease net position.	(894,093)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are reported as expenditures in governmental funds. In addition, interest on long-term debt is not accrued in governmental funds.	
Change in Accrued Interest on Long-Term Debt	(488)
Long-term debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Payment of debt principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net position:	
Principal Repayments on Long-Term Debt	745,000
<b>Change in Net Position - Governmental Activities</b>	<u><u>\$ 24,569</u></u>

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**Hercules Public Financing Authority**  
**Index to the Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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# **Hercules Public Financing Authority**

## **Notes to the Basic Financial Statements**

### **For the Year Ended June 30, 2020**

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#### **Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the Hercules Public Financing Authority (the “Authority”) 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 Authority’s significant policies:

##### ***A. Financial Reporting Entity***

The Authority is a joint powers authority organized by the City of Hercules, California (the “City”) and the former Hercules Redevelopment Agency (Agency) on July 24, 2001 under the laws of the State of California. The Authority was organized to provide financing for public capital improvements and working capital for the City and the Agency through lease, acquisition, or construction of such public capital improvements.

Administrative and related normal business expenses incurred in the day-to-day operations of the Authority are provided by the City and are not included in the accompanying basic financial statements. Management believes that such expenses are insignificant to the Authority’s operations.

The funds of the Authority have been included within the scope of the financial statements of the City because the City Council of the City is the governing board and has financial accountability over the operations of the Authority. Only the financial activity of the Authority is included herein and these financial statements, therefore, do not purport to represent the financial position or results of operations of the City.

##### ***B. Basis of Accounting and Measurement Focus***

The accounts of the Authority 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, revenues and expenditures. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

##### **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.

##### **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.

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

*Governmental Fund Financial Statements (Continued)*

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

The Authority reports the following major Governmental Funds:

**2003B PFA Lease Revenue Bonds Debt Service Fund** only the debt component of the City fund, accounts for the accumulation of resources used for the payment and principal interest on the bond 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.

**2009 PFA Taxable Lease Revenue Bonds Debt Service Fund** only the debt component of the City fund, accounts for the accumulation of resources used for the payment and principal interest on the bond issued to cover the financing of the acquisition of certain commercial condominium properties, consisting of approximately 96,847 square feet located at 203-295 Linus Pauling Drive within the City.

**2010 PFA Wastewater Revenue Bonds Debt Service Fund** only the debt component of the City fund, accounts for the accumulation of resources used for the payment and principal interest on the bond issued to cover capital improvements to the City of Hercules wastewater system.

***C. Cash and Investments***

The Authority's cash and investments are held by a fiscal agent for the redemption of bonded debt and maintaining required reserves. Investments have been made only as permitted by specific State Statutes governing their investments or applicable Authority resolution or bond indenture.

***D. Long-Term Debt***

In the government-wide financial statements, 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.

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.

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***E. Fund Balances***

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

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

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

*Committed* – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the Board of Directors, prior to the end of the reporting period. The Board 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 Authority has authorized the Executive Director for that purpose.

*Unassigned* – Unassigned fund balances represent the residual net resources in excess of the other classifications.

***F. Net Position***

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

*Investment in Capital Assets* – This component of net position consists of capital assets, net of accumulated depreciation, related debt, 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.

***G. Spending Policy***

*Government-Wide Financial Statements*

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

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***G. Spending Policy (Continued)***

*Governmental Fund Financial Statements*

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

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Authority uses the unrestricted resources in the following order of committed, assigned and unassigned, except for instances wherein an ordinance specifies the fund balance.

***H. Use of Estimates***

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

***I. Implementation of New GASB Pronouncements***

***GASB Statement No. 95*** - In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement is effective immediately and did not have a material effect on Authority's basic financial statements for the year ended June 30, 2020.

**Note 2 – Cash and Investments**

At June 30, 2020, the Authority's cash and investments are held by fiscal agents totaling \$9,953,420. Fiscal agents are mandated by bond indentures as to the types of investments in which debt proceeds can be invested.

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

**A. 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

**B. Risk Disclosures**

**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, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority 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 Authority's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

Investment Type	Total	Maturity 12 Months or Less
Investments with fiscal agents:		
Money Market Mutual Funds	\$ 9,953,420	\$ 9,953,420
<b>Total</b>	<b>\$ 9,953,420</b>	<b>\$ 9,953,420</b>

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

***B. 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 Authority'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

**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, the City of Palm Springs, or debt agreements, and the actual rating as of year-end for each investment type. The U.S. treasury securities are not analyzed since they are not deemed to have credit risk.

Investment Type	Total	Minimum Legal Rating	S&P Rating as of Fiscal Year Ended	
			AAA	Not Rated
Investments with fiscal agents:				
Money Market Mutual Funds	\$ 9,953,420	N/A	\$ 9,953,420	\$ -
<b>Total</b>	<b>\$ 9,953,420</b>		<b>\$ 9,953,420</b>	<b>\$ -</b>

**Concentration of Credit Risk**

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer that represent 5% or more of the total Authority investment or 10% of its net investment for mutual funds.

Issuer	Type	Amount
U.S. Treasury Obligation	Mutual Funds	\$ 9,953,420

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

**B. Risk Disclosures (Continued)**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposit 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 deposit or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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 investments on behalf of the reporting government.

**Note 3 – Lease Receivable**

The Authority has entered into several noncancelable lease agreements with the City as part of its issuances of debt. These agreements call for the Authority to receive lease amounts that are structured to be sufficient in timing and amount to meet the Authority's related debt service payments. Interest earned on these lease payment account and other monies held by trustee are applied to the lease payments made by the City.

Future estimated minimum lease payments to be received are as follows:

Year Ending June 30,	2013B PFA Lease Revenue Bonds	2009 PFA Taxable Lease Revenue Bonds	2010 PFA Wastewater Reenud Bonds	Total
2021	\$ 564,805	\$ 908,465	\$ 734,175	\$ 2,207,445
2022	565,735	911,140	733,288	2,210,163
2023	565,731	907,371	731,288	2,204,390
2024	564,938	907,159	728,691	2,200,788
2025	563,431	905,296	730,181	2,198,908
2026-2030	2,815,505	4,518,420	3,640,660	10,974,585
2031-2035	2,239,250	4,476,150	3,628,088	10,343,488
2036-2040	-	3,540,880	3,604,375	7,145,255
2041	-	-	717,500	717,500
Total	7,879,395	17,074,881	15,248,246	40,202,522
Less: Amount representing interest	(2,174,395)	(8,489,881)	(5,713,246)	(16,377,522)
Less: Fiscal agent cash	(285,195)	(1,994,223)	(7,674,002)	(9,953,420)
Total principal outstanding	\$ 5,419,805	\$ 6,590,777	\$ 1,860,998	\$ 13,871,580

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 4 – Capital Lease – Sales Type**

On August 14, 2008, the City of Hercules and Bio-Rad Laboratories, Inc. entered in to a lease agreement, which Bio-Rad agreed to lease from the City of Hercules, 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 (15<sup>th</sup>) 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 (15<sup>th</sup>) 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 of Hercules written notice of such election within 30 days prior to either of the following dates: (i) the fifteenth (15<sup>th</sup>) anniversary date; (ii) the twentieth (20<sup>th</sup>) anniversary date; or (iii) the twenty-fifth (25<sup>th</sup>) anniversary date, If Bio-Rad Laboratories, Inc. has not elected to exercise the Purchase Option during the time period said above, then the Purchase Option shall automatically be deemed elected by Bio-Rad Laboratories, Inc. as of the expiration date unless Bio-Rad Laboratories, Inc., provides prior written notice to the City of Hercules within fifteen (15) days prior to the expiration date electing not to pursue the Purchase Option, If Bio-Rad Laboratories, Inc. elects to exercise the Purchase Option on the expiration date, the purchase price for the premises shall be one dollar (\$1.00).

Total lease revenue of \$26,723,100 will be received from the Bio-Rad Laboratories, Inc. during the term of lease. The interest rate on the lease payments is 8.0381%. Monthly lease payments vary from \$55,300 to \$83,699 will be received on the first day of each month without notice, offset, deduction, or demand, in advance, during the lease term.

**Note 5 – Advances to the Former Hercules Redevelopment Agency**

The Authority has advanced funds to the former Redevelopment Agency (Agency) of the City. At June 30, 2020, the balance was \$6,703,250. There was no set repayment schedule as of June 30, 2020.

With the dissolution of the Agency on February 1, 2012, there is uncertainty as to whether the Fund will be repaid the balance in the amount of \$6,703,250 loan owed by the Agency and the Authority to fund costs on behalf of the Agency was signed within two years of the creation of the Agency. Under Assembly Bill X1 26 (Redevelopment Dissolution Act), a written agreement between the Agency and the City that created and provided loans or other startup funds for the Agency that were entered into within two years of the formation of the Agency are not invalid. The City is currently working with the California Department of Finance to determine the outcome of these loans. The possible outcome of this matter cannot presently be determined. Accordingly, no provision for any allowance for doubtful accounts has been made in the financial statements for possible forgiveness of these loans.



**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 6 – Long-Term Debt**

The following is summary of changes in long-term liabilities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Publicly Offered:						
2003B PFA Lease Revenue Bonds	\$ 5,985,000	\$ -	\$ (280,000)	\$ 5,705,000	\$ 295,000	\$ 5,410,000
2009 PFA Taxable Lease Revenue Bonds	8,775,000	-	(190,000)	8,585,000	200,000	8,385,000
Less: Discount on issuance	(328,629)	-	17,297	(311,332)	-	(311,332)
2010 PFA Wastewater Revenue Bonds	9,810,000	-	(275,000)	9,535,000	285,000	9,250,000
Less: Discount on issuance	(152,706)	-	7,272	(145,434)	-	(145,434)
Total	<u>\$ 24,088,665</u>	<u>\$ -</u>	<u>\$ (720,431)</u>	<u>\$ 23,368,234</u>	<u>\$ 780,000</u>	<u>\$ 22,588,234</u>

**A. 2003B PFA Lease Revenue Bonds**

The Public Financing Authority issued lease revenue bonds, series 2003B, dated October 15, 2003, totaling \$9,150,000. The purpose of the bonds was to refinance the 1994 Refunding Certificates of Participation and to finance a portion of the construction for a public library. The interest rate on the bonds ranges from 2.00% to 5.00%. The interest is payable semiannually on June 1 and December 1, commencing December 1, 2003. The bonds are subject to optional and mandatory early redemption provisions. The bonds are payable from and secured by revenues consisting primarily of the base rental payments of the facility lease. Principal is due annually beginning on December 1, 2005, in amounts ranging from \$170,000 to \$2,480,000. The bonds mature on December 1, 2033. The balance at June 30, 2020 is \$5,705,000.

The City is obligated to pay only its Base Rental Payments and Additional Payments under the Lease. The obligation of the City to pay Base Rental Payments or Additional Payments does not constitute an obligation of the city for 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.

The annual debt service requirements to maturity for the 2003B Public Financing Authority Lease Revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 295,000	\$ 269,805	\$ 564,805
2022	310,000	255,735	565,735
2023	325,000	240,731	565,731
2024	340,000	224,938	564,938
2025	355,000	208,431	563,431
2026-2030	2,050,000	765,505	2,815,505
2031-2035	2,030,000	209,250	2,239,250
Total	<u>\$ 5,705,000</u>	<u>\$ 2,174,395</u>	<u>\$ 7,879,395</u>

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 6 – Long-Term Debt (Continued)**

**B. 2009 PFA Taxable Lease Revenue Bonds**

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 balance at June 30, 2020 is \$8,585,000.

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
2021	\$ 200,000	\$ 708,465	\$ 908,465
2022	220,000	691,140	911,140
2023	235,000	672,371	907,371
2024	255,000	652,159	907,159
2025	275,000	630,296	905,296
2026-2030	1,765,000	2,753,420	4,518,420
2031-2035	2,625,000	1,851,150	4,476,150
2036-2039	3,010,000	530,880	3,540,880
Total	<u>\$ 8,585,000</u>	<u>\$ 8,489,881</u>	<u>\$ 17,074,881</u>

**C. 2010 PFA Wastewater Revenue Bonds**

The Authority issued revenue bonds, series 2010, dated August 1, 2010, totaling \$11,765,000. The purpose of the bonds was to finance improvements to the City's wastewater system, fund a reserve fund for the bonds, and pay the costs of issuances of the bonds. The interest rates on the bonds range from 2.00% to 5.130%. Principal and interest payment are due annually beginning August 1, 2011, in amounts ranging from \$230,000 to \$700,000. The bonds mature on August 1, 2040. The balance at June 30, 2020 is \$9,535,000.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of the Authority and the Agency and the City, which are parties to the agreement creating the Authority, are not pledged for the payment of the principal of, or interest on, the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the principal and interest on the Bonds.

**Hercules Public Financing Authority**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 6 – Long-Term Debt (Continued)**

**C. 2010 PFA Wastewater Revenue Bonds (Continued)**

The annual debt service requirements to maturity for the 2010 PFA Wastewater Revenue Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 285,000	\$ 449,175	\$ 734,175
2022	295,000	438,288	733,288
2023	305,000	426,288	731,288
2024	315,000	413,691	728,691
2025	330,000	400,181	730,181
2026-2030	1,885,000	1,755,660	3,640,660
2031-2035	2,385,000	1,243,088	3,628,088
2036-2040	3,035,000	569,375	3,604,375
2041	700,000	17,500	717,500
Total	<u>\$ 9,535,000</u>	<u>\$ 5,713,246</u>	<u>\$ 15,248,246</u>

**Note 7 – Contingencies**

**A. Lawsuits**

The Authority is not involved in any matters of litigation that have arisen in the normal course of conducting Authority business. Additionally, Authority management believes that the Authority's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

**B. COVID-19**

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Authority could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Authority and the duration cannot be estimated at this time.

**Note 8 – Subsequent Event**

**A. Refinanced 2003B Lease Revenue Bonds**

On August 1, 2020, the Hercules Public Financing Authority refinanced the proceeds of the Lease Revenue Bonds, Series 2003B, in the aggregate principal amount of \$5,876,843. The interest rates of 2.21% with the final maturity due on December 1, 2033. The debt service payments are scheduled semi-annually at amounts that range from \$106,428 to \$560,249

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# **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, 2020*



**Hercules Wastewater Fund**  
**(An Enterprise Fund of the City of Hercules, California)**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

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, 2020, 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.

### ***Emphasis of Matter***

As described in Note 1 to the basic financial statements, these financial statements present only the Hercules Wastewater Fund and do not purport to and do not present fairly the financial position of the City as of June 30, 2020, 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.

