

**HERCULES RDA SUCCESSOR AGENCY
OVERSIGHT BOARD AGENDA**

Special Meeting

Monday, December 7, 2015

6:30 P.M.

Hercules City Hall - Council Chambers

111 Civic Drive

Hercules, CA 94547

AGENDA

I. ROLL CALL – CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. 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, the Board 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 Oversight Board 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 three (3) minutes to discuss their concerns. All public comments are recorded and become part of the public record. A limit of thirty (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 thirty-minute period, time will be reserved at the conclusion of the meeting to take the remaining comments.

IV. CONSENT CALENDAR

V. PUBLIC COMMENT SESSION

1. Receive public comment on the Due Diligence Review of the Non-Housing Funds
2. Receive public comment on the Due Diligence Review of the Housing Funds

VI. DISCUSSION AND/OR ACTION ITEMS

1. Adopt a resolution approving the Long Range Property Management Plan in accordance with the requirement of Health and Safety Code Section 34191.5.

VII. FUTURE AGENDA ITEM REFERRALS

In accordance with the provisions of the Brown Act, matters which do not appear on this agenda but require Oversight Board discussion may be either (a) referred to staff for factual information or (b) placed on a future meeting agenda.

VIII. OVERSIGHT BOARD AND STAFF ANNOUNCEMENTS

This is the time for brief announcements on issues of interest to the community.

IX. ADJOURNMENT

THE HERCULES RDA SUCCESSOR AGENCY OVERSIGHT BOARD ADHERES TO THE FOLLOWING POLICIES, PROCEDURES AND REGULATIONS REGARDING BOARD MEETINGS:

1. In compliance with the Americans with Disabilities Act, if you require special accommodations to participate in a Board meeting, please contact the City Clerk at 510-799-8215 at least 48 hours prior to the meeting.
2. In order to ensure the efficient conduct of City Council meetings, and to provide opportunities for all interested persons to speak and be heard, the City Council will adhere to the following meeting procedures:

Public Comment Period

- Persons wishing to speak must complete and submit a speaker's card.
- The Oversight Board will listen with respect and an open mind.
- Board responses to speakers will be as follows:
 - 1) Responses will be after all speakers have been heard.
 - 2) Short answers by the Board or staff as appropriate may be given; or
 - 3) Items may be directed to staff for later action/follow-up; or
 - 4) Items may be placed on a future agenda at the discretion of the Board.
- Conversation between the public and staff or the Board will not be allowed.
- A three-minute time limit per speaker will be enforced when there are numerous speakers addressing a single agenda item.

Process for Addressing Agenda Items Before the Oversight Board

- Chair reads the agenda item
- Staff presents their report
- Board members questions staff
- Public comments are heard
- Board discusses item
- A motion is made
- Final Board discussion
- Board votes or provides direction to staff

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: (510) 799-8200

Meeting Date: December 7, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Non-Housing Due Diligence Review Public Comment Session.

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Receive Public Comment on the Due Diligence Review of the Non-Housing Funds.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

V 1

**REPORT ON APPLYING
AGREED-UPON PROCEDURES
IN ACCORDANCE WITH AB 1484
FOR THE HERCULES REDEVELOPMENT AGENCY AND
THE SUCCESSOR AGENCY TO THE RDA
ALL FUNDS AND ACCOUNTS (EXCLUDING LOW AND
MODERATE INCOME HOUSING FUND)**

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**AGREED-UPON PROCEDURES
HERCULES REDEVELOPMENT AGENCY
AND THE SUCCESSOR AGENCY TO THE RDA**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 1 |
| Attachment A – Agreed-Upon Procedures Engagement | 3-11 |
| Appendices: | |
| Appendix 1 | 13 |
| Appendix 2A..... | 14 |
| Appendix 4A..... | 15-18 |
| Appendix 4B..... | 19-22 |
| Appendix 6 | 23 |
| Appendix 7A | 24 |
| Appendix 8C..... | 25 |
| Appendix 9 | 26 |
| Appendix 10 | 27 |
| Exhibit 1 – State Controller’s Asset Transfer Review Report..... | 29-43 |
| Exhibit 2 – DOF Final Determination ROPS Letter | 44-46 |

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Oversight Board of the Successor Agency
of the Hercules Redevelopment Agency
Hercules, California

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to AB 1484. Management of the successor agency and the City are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c)(1) through 34179.5(c)(6). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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 scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A related to all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. 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 successor agency and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

GALLINA LLP

A handwritten signature in cursive script that reads 'Gallina LLP'.

Roseville, California
October 6, 2015

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ATTACHMENT A

Agreed Upon Procedures Engagement Pursuant to AB1484 and Health and Safety Code Section 34179.5

Purpose: to determine the unobligated balances of all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) available to transfer to taxing entities.

Health and Safety Code Section 34179.5(c)

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

1. Procedure:

Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the book value of the assets transferred to the Successor Agency as of that date.

Results:

Refer to Appendix 1 for a listing of assets transferred to the Successor Agency and comments, if any. The book value of the assets transferred was \$60,676,321.

34179.5(c)(2)The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The reviews shall provide documentation of any enforceable obligation that required the transfer.

2. Procedure: If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency transferred \$35,489,750 in assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the City that formed the redevelopment agency for the

period January 1, 2011 through January 31, 2012. See Appendix 2A and the State Controller's Asset Transfer Review report (Exhibit 1).

B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the City that formed the redevelopment agency for the period February 1, 2012 through June 30, 2012.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

Legal documents are not required because the State Controller's Office has completed its review of transfers. Refer to State Controller's Office Asset Transfer Review report at Exhibit 1.

34179.5(c)(3)The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

3. Procedure: If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to any other public agency or private party for the period January 1, 2011 through January 31, 2012.

B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) to any other public agency or private party for the period February 1, 2012 through June 30, 2012.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

The State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report. Refer to Exhibit 1.

34179.5(c)(4)The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the controller for the 2009-10 fiscal year.

4A. Procedures: Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedules for information purposes.

B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

C. Compare amounts in the schedule relevant to the fiscal year ending June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

Refer to Appendices 4a and 4b for a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the period ending June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012.

For all fiscal periods indicated in the schedule – total revenues, expenditures and transfers account for the changes in equity from the previous period, except for a prior period adjustment for the period ending January 31, 2012. The adjustment reflects the reversal of payments against advances owed to the City which were disallowed by the Department of Finance.

Amounts reported on the schedule for the fiscal year ended June 30, 2010 agree to the amounts reported on the State Controller Report filed for the Redevelopment Agency for the same period, except for amounts not reported on state controller report such as deferred costs, interest payable and accumulated depreciation.

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

5. Procedure: Obtain from the Successor Agency a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets and liabilities of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

Refer to Appendices 4A and 4B columns labeled Successor Agency for a listing of the assets held by the Successor Agency for all other funds and accounts combined (excluding the Low and Moderate Income Housing Fund). Refer to the Agreed Upon Procedures Report in accordance with ABX126 for the capital asset detail of \$33,947,972.

