

# **City of Hercules**

Hercules, California

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

*For the Year Ended June 30, 2023*







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

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

We have performed the procedures enumerated below on assisting the City of Hercules, California (the "City") in evaluating whether the Measure N (formerly known as Measure C) Utility Users Tax Rate Revenues (UUT) is in accordance with the provisions of this measure for the year ended June 30, 2023. The City's management is responsible for the receipt of Measure N - Utility Users Tax Rate Revenues and deposit of such proceeds into the City's General Fund. The City is responsible for compliance with Measure N Utility Users Tax Rate Revenues.

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

The procedures and associated findings are as follows:

1. We agreed the actual UUT to the receipts recorded in the City's general ledger and recalculated the mathematical accuracy of the following schedules provided by the City:
  - a) FY 2022/23 - Expected UUT VS Actual UUT
  - b) FY 2022/23 - Increase in Revenues Generated by Measure N

**Findings:**

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

| FY 2022/23 - Expected UUT vs Actual UUT |  |                           |              |            |            |
|---|--|---------------------------|--------------|------------|------------|
| Type of Utility                         | Estimated Utility Billings (FY 22/23 Utility Billings as a Base) | Expected UUT <sup>1</sup> | Actual UUT   | Variance   | % Variance |
| Electricity                             | \$ 17,150,000  | \$ 1,372,000              | \$ 1,546,371 | \$ 174,371 | 12.71%     |
| Telephone                               | 6,037,500  | 483,000                   | 460,077      | (22,923)   | -4.75%     |
| Gas                                     | 5,625,000  | 450,000                   | 749,243      | 299,243    | 66.50%     |
| Water                                   | 9,700,000  | 776,000                   | 713,884      | (62,116)   | -8.00%     |
| Cable                                   | 6,350,000  | 508,000                   | 526,699      | 18,699     | 3.68%      |
| Totals                                  | \$ 44,862,500  | \$ 3,589,000              | \$ 3,996,274 | \$ 407,274 | 11.35%     |

\* Based on UUT of 8% of estimated utility billings

b) Schedule recalculated for mathematical accuracy with no exceptions.

| FY 2022/23 -Increase in Revenue Generated by Measure N (formerly known as Measure C)                  |  |  |  |   |          |            |
|---|--|--|--|---|----------|------------|
| Type of Utility   | Actual UUT<br>with Measure<br>A <sup>1</sup> | Estimated UUT<br>without<br>Measure A <sup>2</sup> | Increase in<br>Revenue due to<br>Measure A | Increase/<br>Decrease in Revenue<br>per Staff Report <sup>3</sup> | Variance | % Variance |
| Electricity   | 1,546,371                                    | 1,159,779  | 386,592                                    | 404,272   | 17,680   | 4.37%      |
| Telephone   | 460,077                                      | 345,058  | 115,019                                    | 95,949  | (19,070) | -19.88%    |
| Gas   | 749,243                                      | 561,932  | 187,311                                    | 214,478   | 27,167   | 12.67%     |
| Water   | 713,884                                      | 535,413  | 178,471                                    | 203,070   | 24,599   | 12.11%     |
| Cable   | 526,699                                      | -  | 526,699                                    | 492,750   | (33,949) | -6.89%     |
| Totals  | 3,996,274                                    | 2,602,182  | 1,394,092                                  | 1,410,519   | 16,427   | 1.16%      |
| <sup>1</sup> Based on the actual UUT collected for FY 2022/2023 at a rate of 8% for the entire year.  |  |  |  |   |          |            |
| <sup>2</sup> Based on a rate of 8% UUT on electricity, telephone, gas and water, and no UUT on cable. |  |  |  |   |          |            |
| <sup>3</sup> Based on the Adopted Budget for FY 21/22 & FY 22/23.                                     |  |  |  |   |          |            |

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

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

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Measure N Utility Users Tax Rate Revenues of the City for the year ended June 30, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

*The PwC Group, LLP*

Santa Ana, California  
February 22, 2024