### ***An Uncertainty Relating to the Outcome of the Repayment of Outstanding Loans***

As described in Note 5 to the basic financial statements, the Fund has outstanding loans of \$10,587,627 owed by the former redevelopment agency (Agency) of the City. The outstanding loans represent approximately 13% of the Fund's assets. A written agreement between the Agency and the City that created and provided these loans or other startup funds for the Agency that were entered into within two years of the formation of the Agency are not invalid. The City is currently working with the California Department of Finance to determine the outcome of these loans. The possible outcome of this matter cannot presently be determined. Accordingly, no provision for any allowance for doubtful accounts has been made in the financial statements for possible forgiveness of these loans. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of Net Pension Liability, the Schedules of Contributions – Pensions, the Schedule of Proportionate Share of Net Other Postemployment Benefits Liability (Asset) - PEHMCA, and the Schedule of Proportionate Share of Net Other Postemployment Benefits Liability - SOMAR as listed in the table of contents be presented to supplement the basic financial statements. Such 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 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.

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.

To the Honorable Mayor and Members of the City Council  
of the City of Hercules  
Hercules, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Santa Ana, California  
December 18, 2020

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**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, 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, 2020, 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 December 18, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

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

### **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.

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

Santa Ana, California  
December 18, 2020

## **BASIC FINANCIAL STATEMENTS**

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**Hercules Wastewater Fund**  
**Statement of Net Position**  
**June 30, 2020**

**ASSETS**

**Current assets:**

Cash and investments	\$ 23,937,404
Cash and investments with fiscal agent	7,674,002
<b>Total current assets</b>	<b>31,611,406</b>

**Noncurrent assets:**

Advances to Private Purpose Trust Fund (Note 5)	10,587,627
Net OPEB assets (PEHMCA)	11,718
Capital assets:	
Nondepreciable	191,700
Depreciable, net	39,850,888
<b>Total noncurrent assets</b>	<b>50,641,933</b>
<b>Total assets</b>	<b>82,253,339</b>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions-related deferred outflows of resources	193,603
OPEB-related deferred outflows of resources (PEHMCA)	16,117
OPEB-related deferred outflows of resources (SOMAR)	17,844
<b>Total deferred outflows of resources</b>	<b>227,564</b>

**LIABILITIES**

**Current liabilities:**

Accounts payable	2,802,480
Retentions payable	1,159,221
Salaries and benefits payable	24,824
Accrued interest payable	192,958
Long-term debt - due within one year	1,433,675
<b>Total current liabilities</b>	<b>5,613,158</b>

**Noncurrent liabilities:**

Long-term debt - due in more than one year	33,459,837
Net pension liability	694,727
Net OPEB liability (SOMAR)	99,901
<b>Total noncurrent liabilities</b>	<b>34,254,465</b>
<b>Total liabilities</b>	<b>39,867,623</b>

**DEFERRED INFLOWS OF RESOURCES**

Pensions-related deferred outflows of resources	34,750
OPEB-related deferred outflows of resources (PEHMCA)	73,037
<b>Total deferred inflows of resources</b>	<b>107,787</b>

**NET POSITION**

Net investment in capital assets	5,149,076
Restricted for debt services	7,674,002
Unrestricted	29,682,415
<b>Total net position</b>	<b>\$ 42,505,493</b>

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, 2020**

**OPERATING REVENUES:**

Charges for services	\$ 5,719,257
<b>Total operating revenues</b>	<u>5,719,257</u>

**OPERATING EXPENSES:**

Salaries and benefits	655,363
Services and supplies	2,803,653
Depreciation	<u>668,202</u>
<b>Total operating expenses</b>	<u>4,127,218</u>

<b>Operating income</b>	1,592,039
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**NONOPERATING REVENUES (EXPENSES):**

Interest income	501,741
Interest (expense)	<u>(465,902)</u>
<b>Total nonoperating revenues (expenses), net</b>	<u>35,839</u>

<b>CHANGES IN NET POSITION</b>	1,627,878
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**NET POSITION:**

Beginning of year	<u>40,877,615</u>
End of year	<u><u>\$ 42,505,493</u></u>

**Hercules Wastewater Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash receipts from customers	\$ 5,719,257
Cash paid to suppliers for goods and services	(2,086,155)
Cash paid to employees for services	(599,359)
<b>Net cash provided by operating activities</b>	<u>3,033,743</u>

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

Proceeds from issuance of debt	3,152,095
Payments related to the acquisition of capital assets	(2,919,559)
Principal repayments related to capital purposes	(275,000)
Interest repayments related to capital purposes	(458,630)
<b>Net cash (used in) capital and related financing activities</b>	<u>(501,094)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest received	501,741
<b>Net cash provided by investing activities</b>	<u>501,741</u>

<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	3,034,390
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**CASH AND CASH EQUIVALENTS:**

Beginning of year	28,577,016
End of year	<u><u>\$ 31,611,406</u></u>

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

Cash and investments	\$ 23,937,404
Cash and investments with fiscal agent	7,674,002
<b>Total cash and cash equivalents</b>	<u><u>\$ 31,611,406</u></u>

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

Operating income	\$ 1,592,039
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	668,202
(Increase) Decrease in Assets and Deferred Outflows	
Pensions-related deferred outflows	(63,489)
OPEB-related deferred outflows	(15,898)
Increase (Decrease) in Liabilities and Deferred Inflows	
Accounts payable	717,498
Salaries and benefits payable	3,353
Net pension liability	57,727
Pensions-related deferred inflows	(24,900)
Net OPEB liability	21,709
OPEB-related deferred inflows	70,845
Compensated absences	6,657
<b>Total adjustments</b>	<u>1,441,704</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 3,033,743</u></u>

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# **Hercules Wastewater Fund**

## **Notes to the Basic Financial Statements**

### **For the Year Ended June 30, 2020**

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#### **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, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### **B. Measurement Focus and Basis of Accounting**

Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

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

Operating revenues are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

##### **C. Cash and Investments**

All cash and investments of the Fund are held in the City’s investment pool. These cash pools have the general characteristics of a demand deposit account, therefore, all cash and investments in the Fund are considered cash and cash equivalents for statement of cash flows purposes.

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

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***D. Cash and Investments with Fiscal Agents***

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

***E. Revenues***

Wastewater revenues (wastewater disposal services) are recorded as billed to customers on a cyclical basis. All wastewater customers are billed annually by the Contra Costa County Treasurer-Tax Collector Office.

***F. Capital Assets***

Capital assets are recorded at historical cost or estimated historical if purchased or constructed. Donated capital assets are valued at their estimated acquisition value on the date donated. City policy has set the capitalization threshold for reporting capital assets with an initial, individual cost of more than \$2,500 for general capital assets and \$5,000 for infrastructure capital assets, and an estimated useful life of one year or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

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

Wastewater structure	30 Years
Machinery and equipment	5-20 Years
Infrastructure	15-50 Years

***G. Accounts Payable***

Accounts payable consists of general administration costs incurred and construction services performed during the fiscal year, but paid after the fiscal year.

***H. Long-Term Debt***

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

***I. Compensated Absences***

City employees have vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and all or a portion of sick pay when an employee retires or terminates. Compensated absences are expensed in the period they are earned, and the unpaid liability is recorded as a long-term liability.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**J. Pensions**

For purposes of measuring the aggregate net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 - June 30, 2019

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

Pension benefits are expensed to the various funds in the period they are earned, and the unpaid liability is recorded as a long-term liability.

**K. Other Postemployment Benefits ("OPEB")**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 8). For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

OPEB	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 - June 30, 2020

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, 2020**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**L. Net Position**

Net position is classified as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, related debt, 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.

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

**M. Use of Estimates**

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

**N. Implementation of New GASB Pronouncements**

**GASB Statement No. 95** - In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement is effective immediately and did not have a material effect on City's Wastewater financial statements for the fiscal year ended June 30, 2020.

**Note 2 – Cash and Investments**

Cash and investments at June 30, 2020 consisted of the following:

Cash and investments pooled with City	\$ 23,937,404
Cash and investments with fiscal agents	<u>7,674,002</u>
<b>Total</b>	<u><u>\$ 31,611,406</u></u>



**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**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, 2020, the Fund has deposited \$23,937,404 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, 2020**

**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, 2020, investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

Investment Type	Uncategorized	Total
Cash and investments pooled with City	\$ 23,937,404	\$ 23,937,404
Investments with fiscal agents:		
Money Market Mutual Funds	7,674,002	7,674,002
<b>Total</b>	<b>\$ 31,611,406</b>	<b>\$ 31,611,406</b>

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

***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.

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	\$ 23,937,404	\$ 23,937,404
Investments with fiscal agents:		
Money Market Mutual Funds	7,674,002	7,674,002
<b>Total</b>	<b>\$ 31,611,406</b>	<b>\$ 31,611,406</b>

**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

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

***E. Risk Disclosures (Continued)***

*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	\$ 23,937,404	N/A	\$ -	\$ 23,937,404
Investments with fiscal agents:				
Money Market Mutual Funds	7,674,002	N/A	7,674,002	-
<b>Total</b>	<b>\$ 31,611,406</b>		<b>\$ 7,674,002</b>	<b>\$ 23,937,404</b>

**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.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 3 – Capital Assets**

Summary of changes in capital assets for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reclassification/ Transfers	Balance June 30, 2020
<b>Nondepreciable assets:</b>				
Land	\$ 191,700	\$ -	\$ -	\$ 191,700
Construction in progress	25,198,496	-	(25,198,496)	-
<b>Total nondepreciable assets</b>	<b>25,390,196</b>	<b>-</b>	<b>(25,198,496)</b>	<b>191,700</b>
<b>Depreciable assets:</b>				
Structures and improvements	11,335,199	2,919,559	24,070,513	38,325,271
Machinery and equipment	250,345	-	-	250,345
Infrastructure	13,729,500	-	1,127,983	14,857,483
Subtotal	25,315,044	2,919,559	25,198,496	53,433,099
Less: accumulated depreciation:				
Structures and improvements	(10,556,851)	(162,018)	-	(10,718,869)
Machinery and equipment	(180,449)	(16,905)	-	(197,354)
Infrastructure	(2,176,709)	(489,279)	-	(2,665,988)
Subtotal	(12,914,009)	(668,202)	-	(13,582,211)
<b>Total depreciable assets, net</b>	<b>12,401,035</b>	<b>2,251,357</b>	<b>25,198,496</b>	<b>39,850,888</b>
<b>Total capital assets, net</b>	<b>\$ 37,791,231</b>	<b>\$ 2,251,357</b>	<b>\$ -</b>	<b>\$ 40,042,588</b>

Depreciation expense in the amount of \$668,202 was charged to the Fund for the year ended June 30, 2020.

**Note 4 – Long-Term Debt**

Summary of changes in long-term debt for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year	Due in More Than One Year
Publicly Offered:						
2010 PFA Wastewater Revenue Bonds	\$ 9,810,000	\$ -	\$ (275,000)	\$ 9,535,000	\$ 285,000	\$ 9,250,000
Less: Discount on issuance	(152,706)	-	7,272	(145,434)	-	(145,434)
Publicly Owned Treatment Works						
Construction Loan	22,305,600	3,152,095	-	25,457,695	1,102,424	24,355,271
Compensated Absences	39,595	33,327	(26,671)	46,251	46,251	-
Total	<u>\$ 32,002,489</u>	<u>\$ 3,185,422</u>	<u>\$ (294,399)</u>	<u>\$ 34,893,512</u>	<u>\$ 1,433,675</u>	<u>\$ 33,459,837</u>

**A. 2010 PFA Wastewater Revenue Bonds**

The Public Financing Authority issued revenue bonds, series 2010, dated August 1, 2010, totaling \$11,765,000. The purpose of the bonds was to finance improvements to the City's wastewater system, fund a reserve fund for the bonds, and pay the costs of issuances of the bonds. The interest rates on the bonds range from 2.00% to 5.130%. Principal and interest payment are due annually beginning August 1, 2011, in amounts ranging from \$230,000 to \$700,000. The bonds mature on August 1, 2040. The balance at June 30, 2020 is \$9,535,000.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 4 – Long-Term Debt (Continued)**

**A. 2010 PFA Wastewater Revenue Bonds (Continued)**

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. The full faith and credit of the Authority and the Agency and the City, which are parties to the agreement creating the Authority, are not pledged for the payment of the principal of, or interest on, the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the principal and interest on the Bonds.

The annual debt service requirements to maturity for the 2010 PFA Wastewater Revenue Bonds as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 285,000	\$ 449,175	\$ 734,175
2022	295,000	438,288	733,288
2023	305,000	426,288	731,288
2024	315,000	413,691	728,691
2025	330,000	400,181	730,181
2026-2030	1,885,000	1,755,660	3,640,660
2031-2035	2,385,000	1,243,088	3,628,088
2036-2040	3,035,000	569,375	3,604,375
2041	700,000	17,500	717,500
Total	<u>\$ 9,535,000</u>	<u>\$ 5,713,246</u>	<u>\$ 15,248,246</u>

**B. Publicly Owned Treatment Work 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, 2020.

The annual debt service requirements to maturity for the Publicly Owned Treatment Works Construction Loan as of June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,102,423	\$ 408,414	\$ 1,510,837
2022	1,096,780	414,057	1,510,837
2023	1,115,425	395,412	1,510,837
2024	1,134,388	376,450	1,510,838
2025	1,153,672	357,165	1,510,837
2026-2030	6,069,301	1,484,886	7,554,187
2031-2035	6,603,033	951,153	7,554,186
2036-2040	7,182,672	370,486	7,553,158
Total	<u>\$ 25,457,694</u>	<u>\$ 4,758,023</u>	<u>\$ 30,215,717</u>

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 5 – Advances to the Former Hercules Redevelopment Agency**

The Fund has advanced funds to the former Redevelopment Agency (Agency) of the City. At June 30, 2020, the balance was \$10,587,627. There was no set repayment schedule as of June 30, 2020.

With the dissolution of the Agency on February 1, 2012, there is uncertainty as to whether the Fund will be repaid the balance in the amount of \$10,587,627 loan owed by the Agency and the City to fund costs on behalf of the Agency was signed within two years of the creation of the Agency. Under Assembly Bill X1 26 (Redevelopment Dissolution Act), a written agreement between the Agency and the City that created and provided loans or other startup funds for the Agency that were entered into within two years of the formation of the Agency are not invalid. The City is currently working with the California Department of Finance to determine the outcome of these loans. The possible outcome of this matter cannot presently be determined. Accordingly, no provision for any allowance for doubtful accounts has been made in the financial statements for possible forgiveness of these loans.