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

6. Procedure: Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

Refer to Appendix 6 for unspent bond proceeds and cash with fiscal agent set aside for future debt service obligations.

B. *Grant proceeds and program income that are restricted by third parties:*

Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

There are no amounts that are legally restricted by third parties and cannot be provided to taxing entities relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund).

C. *Other assets considered to be legally restricted:*

Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures.)

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Results:

There are no other amounts that are legally restricted and cannot be provided to taxing entities relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund).

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report.

N/A.

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

7. **Procedure:** Perform the following procedures:

A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

Refer to Appendix 7A for a listing of assets that are not liquid or otherwise available for distribution that relate to all other funds and accounts combined (excluding the Low and Moderate Income Housing Fund).

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both

the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

8. Procedure: Perform the following procedures:

A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.

Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

N/A

B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.

Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.

Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections. For the forecasted annual revenues:

Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

N/A

C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.

Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

Refer to appendix 8C for projected property tax revenues and project outflows through December 2012. The calculation of current unrestricted balances necessary for retention is listed at Appendix 10.

If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.

Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.

Include the calculation in the AUP report.

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

9. Procedure: If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the

period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

Refer to Appendix 9 for a listing of obligations listed on the Recognized Obligation Payment Schedule for the period of July 1, 2012 through June 30, 2013.

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

10. Procedure: Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

Refer to Appendix 10 for the schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

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**Appendix 1
Balance Sheet
Successor Agency to the City of Hercules Redevelopment Agency
All Funds and Accounts Excluding Low and Moderate Income Housing Fund
February 1, 2012 (unaudited)**

| | Redevelopment Agency All Funds less LMIHF |
|---|--|
| ASSETS | |
| Cash with fiscal agent | \$ 12,373,928 |
| Accounts receivable | 363,796 |
| Due from other funds | 1,683,631 |
| Loans receivable | 1,780,594 |
| Land held for resale | 3,862,040 |
| Accumulated project costs | 40,612,332 |
| Total assets | \$ 60,676,321 |
| LIABILITIES AND EQUITY | |
| Liabilities: | |
| Accounts payable | \$ 12,557,221 |
| Unavailable revenue | 1,780,593 |
| Due to other funds | 1,361,576 |
| Advances from other funds | 10,920,366 |
| Total liabilities | 26,619,756 |
| Net assets: | |
| Net assets held in trust | 34,056,565 |
| Total net assets | 34,056,565 |
| Total liabilities and net assets | \$ 60,676,321 |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 2A - Transfers from RDA to City or County that formed the RDA - January 1, 2011 - January 31, 2012

| | Date | Description | Value | For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. | For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer. |
|---|----------|--|------------|--|--|
| 1 | 3/8/2011 | Parcel C (APN: 404-020-076-0)* | 13,916,084 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 2 | 3/8/2011 | Victoria Crescent (APN: 404-040-062-6)* | 3,418,193 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 3 | 3/8/2011 | Sycamore Crossing (APN: 404-020-057,58)* | 12,245,938 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 4 | 3/8/2011 | Yellow Freight (APN: 358-030-027-9)* | 1,860,307 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 5 | | Cash transferred to City of Hercules* | 4,049,228 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| | | TOTAL | 35,489,750 | | |

* These assets were transferred back from the City of Hercules to the Successor Agency RDA.

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010

| | City Audit Less SCO Report Differences | Financial Transaction Report All Funds | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|---|---|--|---|---|
| ASSETS | | | | | |
| Cash and investments | -- | 882,264 | \$ 882,264 | \$ -- | \$ 882,264 |
| Cash and investments with fiscal agents | -- | 38,331,928 | 38,331,928 | 10,127,733 | 28,204,195 |
| Accounts receivable | -- | 139,244 | 139,244 | 1,492 | 137,752 |
| Interest receivable | -- | 530,285 | 530,285 | 399,598 | 130,687 |
| Due from the City of Hercules | -- | 137,141 | 137,141 | -- | 137,141 |
| Due from other funds | -- | 2,171,043 | 2,171,043 | 434,577 | 1,736,466 |
| Loans receivable | (1,997,082) | 14,604,907 | 12,607,825 | 10,654,269 | 1,953,556 |
| Land held for resale | -- | 5,214,077 | 5,214,077 | 1,352,037 | 3,862,040 |
| Total assets | \$ (1,997,082) | \$ 62,010,889 | \$ 60,013,807 | \$ 22,969,706 | \$ 37,044,101 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ -- | \$ 9,679,735 | \$ 9,679,735 | \$ 46,695 | \$ 9,633,040 |
| Accrued wages | -- | 61,072 | 61,072 | 5,214 | 55,858 |
| Deferred revenue | (1,986,664) | 15,257,691 | 13,271,027 | 11,053,867 | 2,217,160 |
| Due to the City of Hercules | -- | 6,433,985 | 6,433,985 | 3,514,922 | 2,919,063 |
| Due to other funds | -- | 2,171,043 | 2,171,043 | 1,300,342 | 870,701 |
| Total liabilities | (1,986,664) | 33,603,526 | 31,616,862 | 15,921,040 | 15,695,822 |
| Fund balances: | | | | | |
| Reserved | -- | 50,386,291 | 50,386,291 | 7,048,666 | 43,337,625 |
| Unreserved, undesignated | (10,418) | (21,978,928) | (21,989,346) | -- | (21,989,346) |
| Total fund balances | (10,418) | 28,407,363 | 28,396,945 | 7,048,666 | 21,348,279 |
| Total liabilities and fund balances | \$ (1,997,082) | \$ 62,010,889 | \$ 60,013,807 | \$ 22,969,706 | \$ 37,044,101 |

| | | | | | |
|--|----------------------|-------------------------|------------------------|------------------------|------------------------|
| Reconciliation | | | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | | | |
| Non-depreciable | \$ 76,613,549 | \$ -- | \$ 76,613,549 | \$ -- | \$ 76,613,549 |
| Depreciable, net of accumulated depreciation | 6,544,658 | -- | 6,544,658 | -- | 6,544,658 |
| Net Capital Assets | 83,158,207 | -- | 83,158,207 | -- | 83,158,207 |
| Deferred revenue | (1,986,664) | 15,257,691 | 13,271,027 | -- | 13,271,027 |
| Allowance for forgiveness loan | (700,000) | -- | (700,000) | (700,000) | -- |
| Interest payable | (2,664,715) | -- | (2,664,715) | (554,606) | (2,110,109) |
| Deferred charges, such as issuance costs | 3,741,744 | -- | 3,741,744 | 798,688 | 2,943,056 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | | | |
| 2005 Tax Allocation Bonds | -- | (50,660,000) | (50,660,000) | -- | (50,660,000) |
| Premium on 2005 Tax Allocation Bonds | (1,813,308) | -- | (1,813,308) | -- | (1,813,308) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 242,635 | -- | 242,635 | -- | 242,635 |
| 2007 Housing Tax Allocation Bonds, Series A | -- | (12,670,000) | (12,670,000) | (12,670,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | -- | (12,275,000) | (12,275,000) | (12,275,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (72,368) | -- | (72,368) | (72,368) | -- |
| 2007 Tax Allocation Bonds, Series A | -- | (57,280,000) | (57,280,000) | -- | (57,280,000) |
| Long-term notes payable | -- | (402,023) | (402,023) | -- | (402,023) |
| Advances from the City of Hercules | (891,103) | (37,830,552) | (38,721,655) | -- | (38,721,655) |
| Total Long-Term Liabilities | \$ (2,534,144) | \$ (171,117,575) | \$ (173,651,719) | \$ (25,017,368) | \$ (148,634,351) |
| Net Assets of Governmental Activities | \$ 79,004,010 | \$ (127,452,521) | \$ (48,448,511) | \$ (18,424,620) | \$ (30,023,891) |