**Note 6 – 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 \$10,000,000 per occurrence. The City maintains a deductible of \$5,000 per occurrence.

**Workers' Compensation**

The City has coverage limits for the following without a deductible:

MPA	\$0 to \$500,000
American Safety Insurance	\$500,000
CSAC-EIA	\$1,000,000 to \$4,000,000
ACE American Insurance Company	\$5,000,000 to \$45,000,000

**Miscellaneous Coverages**

The MPA provides additional coverage for the following risks incurred by the City:

	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
Boiler and Machinery	5,000	100,000,000

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.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 6 – Risk Management (Continued)**

**Miscellaneous Coverages (Continued)**

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 7 – 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.

**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, 2020, are summarized below:

	<u>Miscellaneous</u>	<u>Miscellaneous Tier 2</u>
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%	6.25%
Required employer contribution rate	9.680%	6.985%

**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.

The City contributed \$95,532 towards the Fund's share of the Miscellaneous Pension Plan during the year ended June 30, 2020.



**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 7 – Public Employee Retirement System (Continued)**

**B. Net Pension Liability**

*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:

	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
<b>Miscellaneous</b>			
Balance at: 6/30/18 (Valuation date)	\$ 2,570,007	\$ 1,933,007	\$ 637,000
Balance at: 6/30/19 (Measurement date)	2,786,680	2,091,953	694,727
Net changes during 2018-2019	<u>\$ 216,673</u>	<u>\$ 158,946</u>	<u>\$ 57,727</u>

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 measurement date (June 30, 2019 reporting date) and 2019 measurement date (June 30, 2020 reporting date) was as follows:

	<u>Fund's Proportion to City's Share Pool</u>
Proportion - June 30, 2019	9.52731%
Proportion - June 30, 2020	9.71077%
Change - Increase/(Decrease)	<u>0.18346%</u>

For the year ended June 30, 2020, the Fund recognized pension expense of \$(30,662). At June 30, 2020, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Miscellaneous Plan</b>		
Contribution made after the measurement date	\$ 95,532	\$ -
Difference between expected and actual experience	56,299	(4,714)
Changes of assumptions	41,772	(14,808)
Net difference between projected and actual earnings on pension plan investments	-	(15,228)
Total	<u>\$ 193,603</u>	<u>\$ (34,750)</u>

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 7 – Public Employee Retirement System (Continued)**

***B. Net Pension Liability (Continued)***

\$95,532 was reported as deferred outflows of resources related to pensions resulting from Fund's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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
2020	\$ 58,761
2021	(5,242)
2022	7,308
2023	2,494
2024	-
Thereafter	-
Total	<u>\$ 63,321</u>

**Actuarial Assumptions**

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.3755%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2014. Further details of the Experience Study can be found on the CalPERS website.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 7 – Public Employee Retirement System (Continued)**

**B. Net Pension Liability (Continued)**

Discount Rate

In determining the long-term expected rate of return, CalPERS took into account, both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10 <sup>1</sup></b>	<b>Real Return Years 11 + <sup>2</sup></b>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

<sup>1</sup> An expected inflation of 2.0% was used for this period.

<sup>2</sup> An expected inflation of 2.92% was used for this period.

The discount rate used to measure the total pension liability was 7.15% for the plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 Section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 7 – Public Employee Retirement System (Continued)**

**B. Net Pension Liability (Continued)**

*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:

	<b>Plan's Net Pension Liability</b>		
	<b>Discount Rate - 1% (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>Discount Rate + 1% (8.15%)</b>
Miscellaneous	\$ 1,050,218	\$ 694,727	\$ 326,602

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the CalPERS Pension Plans**

At June 30, 2020, the Fund had no outstanding amounts owed to the CalPERS pension plans for contributions for the year ended June 30, 2020.

**Note 8 – 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.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**A. Retiree Healthcare Plan (PEHMCA) (Continued)**

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 (\$136/month for 2019 and \$139/month for 2020).

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, 2020 were \$11,571.

**Actuarial Assumptions**

The net OPEB liability of the Plan was determined using an actuarial valuation as of July 1, 2019 using the following actuarial assumptions:

Discount Rate	5.40%
Inflation	2.25%
Aggregate payroll increases	2.75%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2014
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.
Healthcare Trend Rate	4%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

**Discount Rate**

The discount rate used to measure the total Plan's OPEB liability was 5.4%. 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.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**A. Retiree Healthcare Plan (PEHMCA) (Continued)**

**Discount Rate (Continued)**

The expected long-term rate of return on OPEB plan investments of 5.4%, 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%	7.50%
All Fixed Income	65.00%	4.50%
Short-Term Gov't Fixed	5.00%	3.25%
	<u>100.00%</u>	

**Proportionate Share of Net OPEB Liability and OPEB Expense**

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

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
Balance at: 6/30/18 (Valuation date)	\$ 193,241	\$ 126,767	\$ 66,474
Balance at: 6/30/19 (Measurement date)	169,423	181,141	(11,718)
Net changes during 2018-2019	<u>\$ 23,818</u>	<u>\$ (54,374)</u>	<u>\$ 78,192</u>

The Fund’s proportionate share of the City’s net OPEB liability (asset) for the OPEB plan is measured as the proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) of the OPEB plans is measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 measurement date (June 30, 2019 reporting date) and 2019 measurement date (June 30, 2020 reporting date) was as follows:

	<b>Fund's Proportion to City's Share Pool</b>
Proportion - June 30, 2019	5.16416%
Proportion - June 30, 2020	6.79809%
Change - Increase/(Decrease)	<u>1.63393%</u>

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**A. Retiree Healthcare Plan (PEHMCA) (Continued)**

**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:

<b>Net OPEB Liability (Asset)</b>		
Discount Rate - 1% (3.4%)	Current Discount Rate (5.4%)	Discount Rate + 1% (5.4%)
\$ 10,996	\$ (11,718)	\$ (30,557)

**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:

<b>Net OPEB Liability (Asset)</b>		
Healthcare Cost Trend Rates 3%	Healthcare Cost Trend Rates 4%	Healthcare Cost Trend Rates 5%
\$ (34,435)	\$ (11,718)	\$ 15,769

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

For the year ended June 30, 2020, the Fund recognized OPEB expense of \$10,556 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, 2020, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,485	\$ (58,717)
Changes of assumptions	12,975	(14,320)
Net difference between projected and actual earning on OPEB plan investments	1,657	-
Total	\$ 16,117	\$ (73,037)

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**A. Retiree Healthcare Plan (PEHMCA) (Continued)**

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
2020	\$ (2,959)
2021	(2,959)
2022	(2,978)
2023	(3,518)
2024	(6,919)
Thereafter	(37,587)
Total	<u>\$ (56,920)</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.

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



**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

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

Employees must retire within one hundred twenty (120) days. In addition, employees who separate service but do not retire as a PERS annuitant, shall not be eligible under for SOMAR benefits.

The City will pay a portion of the optional money to a retiree until the retiree reaches age sixty-five (65), upon which they are required to enroll in Medicare. At that time, the optional money will drop to an amount equivalent to the Kaiser Supplemental to Medicare rate through PERS.

The SOMAR benefit is expected to last into perpetuity. Payment are made on a bi-annual basis.

**Benefits Provided**

The SOMAR plan’s provisions and benefits in effect at June 30, 2020, are summarized below:

	<u><b>Executives</b></u>
Duration of benefits	Lifetime
Required service	50% at 10 years grading to 100% at 20 years
Minimum age	Retirement
Amount	\$263 per month pre- 65; based on Kaiser premium post-65

**Contributions**

For the year ended June 30, 2020, the Fund contributions recognized as part of OPEB expense for the SOMAR plan were \$2,182.

**Actuarial Assumptions**

The net pension liability of the SOMAR Plan was determined using an actuarial valuation as of July 1, 2019 using the following actuarial assumptions:

Cost method	Entry age normal
Discount Rate	2.20%
Inflation	2.75%
Aggregate payroll increases	2.75%
Mortality, retirement, and turnover	2017 CalPERS tables
Mortality Improvement Scale	RP-2014 Employee and Healthy Annuitant Mortality Tables for males and females.

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

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

**Discount Rate**

The discount rate used to measure the total OPEB liability for the SOMAR plan was 2.2%. This discount rate estimates investment earnings for assets earmarked to cover retiree cash benefit liabilities. Since the SOMAR plan is an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds.

**Proportionate Share of Net OPEB Liability and OPEB Expense**

The Fund proportionate share of the net OPEB liability as of June 30, 2019, measurement date, is as follows:

Plan's Proportion to Total Pool at June 30, 2019	Proportionate Share of Net OPEB Liability
5.357%	\$ 99,901

**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% (1.2%)	Current Discount Rate (2.2%)	Discount Rate + 1% (3.2%)
\$ 118,690	\$ 99,901	\$ 84,165

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

For the year ended June 30, 2020, the City recognized pension expense of \$9,739 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, 2020, 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
Changes of assumptions	\$ 17,844	\$ -
Total	\$ 17,844	\$ -

**Hercules Wastewater Fund**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

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

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
2020	\$ 1,785
2021	1,785
2022	1,785
2023	1,785
2024	1,785
Thereafter	8,919
Total	<u>\$ 17,844</u>

**Payable to the OPEB Plan**

At June 30, 2020, the Fund had no outstanding amounts owed to the SOMAR OPEB plan for contributions for the year ended June 30, 2020.

**Note 9 – 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.

**B. COVID-19**

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Fund could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the Fund and the duration cannot be estimated at this time.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**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, 2020**

Last Ten Fiscal Years <sup>1</sup>

**California Public Employees' Retirement System (CalPERS)**

**Miscellaneous Plans**

<b>Measurement Date:</b>	<b>June 30, 2019<sup>1</sup></b>	<b>June 30, 2018<sup>1</sup></b>	<b>June 30, 2017<sup>1</sup></b>	<b>June 30, 2016<sup>1</sup></b>	<b>June 30, 2015<sup>1</sup></b>	<b>June 30, 2014<sup>1</sup></b>
Proportion of the Net Pension Liability	9.71%	9.53%	9.53%	0.17%	0.18%	0.19%
Proportionate Share of the Net Pension Liability	\$ 694,727	\$ 637,000	\$ 659,623	\$ 562,902	\$ 481,238	\$ 462,583
Covered-Employee Payroll	\$ 378,662	\$ 352,136	\$ 258,966	\$ 251,715	\$ 265,380	\$ 319,046
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	183.47%	180.90%	254.71%	223.63%	181.34%	144.99%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	75.07%	77.69%	75.39%	75.87%	78.32%	78.10%

<sup>1</sup> 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, 2020**

**Last Ten Fiscal Years <sup>1</sup>**

**California Public Employees' Retirement System (CalPERS)**

<b>Fiscal Year:</b>	<b>Miscellaneous Plans</b>					
	<b>2019-20<sup>1</sup></b>	<b>2018-19<sup>1</sup></b>	<b>2017-18<sup>1</sup></b>	<b>2016-17<sup>1</sup></b>	<b>2015-16<sup>1</sup></b>	<b>2014-15<sup>1</sup></b>
Actuarially Determined Contribution <sup>2</sup>	\$ 95,532	\$ 91,514	\$ 63,159	\$ 52,105	\$ 52,884	\$ 34,760
Contribution in Relation to the Actuarially Determined Contribution <sup>2</sup>	(95,532)	(91,514)	(63,159)	(52,105)	(52,884)	(34,760)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll <sup>3</sup>	\$ 378,662	\$ 352,136	\$ 258,966	\$ 251,715	\$ 265,380	\$ 319,046
Contributions as a Percentage of Covered-Employee Payroll	25.23%	25.99%	24.39%	20.70%	19.93%	10.89%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

<sup>2</sup> 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.

<sup>3</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

**Notes to the Schedule:**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of the Two Years Additional Service Credit (a.k.a. Golden Handshakes).



**Hercules Wastewater Fund**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Proportionate Share of the Plan's Net OPEB Liability (Asset) (PEHMCA)**  
**For the Year Ended June 30, 2020**

**Last Ten Fiscal Years <sup>1</sup>**

<b>Measurement Date:</b>	<b>June 30, 2019<sup>1</sup></b>	<b>June 30, 2018<sup>1</sup></b>	<b>June 30, 2017<sup>1</sup></b>
Proportion of the Net OPEB Liability (Asset)	6.80%	5.16%	5.19%
Proportionate Share of the Net OPEB Liability (Asset)	\$ (11,718)	\$ 66,474	\$ 75,521
Covered-Employee Payroll	\$ 378,662	\$ 352,136	\$ 258,966
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	-3.09%	18.88%	29.16%
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	106.92%	65.60%	59.11%

<sup>1</sup> 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, 2020**

**Last Ten Fiscal Years <sup>1</sup>**

<b>Fiscal Year:</b>	<u><b>2019-20<sup>2</sup></b></u>	<u><b>2018-19</b></u>	<u><b>2017-18</b></u>
Actuarially Determined Contribution	\$ 11,571	\$ 18,642	\$ 10,641
Contribution in Relation to the Actuarially Determined Contribution	<u>(11,571)</u>	<u>(18,642)</u>	<u>(10,641)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	<u>\$ 378,662</u>	<u>\$ 352,136</u>	<u>\$ 258,966</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>3.06%</u>	<u>5.29%</u>	<u>4.11%</u>

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

<sup>2</sup> 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, 2020**

Last Ten Fiscal Years <sup>1</sup>

<b>Measurement Date:</b>	<b><u>June 30, 2020<sup>12</sup></u></b>
Proportion of the Net OPEB Liability (Asset)	<u>6.80%</u>
Proportionate Share of the Net OPEB Liability (Asset)	<u>\$ (11,718)</u>
Covered-Employee Payroll	<u>\$ 378,662</u>
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	<u><u>-3.09%</u></u>
Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u><u>0.00%</u></u>

<sup>1</sup> Historical information is presented only for periods for which GASB 75 is applicable.

<sup>2</sup> 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, 2020**

**Last Ten Fiscal Years <sup>1</sup>**

<b>Fiscal Year:</b>	<b>2019-20<sup>2</sup></b>
Actuarially Determined Contribution	\$ 2,182
Contribution in Relation to the Actuarially Determined Contribution	(2,182)
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 378,662
Contributions as a Percentage of Covered-Employee Payroll	0.58%

<sup>1</sup> Historical information is presented only for measurement periods for which GASB No. 75 is applicable.

<sup>2</sup> Effective for the year ended June 30, 2020, SOMAR Plan is valued separately.

# City of Hercules

Hercules, California

## **Independent Accountants' Report on Applying Agreed-Upon Procedures on Measures B Transactions and Use Tax Revenues**

*For the Year Ended June 30, 2020*





## 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, which were agreed to by the City of Hercules, California (the "City") on the City's Measure B revenues received for the fiscal year ending June 30, 2020. The City of Hercules' 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 sufficiency of these procedures is solely the responsibility of the City 's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. We confirmed Measure B payments with the California State Board of Equalization and calculated variances to the receipts summarized per the general ledger of the City for the year ended June 30, 2020.

### Findings:

Date Posted to G/L	Receipts per G/L	Payments per BOE	Variance
7/30/2019*	\$ 170,706	\$ 170,706	-
8/31/2019*	179,810	179,810	-
9/30/2019	322,963	322,963	-
10/31/2019	182,805	182,805	-
11/30/2019	224,476	224,476	-
12/31/2019	289,909	289,909	-
1/31/2020	178,838	178,838	-
2/29/2020	198,428	198,428	-
3/31/2020	281,604	281,604	-
4/30/2020	186,836	186,836	-
5/31/2020	203,712	203,712	-
6/30/2020	248,852	248,852	-
6/30/2020**	205,851	205,851	-
6/30/2020**	202,437	202,437	-
	<u>\$ 3,077,227</u>	<u>\$ 3,077,227</u>	

\*The City accrued \$350,516 for the fiscal year ended June 30, 2019. These payments apply to that accrual.

\*\*The City accrued \$408,288 for the fiscal year ended June 30, 2020 that were received subsequent to the fiscal yearend.

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 into the City's General Fund for use by the City with no exceptions.

This agreed-upon procedures engagement was conducted 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, 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 revenues. 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.

This report is intended solely for the information and use of the City of Hercules 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  
December 31, 2020



# City of Hercules

Hercules, California

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

*For the Year Ended June 30, 2020*





## 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, which were agreed to by the City of Hercules' management, on assisting the City in evaluating whether the Measure C Utility Users Tax Rate Revenues of the City for the year ended June 30, 2020 is in accordance with the provisions of this measure. The City of Hercules' management is responsible for the receipt of Measure C - Utility Users Tax Rate Revenues and deposit of such proceeds into the City's General Fund. The sufficiency of these procedures is solely the responsibility of the City of Hercules' management. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

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 2019/20 - Expected UUT VS Actual UUT
  - b) FY 2019/20 - Increase in Revenues Generated by Measure C

### Findings:

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

FY 2019/20 - Expected UUT vs Actual UUT					
Type of Utility	Estimated Utility Billings (FY 19/20 Utility Billings as a Base)	Expected UUT*	Actual UUT	Variance	% Variance
Electricity	\$ 16,213,575	\$ 1,297,086	\$ 1,249,697	\$ (47,389)	-3.79%
Telephone	10,198,650	815,892	600,549	(215,343)	-35.86%
Gas	4,539,900	363,192	393,007	29,815	7.59%
Water	7,222,963	577,837	691,261	113,424	16.41%
Cable	6,434,563	514,765	549,329	34,564	6.29%
Totals UUT	\$ 44,609,650	\$ 3,568,772	\$ 3,483,843	\$ (84,929)	-2.44%
* Based on UUT of 8% of estimated utility billings					

b) Schedule recalculated for mathematical accuracy with no exceptions.

FY 2019/20 - Increase in Revenue Generated by Measure C						
Type of Utility	Actual UUT with Measure A *	Estimated UUT without Measure A **	Increase in Revenue due to Measure A	Increase/ Decrease in Revenue per Staff Report ***	Variance	% Variance
Electricity	\$ 1,249,697	\$ 937,273	\$ 312,424	\$ 323,768	\$ 11,344	3.50%
Telephone	600,549	450,412	150,137	120,188	(29,949)	-24.92%
Gas	393,007	294,755	98,252	101,697	3,445	3.39%
Water	691,261	518,446	172,815	183,616	10,801	5.88%
Cable	549,329	-	549,329	569,415	20,087	3.53%
Totals	\$ 3,483,843	\$ 2,200,886	\$ 1,282,957	\$ 1,298,685	\$ 15,728	1.21%
* Based on the actual UUT collected for FY 2019/2020 at a rate of 8% for the entire year.						
** Based on a rate of 8% UUT on electricity, telephone, gas and water, and no UUT on cable.						
*** Based on the Adopted Budget for FY 18/19 & FY 19/20.						

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

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

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure C Utility Users Tax Rate Revenues of the City for the year ended June 30, 2020 in accordance with the provisions of this measure. 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.

This report is intended solely for the information and use of the City of Hercules 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  
December 31, 2020

# City of Hercules

Hercules, California

## **Independent Accountants' Report on Applying Agreed-Upon Procedures to Appropriations Limit Schedule**

*For the Year Ended June 30, 2020*

**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, which were agreed to by the City of Hercules, California (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*) on assisting you in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution for the year ended June 30, 2020. The City's management is responsible for the Appropriations Limit Schedule. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or any other purpose.

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, 2020, and verified that the limit and annual calculation factors were adopted by resolution of the City Council. We also verified 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, 2020 that will benefit the City the most. There is no impact as the City's appropriations for 2019-20 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

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, respectively, on assisting you in meeting the requirements of Section 1.5 of Article XIII-B of the California Constitution. 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.

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  
December 18, 2020

**City of Hercules**  
**Appropriations Limit Schedule**  
**For the Year Ended June 30, 2020**

	Amount	Source
A. Appropriations Limit FY 2018-2019	\$ 416,474,111	Prior year appropriation limit adopted by the City
B. Calculation Factors:		
1) Population increase %	1.0070	California Department of Finance
2) Inflation increase %	1.0502	California Department of Finance
3) Total adjustment %	1.0576	(B1 x B2)
C. Annual Adjustment Increase	23,968,668	{(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	23,968,668	(C + D)
F. Appropriations Limit FY 2019-2020	\$ 440,442,779	(A + E)



**City of Hercules**  
**Notes to Appropriations Limit Schedule**  
**For the Year Ended June 30, 2020**

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**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 a limited procedures review 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 for the year ended June 30, 2020, represents the annual percentage change in population for the County of Contra Costa.

**Note 4 – Inflation factors**

A California governmental agency may use as its inflation factor either the annual percentage change in the 4<sup>th</sup> quarter per capita personal income (which percentage is supplied by the California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year ended June 30, 2020, represents the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction.

**Note 5 – Other Adjustments**

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ended June 30, 2020.

**CITY OF HERCULES**  
**GENERAL FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2020**

	CAFR Presentation (GAAP)	Excluded	Reserve and Contribution	Outstanding Encumbrances/ Commitments	Rounding	BUDGETARY BASIS
BEGINNING FUND BALANCE	45,367,548	(42,955,480)				2,412,068
TOTAL REVENUES	16,479,509				4	16,479,513
TRANSFERS IN	227,335					227,335
	16,706,844	-	-	-	4	16,706,848
TOTAL EXPENDITURES	14,899,744		712,693	128,520	4	15,740,961
TRANSFERS OUT	988,310					988,310
SPECIAL ITEM (SETTLEMENT PAYMENT)	1,812,075					1,812,075
	17,700,129	-	712,693	128,520	4	18,541,346
NET CHANGE IN FUND BALANCE	(993,285)	-	(712,693)	(128,520)	-	(1,834,498)
<b>ENDING FUND BALANCE</b>	<b>44,374,263</b>	<b>(42,955,480)</b>	<b>(712,693)</b>	<b>(128,520)</b>	<b>-</b>	<b>577,570</b>
Draw on reserves, as appropriated						1,269,542
<b>ENDING FUND BALANCE with the draw on reserve</b>						<b>1,847,112</b>

Excluded:

Advances to the former Redevelopment Agency	(27,787,637)
Pension Section 115 Trust	(1,649,896)
Current Assets other than Cash	(3,036,027)
Negative Cash	(4,377,140)
Reserve for Earthquake Insurance Deductible	(500,000)
Reserve for Capital Projects	(450,000)
Reserve for Planning	(699,174)
Reserve for Building	(21,800)
Reserve for Reusable Bags (remaining)	(13,930)
Reserve for PEG Fees	(70,000)
Designations for Prior Year Decision Packages Carryover	(245,000)
BR 19-2 Teen Center Improvements	(25,000)
BR 19-14 Resurface Tennis Court	(140,000)
Other reserve changes (encumbrances, prepaid)	(56,594)
Reserve for Economic Uncertainty (25% target)	(3,883,282)
<b>Total</b>	<b>(42,955,480)</b>

Deposit to Reserves and Contributions:

Fiscal Neutrality	236,867
OPEB Trust	100,000
Pension Trust	250,000
Planning	125,826
<b>Total</b>	<b>712,693</b>

City of Hercules

General Fund

Based on Audited Year-End Results, June 30, 2020, and FY 20-21 Updated Projections

	FY 19-20 Adopted	Mid-Year	FY 19-20 Mid-Year	COVID-19 & YE	FY 19-20 As projected in	FY 19-20 Audited Year- End Actuals	Projected vs. Actual	FY 20-21 Budget
	Budget	Adjustments	Budget	Adjustments	FY 20-21 Budget	Including Adjustments to Reserve and Outstanding Encumbrance	Variance	Updated Projections
<b>Beginning Available Balance</b>	1,268,975		2,357,568	54,500	2,412,068	2,412,068	-	1,847,112
<b>Revenues</b>								
Taxes								
Utility User Tax	3,768,772	(200,000)	3,568,772	(175,491)	3,393,281	3,483,843	90,562	3,425,000
Sales Tax	3,377,149		3,377,149	334,851	3,712,000	4,212,285	500,285	3,942,000
Property Taxes	1,470,000		1,470,000	(65,000)	1,405,000	1,415,995	10,995	1,505,000
Former RDA pass-thru	524,000		524,000	99,000	623,000	453,944	(169,056)	293,000
Franchise Fees	845,401		845,401	(30)	845,371	948,503	103,132	865,000
Business Licenses	200,000		200,000	-	200,000	251,418	51,418	194,000
Transfer Tax	123,000		123,000	-	123,000	142,850	19,850	131,000
Transient Occupancy Tax	9,500		9,500	(6,500)	3,000	6,179	3,179	5,000
Increase in tax revenues on new developments			-	-	-	-	-	373,000
Intergovernmental	2,135,545		2,135,545	-	2,135,545	2,151,433	15,888	2,267,000
Fines & Forefeitures	35,000		35,000	-	35,000	62,582	27,582	36,000
Program Revenues								
Community Development	228,341		228,341	140,000	368,341	675,556	307,215	419,000
Parks and Recreation	1,709,879		1,709,879	(719,060)	990,819	1,020,758	29,939	1,340,600
Police	513,898	11,000	524,898	-	524,898	483,110	(41,788)	321,000
Public Works	46,255		46,255	-	46,255	28,588	(17,667)	47,000
Other	9,687		9,687	-	9,687	6,770	(2,917)	10,000
Use of Money & Property	335,000		335,000	86,957	421,957	600,707	178,750	307,000
Cost allocated to other funds	656,949		656,949	(121,957)	534,992	534,992	-	699,000
Coronavirus Relief Funds								-
Transfers In	265,766		265,766	-	265,766	227,335	(38,431)	150,000
	<b>16,254,142</b>	<b>(189,000)</b>	<b>16,065,142</b>	<b>(427,230)</b>	<b>15,637,912</b>	<b>16,706,848</b>	<b>1,068,936</b>	<b>16,329,600</b>
<b>Expenditures</b>								
Police	7,233,907	175,000	7,408,907	227,607	7,636,514	7,564,927	(71,587)	7,611,503
Public Works	369,584		369,584	(22,345)	347,239	305,464	(41,775)	252,258
Community Development	677,339	15,000	692,339	(39,009)	653,330	611,297	(42,033)	661,812
Parks and Recreation	2,397,150		2,397,150	(192,000)	2,205,150	2,165,547	(39,603)	2,518,063
Administration			-	-	-	-	-	
City Council	333,602	50,000	383,602	-	383,602	376,082	(7,520)	382,000
City Manager	426,458		426,458	-	426,458	385,675	(40,783)	396,162
Legal	360,000		360,000	(52,000)	308,000	284,709	(23,291)	345,000
Administrative Services	858,782		858,782	(30,890)	827,892	700,608	(127,284)	841,682
Finance	##### #		1,093,697	(1,683)	1,092,014	1,044,931	(47,083)	1,133,620
Workers Comp/General Liability	1,048,073		1,048,073	-	1,048,073	1,084,650	36,577	1,073,075
Non-Department	1,207,678		1,207,678	-	1,207,678	1,238,384	30,706	830,000
Transfers Out	205,099		205,099	-	205,099	205,099	-	205,000
Reserve and Contribution			-	-	-	-	-	
Fiscal Neutrality	236,867		236,867	-	236,867	236,867	-	1,269,542
OPEB Trust	100,000		100,000	-	100,000	100,000	-	
Pension Trust	250,000		250,000	-	250,000	250,000	-	
Planning			-	125,826	125,826	125,826	-	
Decision Packages	528,711		528,711	(479,506)	49,205	49,205	-	
DOF Settlement			-	1,812,075	1,812,075	1,812,075	-	604,025
	<b>17,326,947</b>	<b>240,000</b>	<b>17,566,947</b>	<b>1,348,075</b>	<b>18,915,022</b>	<b>18,541,346</b>	<b>(373,676)</b>	<b>18,123,742</b>
<b>Net Annual Activity</b>	<b>(1,072,805)</b>		<b>(1,501,805)</b>	<b>(1,775,305)</b>	<b>(3,277,110)</b>	<b>(1,834,498)</b>	<b>1,442,612</b>	<b>(1,794,142)</b>
<b>Ending Available Balance</b>	<b>196,170</b>		<b>855,763</b>		<b>(865,042)</b>	<b>577,570</b>	<b>1,442,612</b>	<b>52,970</b>
<b>General Fund Operating Reserve</b>								
Beginning Balance	3,797,650		3,797,650		3,797,650	3,797,650		2,764,975
Current Year Contribution	236,867		236,867		236,867	236,867		-
Draw on reserve			-		(1,269,542)	(1,269,542)		-
Reverse draw on reserve								1,269,542
<b>Ending Balance</b>	<b>4,034,517</b>		<b>4,034,517</b>		<b>2,764,975</b>	<b>2,764,975</b>		<b>4,034,517</b>
<b>% of On-going Expenditures</b>	<b>25%</b>		<b>25%</b>		<b>17%</b>	<b>17%</b>		<b>25%</b>

**THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES  
REDEVELOPMENT AGENCY**

**DATE:** January 12, 2021

**TO:** The City of Hercules as Successor Agency to the Hercules  
Redevelopment Agency

**SUBMITTED BY:** David Biggs, City Manager/Executive Director  
Edwin Gato, Director of Finance

**SUBJECT:** Recognized Obligation Payment Schedule for the period of July 1, 2021  
through June 30, 2022 (ROPS 21-22)

**RECOMMENDED ACTION:**

Adopt a resolution approving the Recognized Obligation Payment Schedule for the period July 1, 2021 through June 30, 2022 (ROPS 21-22).