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2011

| | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|--|---|---|
| ASSETS | | | |
| Cash and investments | \$ 51,419 | \$ -- | \$ 51,419 |
| Cash and investments with fiscal agents | 16,355,949 | 3,761,137 | 12,594,812 |
| Accounts receivable | 357,931 | 50 | 357,881 |
| Interest receivable | 420,330 | 414,588 | 5,742 |
| Due from the City of Hercules | 322,055 | -- | 322,055 |
| Due from other funds | 2,165,015 | 561,048 | 1,603,967 |
| Loans receivable | 12,153,898 | 10,373,305 | 1,780,593 |
| Accumulated project costs | 40,094,199 | -- | 40,094,199 |
| Land held for resale | 4,601,099 | 739,059 | 3,862,040 |
| Total assets | \$ 76,521,895 | \$ 15,849,187 | \$ 60,672,708 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 10,217,457 | \$ 7,682 | \$ 10,209,775 |
| Accrued wages | 51,412 | 1,967 | 49,445 |
| Deferred revenue | 12,568,486 | 10,787,893 | 1,780,593 |
| Due to the City of Hercules | 1,479,343 | -- | 1,479,343 |
| Due to other funds | 2,165,015 | -- | 2,165,015 |
| Advances from City of Hercules | 14,513,959 | 3,593,593 | 10,920,366 |
| Total liabilities | 40,995,672 | 14,391,135 | 26,604,537 |
| Fund balances: | | | |
| Nonspendable | 4,601,099 | -- | 4,601,099 |
| Restricted | 14,985,658 | -- | 14,985,658 |
| Unassigned | 15,939,466 | 1,458,052 | 14,481,414 |
| Total fund balances | 35,526,223 | 1,458,052 | 34,068,171 |
| Total liabilities and fund balances | \$ 76,521,895 | \$ 15,849,187 | \$ 60,672,708 |
| Reconciliation | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | |
| Non-depreciable | \$ 27,481,833 | \$ -- | \$ 27,481,833 |
| Depreciable, net of accumulated depreciation | 6,233,928 | -- | 6,233,928 |
| Net Capital Assets | 33,715,761 | -- | 33,715,761 |
| Deferred revenue | 12,568,486 | -- | 12,568,486 |
| Interest payable | (2,664,715) | (466,332) | (2,198,383) |
| Deferred charges, such as issuance costs | 3,607,700 | 798,688 | 2,809,012 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | |
| 2005 Tax Allocation Bonds | (49,085,000) | -- | (49,085,000) |
| Premium on 2005 Tax Allocation Bonds | (1,740,776) | -- | (1,740,776) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 232,930 | -- | 232,930 |
| 2007 Housing Tax Allocation Bonds, Series A | (12,415,000) | (12,415,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | (12,015,000) | (12,015,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (69,222) | (69,222) | -- |
| 2007 Tax Allocation Bonds, Series A | (56,095,000) | -- | (56,095,000) |
| Long-term notes payable | (347,070) | -- | (347,070) |
| Total Long-Term Liabilities | \$ (131,534,138) | \$ (24,499,222) | \$ (107,034,916) |
| Net Assets of Governmental Activities | \$ (48,780,683) | \$ (22,708,814) | \$ (26,071,869) |

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
January 31, 2012 (unaudited)

| | Redevelopment Agency All Funds | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|--------------------------------------|---|---|
| ASSETS | | | |
| Cash and investments | \$ 216,505 | \$ 216,505 | \$ -- |
| Cash and investments with fiscal agents | 16,579,679 | 4,205,751 | 12,373,928 |
| Accounts receivable | 363,846 | 50 | 363,796 |
| Due from other funds | 1,683,631 | -- | 1,683,631 |
| Loans receivable | 12,390,263 | 10,609,669 | 1,780,594 |
| Accumulated project costs | 40,612,332 | -- | 40,612,332 |
| Land held for resale | 4,259,684 | 397,644 | 3,862,040 |
| Total assets | \$ 76,105,940 | \$ 15,429,619 | \$ 60,676,321 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 12,561,275 | \$ 4,054 | \$ 12,557,221 |
| Unavailable revenue | 12,593,180 | 10,812,587 | 1,780,593 |
| Due to other funds | 1,361,576 | -- | 1,361,576 |
| Advances from other funds | 14,513,959 | 3,593,593 | 10,920,366 |
| Total liabilities | 41,029,990 | 14,410,234 | 26,619,756 |
| Fund balances: | | | |
| Unassigned | 35,075,950 | 1,019,385 | 34,056,565 |
| Total fund balances | 35,075,950 | 1,019,385 | 34,056,565 |
| Total liabilities and fund balances | \$ 76,105,940 | \$ 15,429,619 | \$ 60,676,321 |
| Reconciliation | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | |
| Non-depreciable | \$ 27,481,833 | \$ -- | 27,481,833 |
| Depreciable, net of accumulated depreciation | 6,233,928 | -- | 6,233,928 |
| Net Capital Assets | 33,715,761 | -- | 33,715,761 |
| Deferred revenue | 12,593,180 | 10,812,587 | 1,780,593 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | |
| 2005 Tax Allocation Bonds | (47,445,000) | -- | (47,445,000) |
| Premium on 2005 Tax Allocation Bonds | (1,668,244) | -- | (1,668,244) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 223,225 | -- | 223,225 |
| 2007 Housing Tax Allocation Bonds, Series A | (12,145,000) | (12,145,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | (11,700,000) | (11,700,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (66,076) | (66,076) | -- |
| 2007 Tax Allocation Bonds, Series A | (54,855,000) | -- | (54,855,000) |
| Long-term notes payable | (347,070) | -- | (347,070) |
| Total Long-Term Liabilities | \$ (128,003,165) | \$ (23,911,076) | \$ (104,092,089) |
| Net Assets of Governmental Activities | \$ (46,618,274) | \$ (12,079,104) | \$ (34,539,170) |