**DISCUSSION:**

California Health and Safety Code (HSC) Section 34177 requires that Redevelopment Agency successor agencies must, amongst other things, prepare a Recognized Obligation Payment Schedules (ROPS) for each upcoming fiscal year. A ROPS is the document that sets forth the maximum payment amounts and due dates of payments required by enforceable obligations. Enforceable obligations are defined in HSC Section 34171(d) and include the payment of bonds and loans, payments required by the federal government, judgments or settlements, any legally binding agreement or contract, and contracts or agreements necessary for the administration or operation of the successor agency.

HSC Section 34177(1) requires successor agencies to submit the ROPS to a Countywide Oversight Board and the California Department of Finance (DOF) for approval.

The ROPS template used for the ROPS 21-22 includes the following worksheets:

- 1. Recognized Obligation Payment Schedule Summary**
- 2. Recognized Obligation Payment Schedule – ROPS Detail** - This worksheet includes a section for ROPS A (July 1, 2021 through December 31, 2021) and a section for ROPS 21-22 B (January 1, 2022 through June 30, 2022).
- 3. Recognized Obligation Payment Schedule – Report of Cash Balances**
- 4. Recognized Obligation Payment Schedule – Notes**

### Highlights for ROPS 21-22

Hercules ROPS 21-22 requests \$63,259,492 in obligations from Redevelopment Property Tax Trust Funds (RPTTF). The bulk of the request is a \$50,496,029 loan repayment owed under a Cooperation Agreement between the City and former Redevelopment Agency. The City advanced funds to the Redevelopment Agency between fiscal years 1984-85 to 2010-11 for various redevelopment projects including but not limited to library, park and wastewater improvements. The loan repayment was previously denied by DOF because the loan repayment was under litigation. Hercules and DOF have since settled their litigation. Although the Successor Agency does not anticipate the loan will be eligible for repayment unless the Successor Agency receives a finding of completion, the ROPS 21-22 requests the \$50 million loan repayment in case Hercules becomes eligible for a finding of completion as a result of passage of a pending legislative solution.

The remaining \$12.8 in obligations are enforceable obligations previously approved by DOF. They consist of bond debt service and related fees (\$9.5 million), payments owed to third parties pursuant to various agreements entered into prior to dissolution (\$3.1 million), and an administrative cost allowance (\$250,000).

The ROPS 21-22 Report of Cash Balance worksheet shows the Redevelopment Property Tax Trust Fund (RPTTF) money received for ROPS 18-19 (July 1, 2018 through June 30, 2019) was fully expended.

The Recognized Obligation Payment Schedules (ROPS) are posted on the City of Hercules website ([www.ci.hercules.ca.us](http://www.ci.hercules.ca.us)).

### **ATTACHMENTS:**

1. Resolution approving the Recognized Obligation Payment Schedule (ROPS) for the period July 1, 2021 through June 30, 2022
2. ROPS 21-22

## **RESOLUTION NO.**

### **A RESOLUTION OF THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD JULY 1, 2021 THROUGH JUNE 30, 2022 (ROPS 21-22)**

**WHEREAS**, on December 29, 2011, the California Supreme Court issued its final decision in the litigation of *California Redevelopment Association v. Matosantos*, upholding Assembly Bill x1 26 (codified as Health and Safety Code 34161-34191) (“ABx1 26”) and invalidating Assembly Bill x1 27 (the legislation that would have permitted redevelopment agencies to continue operation if their sponsoring jurisdiction agreed to make certain payments for the benefit of schools and special districts); and as a result, all California redevelopment agencies were dissolved, effective February 1, 2012; and

**WHEREAS**, pursuant to California Health and Safety Code (“HSC”) Section 34173(d), on January 10, 2012 by Resolution No 12-005, the Council of the City of Hercules elected to become the Successor Agency to the Hercules Redevelopment Agency (“Agency”) (non-housing); and

**WHEREAS**, HSC Section 34179 requires that certain Successor Agency actions are subject to Oversight Board approval; and

**WHEREAS**, HSC Section 34177 requires each Successor Agency to prepare a draft Recognized Obligation Payment Schedule (“ROPS”) and HSC Section 34180 requires the Oversight Board to approve same; and

**WHEREAS**, HSC Section 34177 provides that each ROPS shall be forward looking to the next fiscal year; and

**WHEREAS**, HSC Section 34177(m) states that the Recognized Obligation Payment Schedule shall be submitted by the Successor Agency, after approval by the Oversight Board to the California Department of Finance.

**NOW, THEREFORE, BE IT RESOLVED** that the City of Hercules as Successor Agency to the Hercules Redevelopment Agency, hereby finds and determines:

- (1) Approval of the ROPS for the period July 1, 2021 through June 30, 2022 (ROPS 21-22) attached hereto as Exhibit A.
- (2) Successor Agency staff is directed to provide a copy of this Resolution along with the approved draft ROPS to the Contra Costa County Countywide Oversight Board, County Auditor Controller, the State Controller’s Office and the State Department of Finance.

The foregoing Resolution was duly and regularly adopted by the City of Hercules as Successor Agency to the Hercules Redevelopment Agency at its meeting held on the 12th day of January, 2021 by the following:

**AYES:**  
**NOES:**  
**ABSENT:**  
**ABSTAIN:**

---

Chris Kelley, Chair

ATTEST:

---

Lori Martin, City Clerk / Administrative Services Director

**Recognized Obligation Payment Schedule (ROPS 21-22) - Summary**  
**Filed for the July 1, 2021 through June 30, 2022 Period**

**Successor Agency:** Hercules

**County:** Contra Costa

<b>Current Period Requested Funding for Enforceable Obligations (ROPS Detail)</b>	<b>21-22A Total (July - December)</b>	<b>21-22B Total (January - June)</b>	<b>ROPS 21-22 Total</b>
<b>A Enforceable Obligations Funded as Follows (B+C+D)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
<b>E Redevelopment Property Tax Trust Fund (RPTTF) (F+G)</b>	<b>\$ 57,723,732</b>	<b>\$ 5,536,140</b>	<b>\$ 63,259,872</b>
F RPTTF	57,598,732	5,411,140	63,009,872
G Administrative RPTTF	125,000	125,000	250,000
<b>H Current Period Enforceable Obligations (A+E)</b>	<b>\$ 57,723,732</b>	<b>\$ 5,536,140</b>	<b>\$ 63,259,872</b>

**Certification of Oversight Board Chairman:**

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

\_\_\_\_\_  
Name Title

/s/ \_\_\_\_\_  
Signature Date



**Hercules**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - ROPS Detail**  
**July 1, 2021 through June 30, 2022**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation	Retired	ROPS 21-22 Total	ROPS 21-22A (Jul - Dec)					ROPS 21-22B (Jan - Jun)					21-22B Total	
											Fund Sources					Fund Sources						
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		
1	2005 Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	08/05/2005	08/05/2036	Bank of New York	Bonds issued to fund non-housing projects	All	\$309,815,492	N	\$63,259,872						\$57,723,732						\$5,536,140
								42,221,950		\$3,139,432						\$2,417,738						\$721,694
2	2007 Tax Allocation Bonds	Bonds Issued On or Before 12/31/10	12/20/2007	12/20/2044	Bank of New York	Bonds issued to fund non-housing projects	All	77,997,945	N	\$3,332,882												
																						\$1,099,647
3	2007 Tax Allocation Bonds Housing(A)	Bonds Issued On or Before 12/31/10	07/26/2007	07/26/2034	Bank of New York	Affordable Housing Bonds	All	12,924,772	N	\$1,001,344						742,722						
																						\$258,622
4	2007 Tax Allocation Bonds Housing(B)	Bonds Issued On or Before 12/31/10	07/26/2007	07/26/2034	Bank of New York	Affordable Housing Bonds	All	9,583,053	N	\$742,213												
																						\$164,050
5	Catellus/Hercules LLC	OPA/DDA/ Construction	01/01/2009	02/15/2044	Catellus	Settlement Agreement	All	58,751,062	N	\$2,209,845												
																						\$1,150,000
6	AMBAC Settlement	Litigation	03/23/2012	12/31/2099	AMBAC	Settlement Obligation	All	-	N	\$-												\$-
10	OPA (Owner Participation Agreement)	OPA/DDA/ Construction	11/15/1996	11/15/2041	Hercules Senior Housing/ Bridge	OPA for Senior Housing	All	2,730,000	N	\$130,000												\$65,000
12	Lease of Commercial Space	Business Incentive Agreements	04/05/2002	07/01/2017	Emmerich	Rent for commercial space	All	710,604	N	\$710,604												\$710,604
13	Lease of Commercial Space	Business Incentive Agreements	10/01/2007	09/20/2012	Montoya	Rent for commercial space	All	13,176	N	\$13,176												\$13,176
16	Co-operation Agreement: Loan Repayment Agreement for Cash Advances	Miscellaneous	02/09/1983	12/31/2099	City of Hercules	Hercules Resolution 83-18 dated 02/09/1983	All	50,496,029	N	\$50,496,029												\$-
20	Bank and Trustee Fees	Fees	08/01/2005	12/31/2044	Various	Bank and trustee fees for Redevelopment	All	144,000	N	\$6,000												\$-



A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation	Retired	ROPS 21-22 Total	ROPS 21-22A (Jul - Dec)				ROPS 21-22B (Jan - Jun)				Fund Sources			21-22B Total
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	21-22A Total	Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	
21	SERAF	SERAF/ERAF	07/01/2009	06/30/2011	State of California	NONE	All	6,020,951	N	\$-						\$-						\$-
22	Administrative Costs	Admin Costs	07/01/2010	06/30/2099	Various	NONE	All	6,000,000	N	\$250,000						\$125,000						\$125,000
25	2005 Tax Allocation Bonds	Reserves	08/05/2005	08/05/2036	AMBAC Surety Bond	Bonds issued to fund non-housing projects	All		N	\$-						\$-						\$-
26	2007 Tax Allocation Bonds	Reserves	12/20/2007	12/20/2044	AMBAC Surety Bond	Bonds issued to fund non-housing projects	All		N	\$-						\$-						\$-
27	2007 Tax Allocation Bonds Housing (A)	Reserves	07/26/2007	07/26/2034	Assured Guaranty	Affordable Housing Bonds	All		N	\$-						\$-						\$-
28	2007 Tax Allocation Bonds Housing (B)	Reserves	07/26/2007	07/26/2034	Assured Guaranty	Affordable Housing Bonds	All		N	\$-						\$-						\$-
31	Debt Service Reserve	Reserves	08/05/2005	08/05/2036	Bank of New York	Retain reserve for anticipated shortfall for bond debt service in the next six-month ROPS period		42,221,950	N	\$1,228,347						\$-						\$1,228,347

**Hercules**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - Report of Cash Balances**  
**July 1, 2018 through June 30, 2019**  
 (Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.						
A	B	C	D	E	F	H
		Fund Sources				Comments
		Bond Proceeds		Reserve Balance	Other Funds	
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	RPTTF	
	<b>ROPS 18-19 Cash Balances (07/01/18 - 06/30/19)</b>					
1	<b>Beginning Available Cash Balance (Actual 07/01/18)</b> RPTTF amount should exclude "A" period distribution amount.	8,796,136		156,279		E: \$156,279 committed to ROPS 19-20 obligations. G: PPA 16-17 reserved for ROPS 19-20 (\$130,520) + \$2,881,541 retained for ROPS 18-19A obligations from ROPS 17-18B overpayment.
2	<b>Revenue/Income (Actual 06/30/19)</b> RPTTF amount should tie to the ROPS 18-19 total distribution from the County Auditor-Controller				5,523,568	G: CAC distributed \$5,523,568, or \$2,881,541 less than needed for debt service and bond reserves. CAC made this adjustment to "correct" the 17-18B distribution. As a result, Agency had to spend \$2,881,541 retained from FY 17-18.
3	<b>Expenditures for ROPS 18-19 Enforceable Obligations (Actual 06/30/19)</b>				8,405,109	
4	<b>Retention of Available Cash Balance (Actual 06/30/19)</b> RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	8,796,136		156,279	130,520	C: Bond reserve funds. E: \$156,279 committed to ROPS 19-20 obligations. G: PPA 16-17 reserved for ROPS 19-20

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.								
A	B	C	D	E	F	G	H	
		Fund Sources					Comments	
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF		
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin		
	<b>ROPS 18-19 Cash Balances (07/01/18 - 06/30/19)</b>							
<b>5</b>	<b>ROPS 18-19 RPTTF Prior Period Adjustment</b> RPTTF amount should tie to the Agency's ROPS 18-19 PPA form submitted to the CAC			No entry required		-		
<b>6</b>	<b>Ending Actual Available Cash Balance (06/30/19)</b> C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$-	\$-	\$-	\$-	\$-		\$-

**Hercules**  
**Recognized Obligation Payment Schedule (ROPS 21-22) - Notes**  
**July 1, 2021 through June 30, 2022**

Item #	Notes/Comments
1	
2	
3	
4	
5	
6	
10	
12	
13	
16	The balance of the loan is requested in case new circumstances permit a finding of completion
20	
21	
22	
25	
26	
27	
28	
31	



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** The Mayor and Members of the City Council

**SUBMITTED BY:** David Biggs, City Manager

**SUBJECT:** 2021 Development Site Update and Review

**RECOMMENDED ACTION:** Receive report, discuss, and provide direction if any.

### **FISCAL IMPACT OF RECOMMENDATION:**

None as a result of this action. The successful development of remaining development sites can result in additional revenues for the City in the form of property tax, sales tax, hotel bed tax, utility users tax and other revenues. There will also be an increase in expenses associated with providing municipal services to these developments and depending on the type, new revenues may or may not exceed these incremental expenses.

### **DISCUSSION:**

The City Council requested that an annual update on development sites in the City be made at a Council meeting in order to ensure the Council and community are informed of the current status and future plans for remaining sites. The last update of this type was provided on January 14, 2020.

Attached is a power point presentation which updates the presentation provided last year. Development sites are presented in two categories – committed or pending. Committed sites are those which have specific entitlements in place. Pending sites are those where there are pending development proposals or in the case of one site where there is a Development Agreement in place, or where there is active development interest.

In addition to the sites listed, there a number of other possible in-fill sites which are not listed as there is no current or pending activity of which the City is aware or the possibility of development is further in the future. These sites include the current BART park & ride lot area, a parcel east of Willow adjacent to Highway 4, and a residential in-fill parcel off of Lavender Place. In addition, there are remaining development sites in the North Shore Business Park including a number of areas where Bio-Rad can accommodate future expansion of their operations.

The first phase of the Bayfront, the Exchange, was completed and opened in August 2020. The second phase of the Bayfront, the 235 unit Grand will be completed in May, 2021. The third phase is fully entitled and may start construction later in 2021. The Safeway Center will be completed in March 2021. The Willow Auto Service & Self Storage project is under construction.

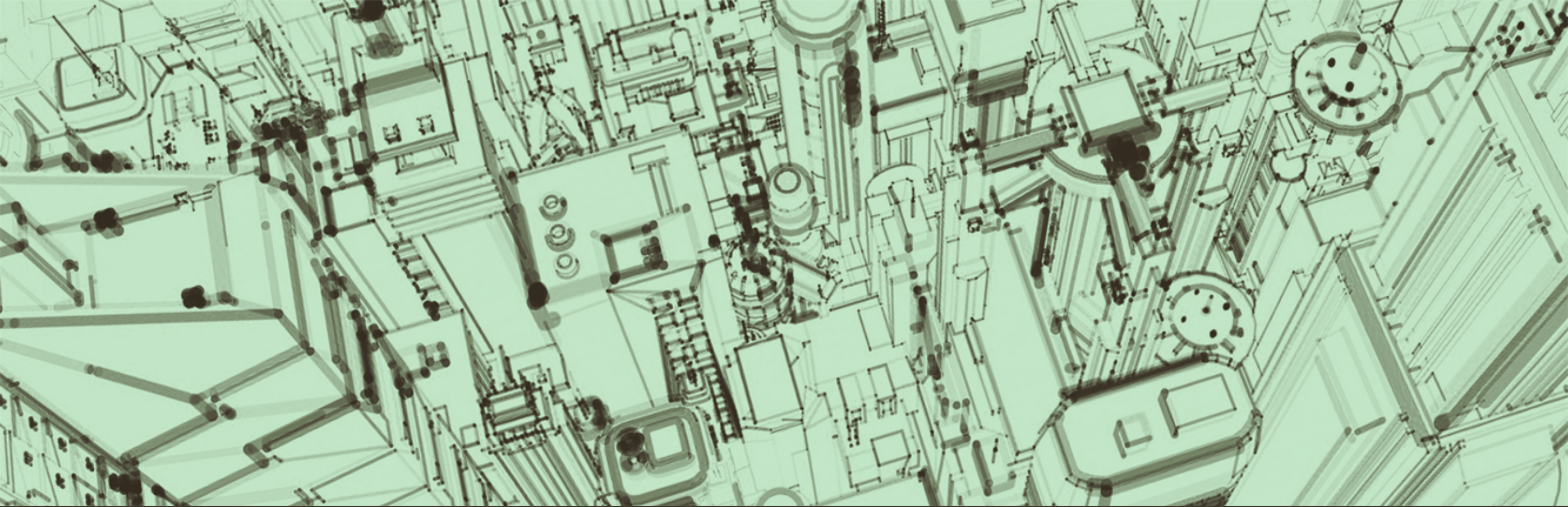
Available retail spaces are actively being marketed by the developers and their leasing agents, with tenant announcements for the Exchange forthcoming. Recruitment and selection of those retail tenants lies with the developer/property owners, and the City supports those efforts.

**ATTACHMENTS:**

Attachment 1 – 2021 Development Update PowerPoint Presentation

<i>Financial Impact</i>			
<b>Description:</b>			
<b>Funding Source:</b>			
<b>Budget Recap:</b>			
Total Estimated cost:	\$	New Revenue:	\$
Amount Budgeted:	\$	Lost Revenue:	\$
New funding required:	\$	New Personnel:	\$
Council Policy Change: Yes <input type="checkbox"/> No <input type="checkbox"/>			





# Development Update

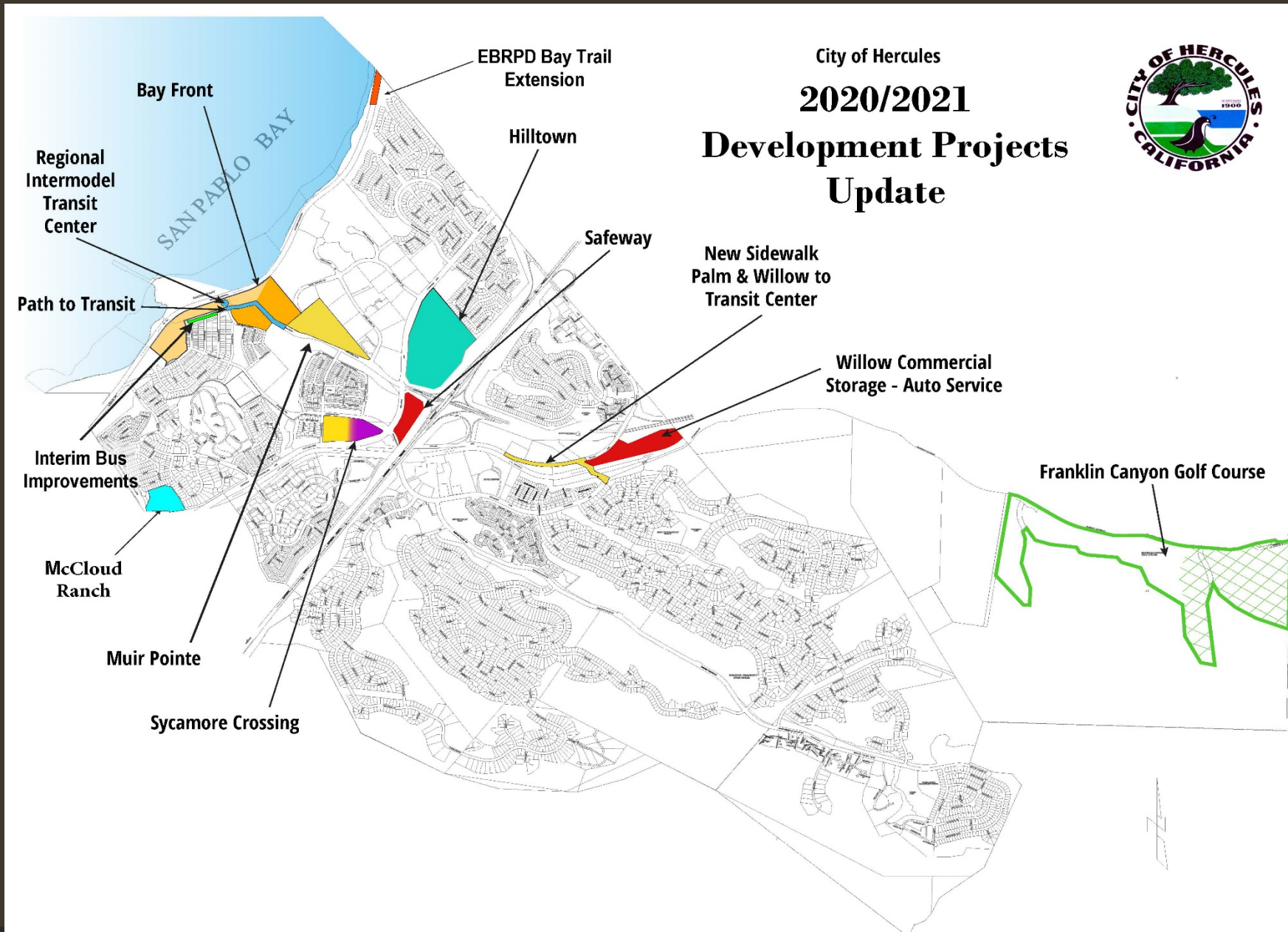
January 12, 2021



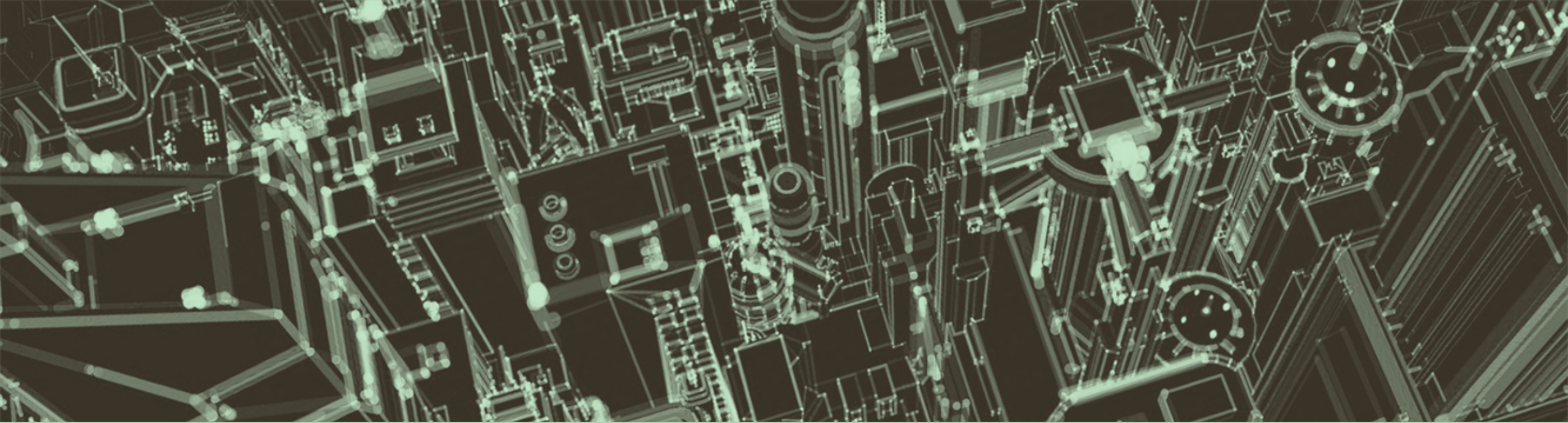


# Overview

- Former Redevelopment Properties All Sold to Private Parties
- Investment in Infrastructure Facilitates Development
- New Opportunities Identified
- Remaining Sites Constrained
- Update of Circulation Element Completed in 2018
- Currently Constrained by COVID Pandemic and Recessionary Economy
- Aspirational in Outlook and Realistic in Expectations







# Committed Sites





Completed project with 144 apartments and 10,000 sq. ft. retail.

Three retail spaces now occupied –

- Bridal/Florist Shop
- Jumping Spoon Korean Restaurant
- Optometrist

# Aventine







# Muir Pointe

144 new home community completed, including two new City parks – Sierra and Shasta.





# Bayfront

40 acre transit-oriented development with a mix of residential, retail, office and hospitality.

Residential: 1,392 units

Office: 115,000 square feet

Retail: 90,000 square feet

Flex : 134,000 square feet

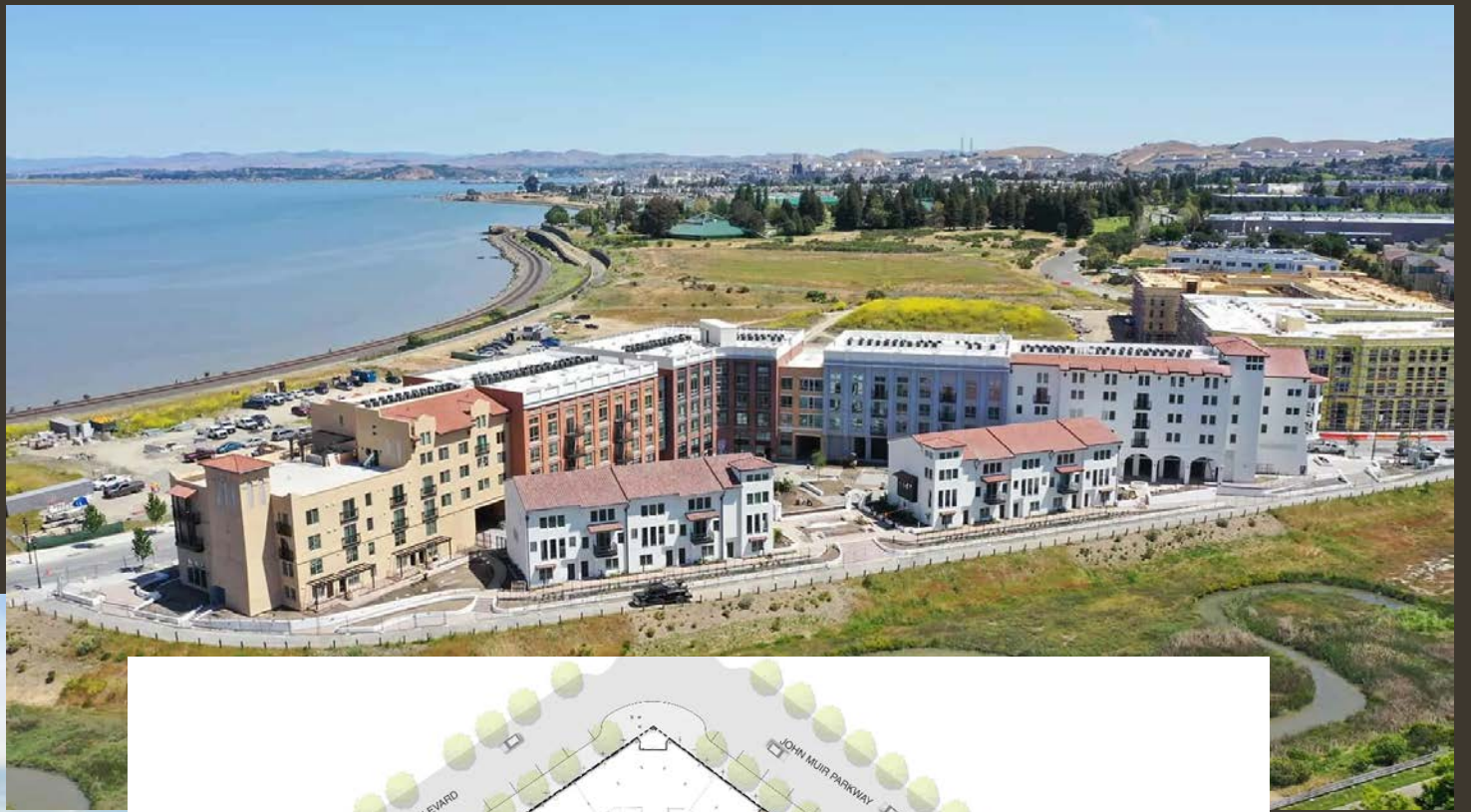




# Bayfront

## The Exchange

First phase – 172 apartments  
and ground floor retail  
completed in August 2020





# Bayfront

Second phase approved in June 2018

235 apartments with amenity space now under construction, expected to open May 2021





# Bayfront

Third phase approved by Planning Commission in May 2019, and by City Council in July 2019.