Appendix 4A
 Successor Agency for the Redevelopment Agency of the City of Hercules
 Balance Sheet/Statement of Net Assets
 Private Purpose Trust Fund
 June 30, 2012

| | RDA Successor Low-Moderate Income Housing Only | RDA Successor Agency Excluding LMIHF Total | Private Purpose Trust Fund |
|---|--|--|-------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 213,887 | \$ 960,846 | \$ 1,174,733 |
| Cash and investments with fiscal agents | 1,911,206 | 12,383,897 | 14,295,103 |
| Accounts receivable | 50 | 376,179 | 376,229 |
| Interest receivable | -- | 465,608 | 465,608 |
| Due from the City of Hercules | -- | 322,056 | 322,056 |
| Loans receivable | 10,592,611 | 1,250,045 | 11,842,656 |
| Accumulated project costs | -- | 40,612,332 | 40,612,332 |
| Land held for resale | 397,644 | 3,862,040 | 4,259,684 |
| Capital Assets: | | | |
| Depreciable | -- | 28,024,463 | 28,024,463 |
| Nondepreciable | -- | 5,923,509 | 5,923,509 |
| Total assets | <u>\$ 13,115,398</u> | <u>\$ 94,180,975</u> | <u>\$ 107,296,373</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,800 | \$ 11,926,005 | \$ 11,929,805 |
| Unavailable revenue | 10,592,611 | 1,713,687 | 12,306,298 |
| Advances from other funds | 3,593,593 | (3,593,593) | -- |
| Advances from City of Hercules | -- | 14,513,959 | 14,513,959 |
| Long-term debt | 23,911,076 | 104,092,089 | 128,003,165 |
| Total liabilities | <u>38,101,080</u> | <u>128,652,147</u> | <u>166,753,227</u> |
| Net assets held in trust | <u>(24,985,682)</u> | <u>(34,471,172)</u> | <u>(59,456,854)</u> |
| Total net assets | <u>(24,985,682)</u> | <u>(34,471,172)</u> | <u>(59,456,854)</u> |
| Total liabilities and net assets | <u>\$ 13,115,398</u> | <u>\$ 94,180,975</u> | <u>\$ 107,296,373</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2010

| | City Audit Less SCO Report Differences | Financial Transaction Report All Funds | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|---|---|---|--|---|------------------------------------|
| REVENUES | | | | | |
| Taxes and assessments | \$ 1 | \$ 10,405,552 | \$ 10,405,553 | \$ 2,081,111 | \$ 8,324,442 |
| Use of money and property | 1 | (239,313) | (239,312) | (91,540) | (147,772) |
| Program revenue | 475,718 | -- | 475,718 | 189,876 | 285,842 |
| Charges for services | 98,686 | -- | 98,686 | 98,407 | 279 |
| Miscellaneous | (584,822) | 673,713 | 88,891 | 8,034 | 80,857 |
| Total revenue | <u>(10,416)</u> | <u>10,839,952</u> | <u>10,829,536</u> | <u>2,285,888</u> | <u>8,543,648</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration costs | (52,143) | 52,143 | -- | | |
| Professional services | (596,839) | 596,839 | -- | | |
| General Government | | | | | |
| Community Development | 15,975,077 | -- | 15,975,077 | 2,430,541 | 13,544,536 |
| Capital outlay | 29,286,378 | -- | 29,286,378 | -- | 29,286,378 |
| Subsidies to LMIHF | (2,795,463) | 2,795,463 | -- | | |
| Other expenditures including pass through payments | (40,925,908) | 40,925,908 | -- | | |
| Debt service: | | | | | |
| Principal | -- | 3,190,926 | 3,190,926 | 250,000 | 2,940,926 |
| Interest and fiscal agent fees | -- | 9,244,643 | 9,244,643 | 577,442 | 8,667,201 |
| Total expenditures | <u>891,102</u> | <u>56,805,922</u> | <u>57,697,024</u> | <u>3,257,983</u> | <u>54,439,041</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(901,518)</u> | <u>(45,965,970)</u> | <u>(46,867,488)</u> | <u>(972,095)</u> | <u>(45,895,393)</u> |
| Other financing sources (uses): | | | | | |
| Proceeds from financing (advance from City) | 891,103 | 4,680,298 | 5,571,401 | -- | 5,571,401 |
| Transfers in from the City of Hercules | (3) | 2,431,136 | 2,431,133 | -- | 2,431,133 |
| Transfers in | (1) | 35,682,132 | 35,682,131 | 2,054,821 | 33,627,310 |
| Transfers out | 1 | (35,682,132) | (35,682,131) | (6,326,883) | (29,355,248) |
| Total other financing sources (uses) | <u>891,100</u> | <u>7,111,434</u> | <u>8,002,534</u> | <u>(4,272,062)</u> | <u>12,274,596</u> |
| Special item | -- | -- | -- | -- | -- |
| Net change in fund balances | (10,418) | (38,854,536) | (38,864,954) | (5,244,157) | (33,620,797) |
| Fund balances, July 1 | -- | 67,261,899 | 67,261,899 | 12,292,823 | 54,969,076 |
| Fund balances, June 30 | <u>\$ (10,418)</u> | <u>\$ 28,407,363</u> | <u>\$ 28,396,945</u> | <u>\$ 7,048,666</u> | <u>\$ 21,348,279</u> |
| Net change in fund balances | | | \$ (38,864,954) | \$ (5,244,157) | \$ (33,620,797) |
| Government wide adjustments | | | | | |
| Capital outlays | | | 28,380,931 | | 28,380,931 |
| Depreciation | | | (310,729) | | (310,729) |
| Construction in progress | | | (4,360,332) | | (4,360,332) |
| Deferred revenues | | | 1,637,183 | | 1,637,183 |
| Amortization of premium, deferred bond discounts, and loss on refunding | | | (68,071) | | (68,071) |
| Issuance of long-term debt | | | (5,571,401) | | (5,571,401) |
| Repayment of debt principal | | | 3,190,926 | 250,000 | 2,940,926 |
| Interest payable | | | 79,950 | | 79,950 |
| Change in net assets of governmental activities | | | <u>\$ (15,886,497)</u> | <u>\$ (4,994,157)</u> | <u>\$ (10,892,340)</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2011

| | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Taxes and assessments | \$ 9,768,553 | \$ 3,019,804 | \$ 6,748,749 |
| Use of money and property | (178,706) | (86,422) | (92,284) |
| Program revenue | 1,182,986 | 178,437 | 1,004,549 |
| Charges for services | 2,039 | 2,039 | -- |
| Miscellaneous | 340,139 | 9,603 | 330,536 |
| Total revenue | <u>11,115,011</u> | <u>3,123,461</u> | <u>7,991,550</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Administration costs | | | |
| Professional services | | | |
| General Government | \$ 173,910 | \$ 173,910 | \$ -- |
| Community Development | 9,774,590 | 1,184,570 | 8,590,020 |
| Capital outlay | 3,377,811 | -- | 3,377,811 |
| Debt service: | | | |
| Principal | 3,275,000 | 260,000 | 3,015,000 |
| Interest and fiscal agent fees | 8,567,625 | 568,364 | 7,999,261 |
| Total expenditures | <u>25,168,936</u> | <u>2,186,844</u> | <u>22,982,092</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(14,053,925)</u> | <u>936,617</u> | <u>(14,990,542)</u> |
| Other financing sources (uses): | | | |
| Transfers in from the City of Hercules | 850,285 | -- | 850,285 |
| Transfers in | 28,413,690 | 868,036 | 27,545,654 |
| Transfers out | (28,413,690) | (8,379,514) | (20,034,176) |
| Total other financing sources (uses) | <u>850,285</u> | <u>(7,511,478)</u> | <u>8,361,763</u> |
| Special item | 6,561,057 | -- | 6,561,057 |
| Net change in fund balances | (6,642,583) | (6,574,861) | (67,722) |
| Fund balances, July 1 | 28,396,945 | 7,048,666 | 21,348,279 |
| Prior period adjustment | 13,771,861 | 984,247 | 12,787,614 |
| Fund balances, June 30 | <u>\$ 35,526,223</u> | <u>\$ 1,458,052</u> | <u>\$ 34,068,171</u> |
| Net change in fund balances | \$ (6,642,583) | \$ (6,574,861) | \$ (67,722) |
| Government wide adjustments | | | |
| Capital outlays | 3,361,800 | | 3,361,800 |
| Depreciation | (310,730) | | (310,730) |
| Deferred revenues | (2,541) | | (2,541) |
| Amortization of premium, deferred bond discounts, and loss on refunding | (68,071) | | (68,071) |
| Repayment of debt principal | 3,329,953 | | 3,329,953 |
| Change in net assets of governmental activities | <u>\$ (332,172)</u> | <u>\$ (6,574,861)</u> | <u>\$ 6,242,689</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the period ended January 31, 2012

| | Redevelopment Agency All Funds | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|--|--------------------------------------|---|------------------------------------|
| REVENUES | | | |
| Taxes and assessments | \$ 5,061,535 | \$ 1,012,307 | \$ 4,049,228 |
| Use of money and property | 135,502 | 59,293 | 76,209 |
| Program revenue | 93,624 | 17,608 | 76,016 |
| Miscellaneous | 1,310,021 | 290 | 1,309,731 |
| Total revenue | <u>6,600,682</u> | <u>1,089,498</u> | <u>5,511,184</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | 605,238 | 210,296 | 394,942 |
| Capital outlay | 334,078 | -- | 334,078 |
| Debt service: | | | |
| Principal | 3,465,000 | 585,000 | 2,880,000 |
| Interest and fiscal agent fees | 3,158,289 | 653,497 | 2,504,792 |
| Total expenditures | <u>7,562,605</u> | <u>1,448,793</u> | <u>6,113,812</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(961,923)</u> | <u>(359,295)</u> | <u>(602,628)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 9,131,087 | 1,682,929 | 7,448,158 |
| Transfers out | (8,619,437) | (1,762,301) | (6,857,136) |
| Total other financing sources (uses) | <u>511,650</u> | <u>(79,372)</u> | <u>591,022</u> |
| Net change in fund balances | (450,273) | (438,667) | (11,606) |
| Fund balances, July 1 | 35,526,223 | 1,458,052 | 34,068,171 |
| Fund balances, January 31 | <u>\$ 35,075,950</u> | <u>\$ 1,019,385</u> | <u>\$ 34,056,565</u> |
| Net change in fund balances | \$ (450,273) | \$ (438,667) | \$ (11,606) |
| Government wide adjustments | | | |
| Capital outlays | 334,078 | -- | 334,078 |
| Depreciation | (310,420) | -- | (310,420) |
| Repayment of debt principal | 3,540,678 | 588,146 | 2,952,532 |
| Change in net assets of governmental activities | <u>\$ 3,114,063</u> | <u>\$ 149,479</u> | <u>\$ 2,964,584</u> |

Appendix 4B
Successor Agency for the Redevelopment Agency of the City of Hercules
Revenues, Expenses, and Changes in Fund Balance
Private Purpose Trust Fund
For the 5 months ended June 30, 2012

| | RDA Successor Low-Moderate Income Housing Only | RDA Successor Agency Excluding LMIHF Total | Private Purpose Trust Fund |
|--|--|--|-------------------------------------|
| REVENUES AND ADDITIONS | | | |
| Taxes and assessments | \$ -- | \$ 4,012,183 | \$ 4,012,183 |
| Use of money and property | (45,990) | (90,626) | (136,616) |
| Program revenue | 179,417 | (179,417) | -- |
| Miscellaneous | 153 | 453,591 | 453,744 |
| Total revenue and additions | <u>133,580</u> | <u>4,195,731</u> | <u>4,329,311</u> |
| EXPENDITURES AND DEDUCTIONS | | | |
| Current: | | | |
| Community Development | (67,177) | 135,552 | 68,375 |
| Debt service: | | | |
| Principal | 1,655,000 | -- | 1,655,000 |
| Interest and fiscal agent fees | 645,491 | 2,443,032 | 3,088,523 |
| Total expenditures and deductions | <u>2,233,314</u> | <u>2,578,584</u> | <u>4,811,898</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,099,734)</u> | <u>1,617,147</u> | <u>(482,587)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 1,064,449 | (1,064,449) | -- |
| Transfers out | (1,058,706) | 1,058,706 | -- |
| Extraordinary Items: | | | |
| Equity transfer to PPTF as of 1/31 | 1,019,385 | 34,056,565 | 35,075,950 |
| Assets of Hercules RDA - Government-Wide | -- | 33,952,948 | 33,952,948 |
| Liabilities of Hercules RDA - Government-Wide | (23,911,076) | (104,092,089) | (128,003,165) |
| Total other financing sources (uses) | <u>(22,885,948)</u> | <u>(36,088,319)</u> | <u>(58,974,267)</u> |
| Net change in net assets | (24,985,682) | (34,471,172) | (59,456,854) |
| Net assets, beginning | -- | -- | -- |
| Net assets, ending | <u>\$ (24,985,682)</u> | <u>\$ (34,471,172)</u> | <u>\$ (59,456,854)</u> |

**Successor Agency to the City of Hercules Redevelopment Agency
Health and Safety Code Section 34179.5(c)**

Appendix 6 - List of assets restricted for (a) unspent bond proceeds, (b) grant proceeds and (c) other assets considered to be legally restricted

| | Description | Cost | Obtain successor agency's computation of the restricted balances (e.g total proceeds less eligible expenditures) | Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation). | Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted. |
|---|-----------------------|---------------|--|--|---|
| 1 | Unspent Bond Proceeds | \$ 12,383,897 | | Amount agrees to custodian statement balances | 2007 Tax Allocation Bonds Series A issued December 2007 |