476 apartments on three blocks with amenity space;  
Building permits ready to be pulled in 2021.





# Safeway

New Safeway and fueling center, and 6,000 sq. ft. of shop space on 6.62 acres at San Pablo & Sycamore

Stores set to open March 2021

Will also feature Peet's Coffee and Chase Bank.







## Sycamore Crossing

12-acre site at Sycamore & San Pablo being developed by Lewis Operating Companies.

2.6-acre site sold for hotel development – 100 room Hampton Inn.

27,000-sq.-ft. retail center planned for 3.22 acres on corner.

120 unit townhouse community.

Project approved by the Planning Commission and City Council in 2019 with utility relocation and public improvement plans in design.



PROPOSED TREE PALETTE				
SYMBOL NAME	COMMON NAME	SIZE	W. CODE	QTY
	ACER RUBRUM 'RED SUNSET'	24" SOX	NOO	50
	CUPRESSUS SEMPERVIRENS	24" SOX	LOW	40
	QUERCUS BLANDA 'PRINCETON SENTRY'	24" SOX	NOO	124
	JUGLANS NIGRA 'NUTSCAPE'	24" SOX	LOW	19
	JUGLANS NIGRA 'NUTSCAPE'	24" SOX	LOW	9
	ACER TROPAEOLUM 'T. SEAGULL'	24" SOX	LOW	45
	OSTRYA VIRGINICA	24" SOX	V. LOW	87
	PLATANUS X ACERIFOLIA 'COLUMBIA'	24" SOX	NOO	41
	QUERCUS AGRIIFOLIA	24" SOX	V. LOW	28
	LIQUIDAMBAR STYRACIFLUA	24" SOX	V. LOW	190
	LIQUIDAMBAR STYRACIFLUA	24" SOX	V. LOW	284
	STREET TREE - SAN PABLO AVENUE	SPECIES TO MATCH EXISTING STREET TREES		54



**GENERAL NOTES**

OBJECT ENTRIES AT SAN PABLO AVENUE SHALL FOLLOW THE REQUIREMENTS OF THE CITY'S INTERSECTION CLEARANCES (VIEW ANGLES) DETAIL, ROWS 1 THROUGH 5, PARAS. 1 THROUGH 5. STRUCTURE VEGETATION IS TO BE HIGHER THAN 42' ABOVE TOP OF CURB OR 5.0' OVER THE EDGE OF PAVEMENT AS REQUIRED BY CONTRA COSTA COUNTY SWANAGE CODE SECTION 52-10.

**Landscape Architecture**  
 805 Broadway Way  
 Suite 240  
 Napa, CA 94558  
 707.224.2209  
 www.vivienmiller.com

Santa Clara Valley Housing Group  
 801 Santiago Avenue, Ste. 100  
 Santa Clara, CA 95050

**HILLTOWN**  
 HERCULES, CA # 12216

**FINAL DEVELOPMENT PLAN  
 VESTING TENTATIVE MAP**  
 FEBRUARY 16, 2020

0 40 80 120  
 1" = 40'

OVERALL SITE PLAN

# Hilltown

44-acre site proposed for just under 600 unit “Italianate Hilltown” residential community with small retail component.

Development Agreement Amendment approved in April 2018 and final entitlements approved in Summer 2020.

Final design underway.



# Willow/Palm Site

7.1-acre privately owned site approved for a 28,000-sq.-ft. auto service center and self-storage facility. Under construction.

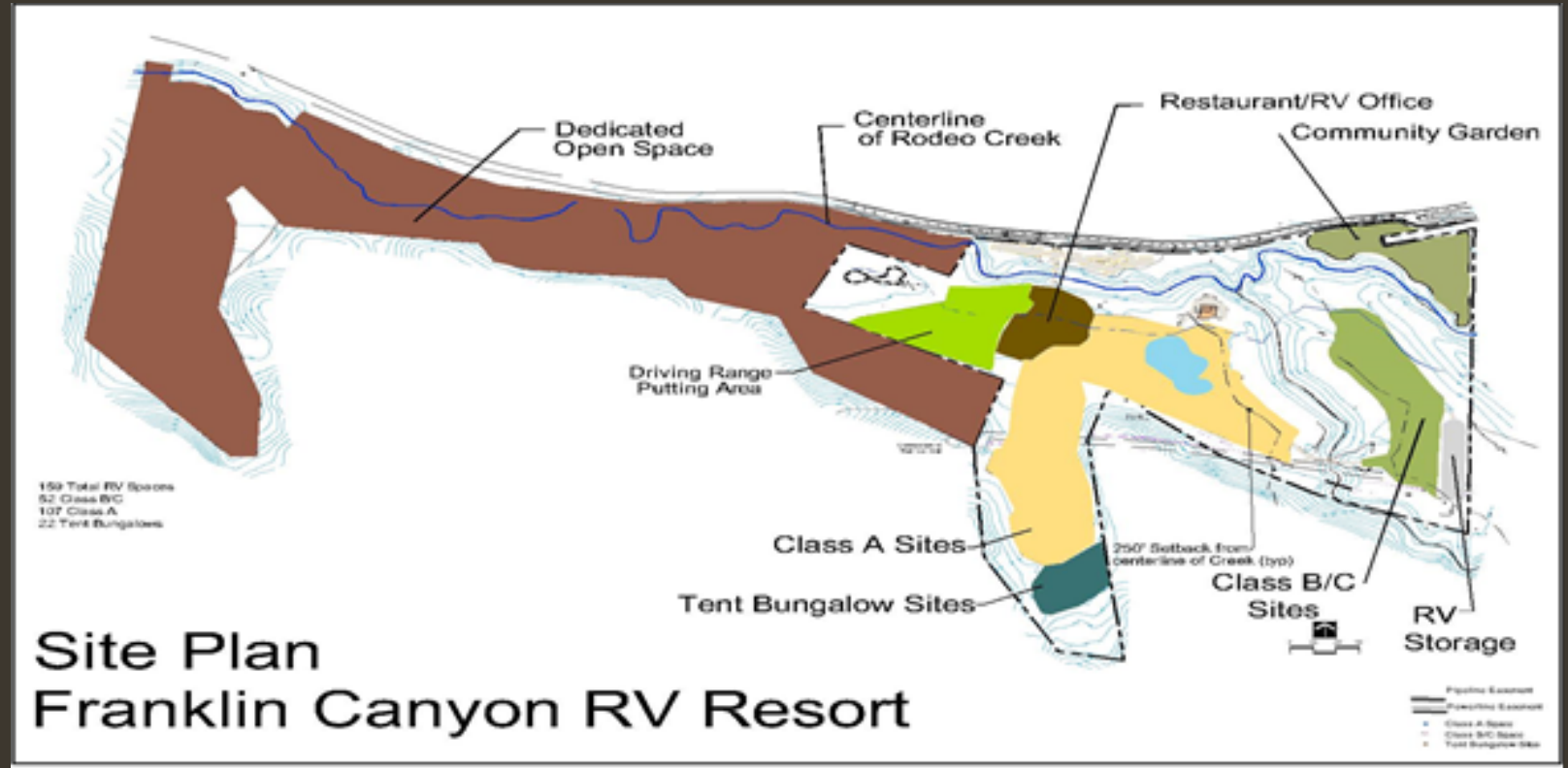


# Franklin Canyon RV Resort

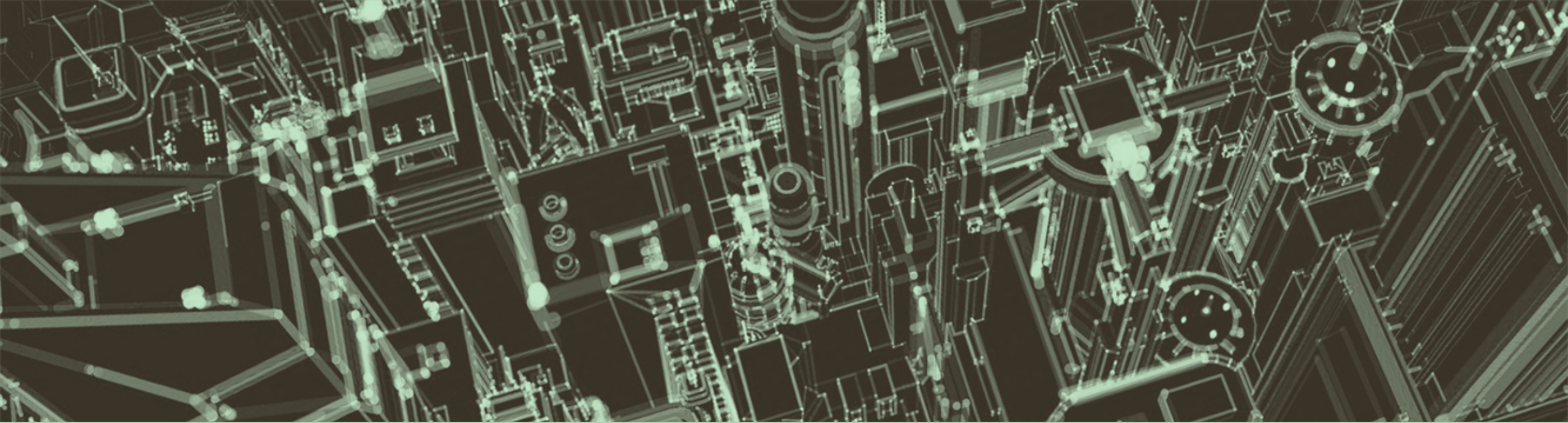
Zoning Consistency review completed in June 2019 for a high-end recreational vehicle park and amenities.

Application submitted for project entitlements in late 2020. Will feature:

- 159 RV sites;
- 22 tent bungalows;
- 70 acres of permanent open space;
- 5-acre community garden;
- Driving range/putting green;
- Clubhouse.







# Pending Sites





## Cury Parcel

0.93 acres with three historic structures being marketed for a small creative campus.





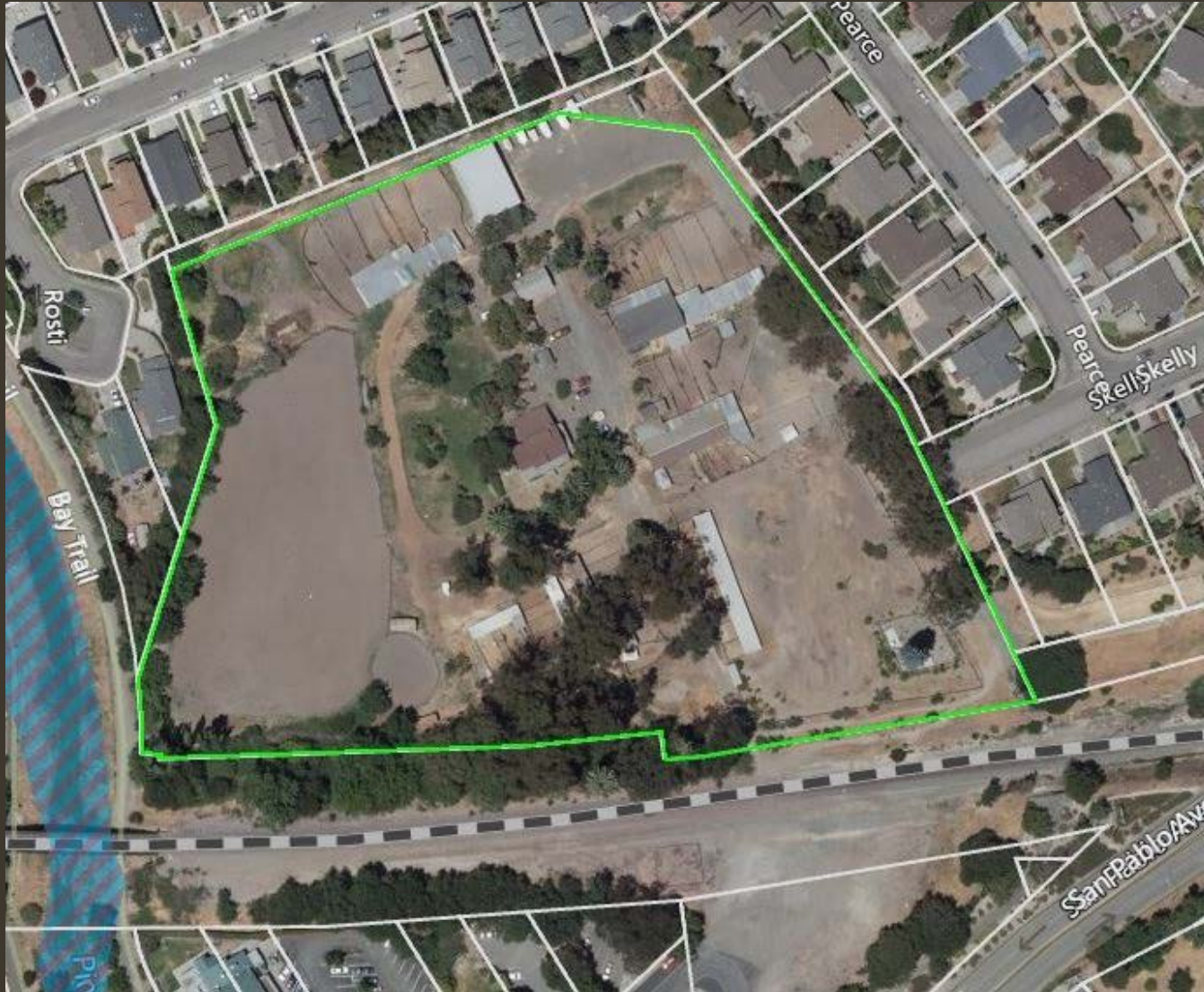
## Willow Loop

6.25-acre site currently being considered for sale suitable for small hotel/office development.