Successor Agency to the City of Hercules Redevelopment Agency

Health and Safety Code Section 34179.5(c)

Appendix 7A - List of assets not liquid or otherwise available for distribution (capital assets, land held for resale, LT receivables etc) at June 30, 2012

| | Description | Cost | If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences | If assets have been disposed, inspect evidence that proceeds were deposited into trust fund | If listed at estimated market value cost, inspect evidence supporting value and document methodology used |
|---|-------------------------------|---------------|--|---|---|
| 1 | Loan Receivables | \$ 11,842,656 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 2 | Land held for resale | 4,259,684 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 3 | Accumulated Project Costs | 40,612,332 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 4 | Capital Assets/Depreciable | 28,024,463 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 5 | Capital Assets/Nondepreciable | 5,923,509 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| | | \$ 90,662,644 | | | |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 8C - Projected Property Tax Revenues and Bond Debt Service

| | Description | Amount | If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule. | i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. | ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections. | iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections. |
|---|--|--------------------------------|---|---|---|---|
| 1 | Projected revenues through December 31, 2012 | \$ 4,012,183 | | Funding received in December is meant to fund obligations due through June 3013 | Projection assumes that the same amount will be received in December 2012 as was received in June 2012. | No other revenues are included in cash flow projections |
| 2 | Projected outflows through December 31, 2012 | (10,060,395) \$ (6,048,212) | Refer to Appendix 9 - Final ROPS Projected shortfall | | N/A | N/A |
| | | | | | - | |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 9 - FINAL ROPS review for the period July 1, 2012 through June 30, 2013

| # on final ROPS | Project name or area associated with the obligation | The payee | A description of the nature of the work/service agreed to | Total Outstanding Debt or Obligation | The amount of payments obligated to be made by month through June 30, 2013 | (1) Amounts of existing cash that are needed to satisfy the obligation through December 31, 2012 | (2) SA Explanation as to why the SA believes that such balances are needed to satisfy the obligation |
|-----------------|---|----------------------------------|---|--------------------------------------|--|--|---|
| 1 | 2005 Tax Allocation Bonds | Bank of New York | Bonds issued to fund non-housing projects | 76,193,344 | 3,969,855 | 2,852,503 | No additional unrestricted cash flows are projected before obligations are due. |
| 2 | 2007 Tax Allocation Bonds | Bank of New York | Bonds issued to fund non-housing projects | 106,778,857 | 3,846,859 | 2,589,679 | No additional unrestricted cash flows are projected before obligations are due. |
| 3 | 2007 Tax Allocation Bonds Housing (A) 1 | Bank of New York | Affordable Housing Bonds | 21,976,310 | 1,009,358 | 651,097 | No additional unrestricted cash flows are projected before obligations are due. |
| 4 | 2007 Tax Allocation Bonds Housing (B) 1 | Bank of New York | Affordable Housing Bonds | 18,908,647 | 865,351 | 598,448 | No additional unrestricted cash flows are projected before obligations are due. |
| 5 | Catellus/Hercules LLC | | Settlement Agreement | 53,315,581 | 1,649,436 | 824,718 | No additional unrestricted cash flows are projected before obligations are due. |
| 6 | AMBAC Settlement | | Settlement Agreement | 6,500,000 | | - | Although this obligation was initially disallowed, per the Final Determination Letter (Exhibit 2) dated May 7, 2013, it was added back to the ROPS. |
| 7 | Owner Participation Agreement | Pro Media | Tax Increment Reimbursement | 112,752 | 17,917 | - | |
| 8 | Owner Participation Agreement | Bio Rad | Tax Increment Reimbursement | 215,201 | 53,677 | - | |
| 9 | Owner Participation Agreement | East Group | Tax Increment Reimbursement | 130,338 | 32,191 | - | |
| 10 | Owner Participation Agreement | Hercules Senior Housing/Bridge | OPA for Senior Housing | 1,400,000 | 130,000 | 65,000 | No additional unrestricted cash flows are projected before obligations are due |
| 11 | Lewis Development Agreement | Contra Costa County | Assessment District Matures 2035 | 4,080,000 | 170,000 | 85,000 | No additional unrestricted cash flows are projected before obligations are due |
| 12 | Lease of Commercial Space | Emmerich | Rent for commercial space | 710,604 | 355,302 | 177,651 | No additional unrestricted cash flows are projected before obligations are due |
| 13 | Lease of Commercial Space | Montoya | Rent for commercial space | 13,176 | 13,176 | 13,176 | No additional unrestricted cash flows are projected before obligations are due |
| 14 | City Loan entered into on 3/8/11 | City loan entered into on 3/8/11 | Construction costs for Sycamore North | 2,253,058 | 2,253,058 | 2,253,058 | No additional unrestricted cash flows are projected before obligations are due |
| 15 | Separation Agreement | Separation Agreement | | 56,250 | 56,250 | 56,250 | No additional unrestricted cash flows are projected before obligations are due |
| 16 | Co-operation Agreement: Loan Repayment Agreement | City of Hercules | Hercules Resolution 83-18 dated 2/9/1983 | 10,384,363 | | | |
| 17 | BART Park-n-Ride Lot | | | 108,240 | 108,240 | 54,120 | No additional unrestricted cash flows are projected before obligations are due |
| 18 | Contract for Construction Sycamore North | | | 2,076,643 | 2,076,643 | 2,076,643 | No additional unrestricted cash flows are projected before obligations are due |
| 19 | Homeowner Association Fees | | Agency-owned homes | 18,720 | 18,720 | 9,360 | No additional unrestricted cash flows are projected before obligations are due |
| 20 | Bank and Trustee Fees | | Bank and trustee fees for redevelopment bonds and bank accounts | 13,500 | 13,500 | 6,750 | No additional unrestricted cash flows are projected before obligations are due |
| 21 | SERAF | State of California | | 6,020,951 | | | |
| | | | subtotal | 311,266,535 | 16,639,533 | 12,313,453 | |
| | City Loan entered into on 3/8/11 | City loan entered into on 3/8/11 | Construction costs for Sycamore North | (2,253,058) | (2,253,058) | (2,253,058) | Disallowed per DOF letter dated May 17, 2012 |
| | | | Allowed ROPS total | 309,013,477 | 14,386,475 | 10,060,395 | |

**Successor Agency to the City of Hercules Redevelopment Agency
Health and Safety Code Section 34179.5(c)
Appendix 10**

Procedure:

Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities pursuant to section 34179.5 (c) (6) of AB 1484.

Results:

See schedule included

BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|---|-------------------------------|
| Total amount of assets held by the successor agency as of June 30, 2012 | \$ 94,180,975 |
| Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - unspent bonds proceeds. | (12,383,897) |
| Less assets that are not cash or cash equivalents (i.e. physical assets) | <u>(90,662,644)</u> |
| Subtotal - Unassigned fund balance | <u>(8,865,566)</u> |
| Less recognized obligation payments (ROPS) through December 31, 2012 | (10,060,395) |
| Projected revenue through December 31, 2012 | <u>4,012,183</u> |
| Amount to be remitted to county for disbursement to taxing entities | <u>\$ (14,913,778)</u> |

Based on the calculation balance depicted above, there are insufficient funds available to satisfy enforceable obligations, including repayment of advances due to the City.

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HERCULES REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

November 2012



JOHN CHIANG
California State Controller

November 8, 2012

Steven Duran, City Manager
City of Hercules
Hercules Redevelopment/Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Pursuant to Health and Safety (H&S) code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Hercules Redevelopment Agency to the City of Hercules or any other public agency during the period of January 1, 2011, through January 31, 2012. This statutory provision explicitly states that, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether assets should be returned to the Hercules Redevelopment Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Hercules or any other public agencies have been reversed.

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These transfers included unallowable transfers of assets to the City of Hercules totaling \$35,489,750, or 28.61% of total assets transferred. Pursuant to H&S Code section 34167.5, the City of Hercules will be ordered to reverse all unallowable transfers identified in the final report and transfer them to the Hercules Redevelopment Successor Agency.

Additionally, our review identified \$15,638,313 in Hercules Redevelopment Agency assets that have not yet been transferred to any agency. The City of Hercules will be ordered to transfer these assets to the Hercules Redevelopment Successor Agency in the final report.

Assembly Bill 1484 (AB 1484) was passed on June 27, 2012, adding H&S Code section 34178.8, which states, ". . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . ." The SCO has initiated the review associated with AB 1484, and will complete that at a later date.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD

Chief, Division of Audits

JVB/sk

cc: Nickie Mastay, Finance Director
City of Hercules
The Honorable Robert Campbell, Auditor-Controller
County of Contra Costa
Steve Szalay, Local Government Consultant
Department of Finance
The Honorable Dan Romero, Chairman
Oversight Board, Hercules RDA Successor Agency
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Tuan Tran, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

| | |
|--|---|
| Summary | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Conclusion | 2 |
| Views of Responsible Officials | 3 |
| Restricted Use | 3 |
| Findings and Orders of the Controller | 4 |
| Schedule 1—Unallowable Transfers to the City of Hercules | 8 |
| Schedule 2—Assets that Should Have Been Transferred to the Successor Agency | 9 |
| Attachment—Land Transferred to the City on March 8, 2011 | |

Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Hercules Redevelopment Agency for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These transfers included unallowable transfers of assets totaling \$35,489,750, or 28.61%, that must be turned over to the Successor Agency. Additionally, \$15,638,313 in Hercules Redevelopment Agency housing assets have not yet been transferred, and must be transferred to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

On June 27, 2012, the Governor signed a trailer bill, Assembly Bill 1484 (AB 1484), which clarified provisions of ABX1 26, and imposed new tasks on county auditor-controllers and successor agencies related to RDA dissolution.

ABX1 26 and AB 1484 were codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the Hercules Redevelopment Agency, the City of Hercules, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City Council and the RDA.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

AB 1484 was passed on June 27, 2012, adding H&S Code section 34178.8, which states “. . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . .”

The SCO has initiated the review associated with AB 1484, and will complete that at a later date.

Conclusion

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These included unallowable transfers of assets totaling \$35,489,750, or 28.61%, that must be turned over to the Successor Agency. Additionally, \$15,638,313 in Hercules Redevelopment Agency housing assets have not yet been transferred, and must be transferred to the Successor Agency.

Unallowable Assets Transferred:

| | |
|---|----------------------|
| Unallowable assets transferred to City of Hercules (See Schedule 1 and Attachment 1) | \$ 35,489,750 |
| Total Unallowable Transfers | <u>\$ 35,489,750</u> |

Assets That Have Not Yet Been Transferred:

| | |
|--|----------------------|
| Hercules Redevelopment Agency housing assets that have not been transferred to the Successor Agency from the Low and Moderate Income Housing Fund (Low Mod Fund) (See Schedule 2) | \$ 15,638,313 |
| Total Assets to Be Transferred to Successor Agency | <u>\$ 51,128,063</u> |

The City of Hercules is ordered to immediately reverse the unallowable transfers and turn over the assets identified in this report to the Successor Agency (see Schedule 1 and Attachment 1). Additionally, housing assets that have not been transferred from the Low Mod Fund must be transferred to the Successor Agency (see schedule 2).

Details of our findings and Orders of the Controller are in the Findings and Orders of the Controller section of this report. We also have included a detailed schedule of assets to be turned over to, or transferred to, the Successor Agency.

**Views of
Responsible
Officials**

At an exit conference on August 23, 2012, we discussed the review results with Nickie Mastay, Finance Director; Doreen Mathews, City Clerk; and Thanh Nguyen, Interim Accountant. At the exit conference, we stated that the final report will include the views of responsible officials.

Restricted Use

This report is solely for the information and use of the City of Hercules, the Redevelopment Successor Agency, the Hercules Successor Agency Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

November 8, 2012

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Hercules

The Hercules Redevelopment Agency (RDA) transferred \$ 35,489,750 in assets to the City of Hercules (City). All of the asset transfers to the City occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of cash and capital assets.

Unallowable Asset Transfers, Capital Assets:

On March 8, 2011, the RDA transferred capital assets of \$31,440,522 in land to the City. To accomplish those transfers, the City and the RDA entered into an agreement under RDA Resolution No. 11-012. Based on Health and Safety Code (H&S Code) sections 34163(b) and (d), the RDA was not allowed to enter into such an agreement or transfer physical assets or cash after January 1, 2011.

City's Response

The State Controller's Office, based on H&S Code section 34167.5, is ordering the City of Hercules to reverse the transfer of these assets. On February 9, 1983, the City adopted Resolution 83-18, which was within two years of formation of the Agency, that created a loan repayment agreement between the City of Hercules Redevelopment Agency and the City of Hercules. The current Recognized Obligation Payment Schedule shows the amount owed to the City of Hercules is \$10,384,363. Upon reversal of the transfer, the Recognized Obligation Payment Schedule will show the amount owed to the City of Hercules as \$41,824,885.

SCO's Comment

The State Controller's Office (SCO) is in agreement with the City. Once the assets are transferred to the Successor Agency, the City can change the amount on the recognized Obligation Payment Schedule to \$41,824,885.

The SCO finding remains as stated.

Unallowable Asset Transfers, Cash:

On December 31, 2011, the RDA transferred tax increment revenue in the amount of \$4,049,228 to the City. This transfer was made for repayment of an advance in August 2011 from the City to the RDA to allow the RDA to pay various obligations. Based on H&S Code section 34162(a)(2), the RDA was prohibited from incurring debt payables from prohibited sources of incoming revenue, including taxes allocated to the RDA.