## Willow & Highway 4

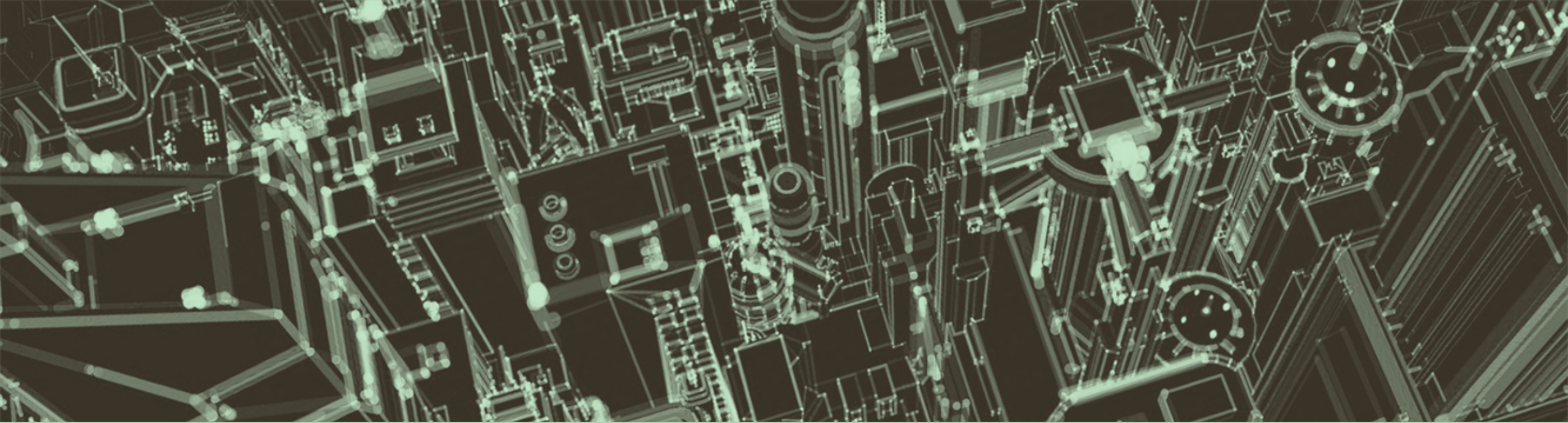
6.98-acre site currently for sale  
with commercial potential



## McLeod Ranch

6.98-acre site currently being considered for an in-fill residential community of 38 units.





# Public Projects

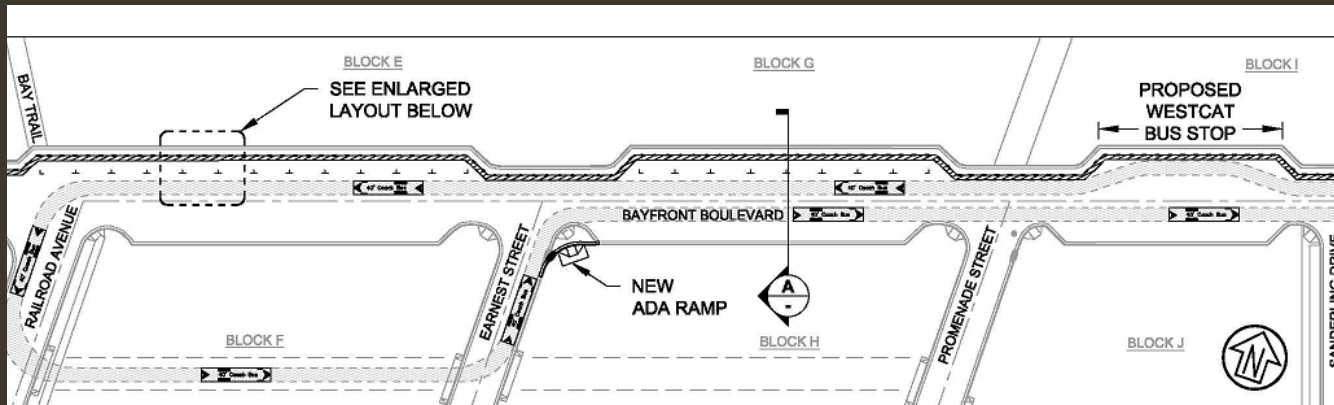






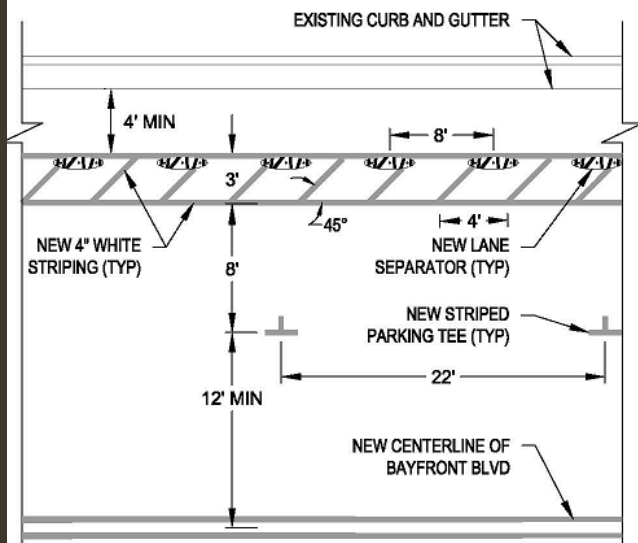
# Regional Intermodal Transportation Center

Bay Trail and Path to Transit  
Phases completed. Bay Trail West  
completed. Interim bus  
improvements completed.



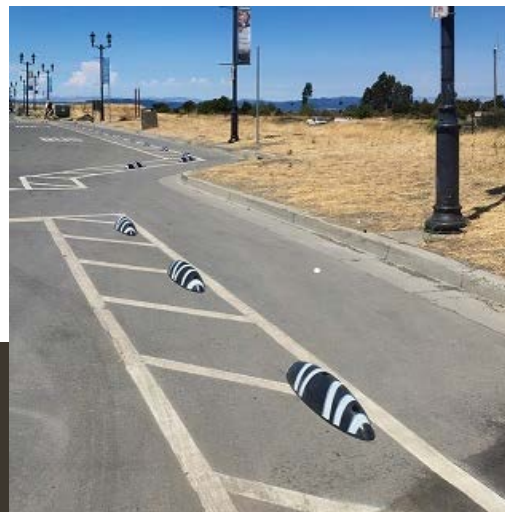
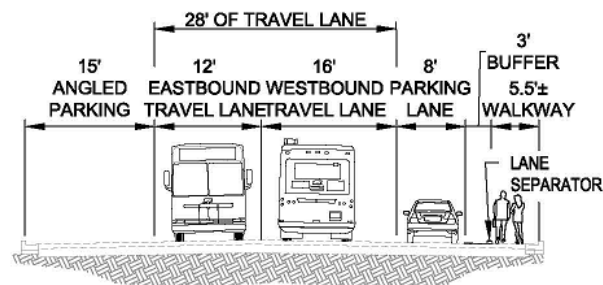
### PLAN

SCALE: NOT TO SCALE



### ENLARGED LAYOUT

SCALE: NOT TO SCALE



# Regional Intermodal Transportation Center

Interim bus improvements completed in early 2020 with bus service to start in mid-2021.





# Regional Intermodal Transportation Center

Next Phases: Utility  
relocation, track  
improvements, and station  
facilities - seeking funding

[www.HerculesTrainStop.com](http://www.HerculesTrainStop.com)







# Wastewater Treatment Plant Upgrade

The \$50 Million upgrade of the joint Pinole/Hercules Wastewater Treatment Plant has been completed.



# Bay Trail Extension to Rodeo

The East Bay Regional Parks District is constructing an extension of the Bay Trail from Hercules to Rodeo.





Questions?



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** Members of the City Council

**SUBMITTED BY:** Lori Martin, Administrative Services Director/City Clerk

**SUBJECT:** Contra Costa County Library Commission Appointment

### **RECOMMENDED ACTION:**

Consider making an appointment to the Contra Costa County Library Commission to an unexpired term ending June 30, 2023.

### **FISCAL IMPACT OF RECOMMENDATION:**

There is no fiscal impact associated with this item.

### **DISCUSSION:**

The Contra Costa County Library Commission was established by the Contra Costa County Board of Supervisors in March 1991. The Commission was created to serve in an advisory capacity to the Board of Supervisors and the County Librarian, and is comprised of 24 members: 18 members representing cities/towns in Contra Costa County appointed by their respective City Councils; 5 members represent Contra Costa County appointed by the Board of Supervisors; and 1 member representing the Central Labor Council. The responsibilities and duties of the Commission are described in its Bylaws, which are accessible online at:

<https://d4804za1f1gw.cloudfront.net/wp-content/uploads/sites/72/2019/11/16142500/LC-2019ByLaws-2019E.pdf>

The Hercules representative to the County Library Commission, Evangelia Ward-Jackson, has resigned from this Commission and a new appointment is needed to fill the unexpired term, which ends on June 30, 2023.

Commissioner Brian Campbell-Miller, who currently serves on the Hercules Community & Library Services Commission, has expressed interest in filling this vacancy. Staff recommends appointing Commissioner Campbell-Miller to the unexpired term as the Hercules representative on the Contra Costa County Library Commission. There appear to be no significant clash of duties or loyalties between the two positions that would cause the two positions to be considered incompatible offices.

The meetings are held at least quarterly at dates and times to be determined by vote of the Commission at the final meeting of the year for the year following.

**ATTACHMENTS:**

None.



## **STAFF REPORT TO THE CITY COUNCIL**

**DATE:** Regular Meeting of January 12, 2021

**TO:** Members of the City Council

**SUBMITTED BY:** Lori Martin, Administrative Services Director/City Clerk

**SUBJECT:** 2021 Council Appointments on Regional Committees and Council Subcommittees

### **RECOMMENDED ACTION:**

Express additional interest and availability for the 2021 Council Appointments on Regional Committees and Council Subcommittees to be made by the Mayor.

### **FISCAL IMPACT OF RECOMMENDATION:**

There is no fiscal impact associated with this item.

### **DISCUSSION:**

In January of each year, the Mayor appoints members of the Council to both Regional Committees and Council Subcommittees for a one year term.

At the December 8, 2020 City Council meeting Mayor Kelley requested each Council Member to send their interests to the City Clerk via email for consideration by Mayor Kelley. The City Clerk has forwarded the Committee interests received to Mayor Kelley for consideration.

The purpose of this item is to solicit interest and availability of Council Members to serve on these various bodies. The Mayor will make the assignments at the January 12, 2021 City Council meeting. Attached is the List of Regional Committees and Council Subcommittees identifying the appointees for 2020.

### **ATTACHMENTS:**

1. 2020 City Council Representation on Regional Committees and City Subcommittee List



**CITY COUNCIL REPRESENTATION ON REGIONAL COMMITTEES  
AND CITY SUB-COMMITTEES  
APPROVED – January 28, 2020**

COMMITTEES	APPOINTED COUNCIL MEMBER	ALTERNATE	MEETING SCHEDULE AND/OR LOCATION
<b>REGIONAL COMMITTEES</b>			
ABAG 101 Eighth Street Oakland, CA 94607 510-464-7900 <a href="http://www.abag.ca.gov">www.abag.ca.gov</a>	Boulanger	Esquivias	Exec. Bd. Meets 3 <sup>rd</sup> Thursday every other month 7:00 p.m. (Jan., Mar., May, July, Sept. and Nov.) Attendance Optional
Contra Costa Mayors Conference <a href="http://www.ccmayors.org/">http://www.ccmayors.org/</a>	Esquivias	Kelley	First Thursday/mo. – 6:30 p.m. Location Rotates
Hercules/Pinole - Wastewater Management	Romero/Esquivias	Boulanger	1 <sup>st</sup> Thursday/mo. – 8:30 a.m. Location alternates with City of Pinole
League of Cities-E. Bay Division	Kelley	Esquivias	4 <sup>th</sup> Thurs./mo. – Bd. Mtg. - 6:30 p.m. Location Rotates
Capital Corridor JPA Board (Liaison)	Romero	Esquivias	3 <sup>rd</sup> Wed/Feb., June, Sept. Nov. – 10:00 a.m., alternates SJ, Sacramento and Suisan
Water Emergency Transportation Authority (WETA) Liaison	Esquivias	Bailey	2 <sup>nd</sup> Thursday/mo. – 1:00 p.m., alternates between SF and Alameda
West County Integrated Waste Mgmt JPA (WCCIWMA) One Alvarado Square San Pablo, CA 94806 510-215-3125 <a href="http://www.recyclemore.com">www.recyclemore.com</a>	Romero	Boulanger	2 <sup>nd</sup> Thursday/mo. - 7:00 p.m. San Pablo City Hall – Council Chambers- One Alvarado Sq., San Pablo  <i>Form 806 required - \$50 stipend Form 700 required</i>
WCCTAC 13831 San Pablo Avenue San Pablo, CA 94806 510-215-3221 <a href="http://www.wcctac.org">www.wcctac.org</a>	Kelley	Bailey	Last Friday/mo. – 8:00 a.m. El Cerrito City Hall  <i>Form 700 Required</i>
West Co. Mayors & Supervisors Assoc.	Esquivias	Kelley	4 <sup>th</sup> Thursday/mo. – 8:00 a.m. The location rotates
WestCat 601 Walter Avenue Pinole, CA 94564 <a href="http://www.westcat.org">www.westcat.org</a>	Bailey/Kelley	Esquivias	2 <sup>nd</sup> Thursday/mo. – 6:00 p.m. Pinole Council Chambers, Pear St.  <i>Form 700 required</i>

<b>CITY COMMITTEES</b>			
<b>COMMITTEES</b>	<b>APPOINTED COUNCIL MEMBER</b>	<b>ALTERNATE</b>	<b>MEETING SCHEDULE AND/OR LOCATION</b>
Agenda Setting	Esquivias	Kelley	Thursday prior to meeting 8:00 a.m.
Economic Development Subcommittee	Boulanger/Esquivias	Bailey	As needed and at least quarterly
Education Subcommittee	Kelley/Bailey	Boulanger	As needed and at least quarterly
Public Safety/Traffic	Kelley/Boulanger	Bailey	As needed and at least quarterly
<b>CITY COMMISSIONS – COUNCIL LIAISONS</b>			
Planning Commission	Bailey/Boulanger		1 <sup>st</sup> and 3 <sup>rd</sup> Mondays
Community & Library Services Commission	Romero/Bailey		2 <sup>nd</sup> Monday
Finance Commission	Boulanger/Esquivias		4 <sup>th</sup> Monday

<b>COMMITTEES NOT ASSIGNED BY THE CITY COUNCIL</b>			
East Bay Economic Development Alliance	Kelley		<b>Not a City Appointment</b> (Appointed by CC Mayors)