City's Response

The City of Hercules does not agree that the December 31, 2011 tax increment is an unallowable asset transfer because the tax increment

revenue was used to pay for the City of Hercules Redevelopment Agency debt service which was initially paid by the City of Hercules Development Impact Fee Fund and Vehicle Replacement Fund. In August 2011, the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund paid the City of Hercules Redevelopment Agency debt service. Since the City of Hercules Redevelopment Agency was going to receive Tax Increment in December 2011, this transaction was booked as a short term loan (Due To/Due From on the Balance Sheet). The non-housing debt service paid in August 2011 by the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund was \$5,380,441.88 (2005 Bond \$2,819,762.50 plus 2007A Bond \$2,560,679.38). The non-housing Tax Increment received in December 2011 from the City of Hercules Redevelopment Agency was \$4,029,228.83. As you can see, there is not enough non-housing Tax Increment for the City of Hercules Redevelopment Agency to pay back the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund. The shortfall is \$1,331,214.05. The sale of the Yellow Freight property reduced the shortfall by \$1,248,875.62. Even with the sale of property, the shortfall is \$82,338.43. This shortfall amount will be added to the Recognized Obligation Payment Schedule.

SCO's Comment

The SCO determined that the December 31, 2011 tax increment was used to pay back a loan to the City, not the debt service payment. Although the SCO recognizes that the loan was created to cover a cash shortfall required for debt service, AB X1 26 does not allow this payment to be treated as a debt service payment.

From June 28, 2011, through January 31, 2012, the RDA was not allowed to repay loan(s) not listed on the enforceable obligations schedule under H&S Code section 34167(d). Therefore, the December 31, 2011 tax increment must be turned over to the Successor Agency.

Pursuant to H&S Code section 34167.5, any asset transfers by the RDA to a city, county, city and county, or any other public agency after January 1, 2011 should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

The SCO finding remains as stated.

Order of the Controller

Based on H&S Code section 34167.5, the City of Hercules is ordered to reverse the transfer of the above assets, described in Schedule 1 and Attachment 1, in the amount of \$35,489,750 plus interest earned, and turn them over to the Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e). The 5,380,441.88 short term loan should be added to the Recognized Obligation Payment Schedule and must be approved by the Department of Finance. In addition, any payments of the short-term loan should be added to the Successor Agency's ROPS.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (3).

**FINDING 2—
The RDA failed to
transfer assets to
Successor Agency**

The Hercules Redevelopment Agency failed to transfer \$15,638,313 in housing assets to the Successor Agency by January 31, 2012.

City's Response

The City of Hercules does not agree that the City of Hercules Redevelopment Agency failed to transfer assets to the Successor Agency. In January 2012, the City of Hercules elected not to become the Housing Successor Agency and contacted the Contra Costa County Housing Authority to try to develop a plan to turn over the housing assets. At the end of April 2012 and May 2012 the City of Hercules had a citizen volunteer organized the housing asset files. On June 4, 2012, the City of Hercules Manager contacted the Contra Costa County Housing Authority Executive Director via e-mail asking whether or not the Contra Costa County Housing Authority will be the Housing Successor Agency for the housing portion of the City of Hercules Redevelopment Agency. On June 6, 2012, the Contra Costa Housing Authority Executive Director replied via e-mail that they were declining. On September 17, 2012 via e-mail the State Department of Finance sent a letter to the Contra Costa County Housing Authority Executive Director stating that they had no legal basis for refusing to perform the duties required by Health and Safety Code 34176(b)(2). The letter also states that the State Department of Finance reserves the right to pursue any and all means legally available to compel the Housing Authority to perform its statutory duty. On September 27, 2012 the City of Hercules City Manager contacted the State Department of Finance via e-mail on the status of the Contra Costa Housing Authority taking on the responsibility of the Housing Successor Agency for Hercules. The State Department of Finance responded that the matter has not yet been resolved and that the Contra Costa County Housing Authority responded with a statement that they are working to identify funding with which to perform these responsibilities. Since January 2012 when the City of Hercules elected not to become the Housing Successor Agency, the City of Hercules has worked with Contra Costa County and the State of California to transition the housing assets to the appropriate Housing Successor Agency, but neither party has elected to become the Housing Successor Agency. The citizens of the City of Hercules that have housing related loans with the City of Hercules former Redevelopment Agency have not been able to refinance, pay off their loans, etc. because of the unclear legislation in AB1x 26 and AB 1484. When a Housing Successor Agency is named, the City of Hercules will work with them to transition the housing asset.

SCO's Comment

The SCO is in agreement, in part, with the City of Hercules. We understand the situation regarding housing assets and the lack of a Housing Successor Agency. However, the housing assets still must be transferred to the Redevelopment Successor Agency per H&S Code 34175(b).

The Successor Agency will temporarily hold the assets until the Housing Authority of Contra Costa is established. Once the Housing Authority is established, any encumbered funds related to the Low and Moderate Income Housing Fund will be transferred to the Housing Authority.

H&S Code section 34175(b) states, "All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012."

The SCO finding remains as stated.

Order of the Controller

Based on H&S Code section 34167.5, the City of Hercules is ordered to transfer all Hercules Redevelopment Agency assets in the Low and Moderate Income Housing Fund, described in Schedule 2, in the amount of \$15,638,313, to the Successor Agency.

The Successor Agency is directed to dispose of these assets and transfer the proceeds to the County Auditor-Controller for distribution to taxing entities pursuant to H&S Code section 34177(d).

**Schedule 1—
Unallowable Transfers to the City of Hercules**

| | <u>Amount</u> |
|------------------------------------|----------------------|
| Capital Assets | |
| Land and Improvements ¹ | \$ 31,440,522 |
| Current Assets | |
| Cash Transfer to City | <u>4,049,228</u> |
| Total Unallowable Transfers - City | <u>\$ 35,489,750</u> |

¹ Detail listing of assets on Attachment 1.

**Schedule 2—
Assets that should have been
Transferred to the Successor Agency**

Total Housing Assets to be Transferred to the Successor Agency

\$ 15,638,313

Attachment 1— Land Transferred to the City of Hercules On March 8, 2011

FORMER REDEVELOPMENT AGENCY NAME Hercules Redevelopment Agency
 SUCCESSOR AGENCY City of Hercules
 CONTACT NAME Nickie Mastay PHONE 510-799-8222 TITLE Finance Director

| A ASSET DESCRIPTION | B CARRYING VALUE AS OF | | C IF THE ASSET WAS TRANSFERRED TO A CITY, COUNTY, OR OTHER PUBLIC AGENCY BETWEEN JANUARY 1, 2011 AND JANUARY 31, 2012 (EXCLUDE HOUSING ASSETS): | |
|--|-------------------------------|------------------------------|--|---------------|
| | UNAUDITED JUNE 30, 2011 | ESTIMATE JANUARY 31, 2012 | TRANSFER DATE | PUBLIC AGENCY |
| | Parcel C (APN: 404-020-076-0) | 13,916,084 | 0 | 8-Mar-11 |
| Victoria Crescent (APN: 404-040-062-6) | 3,418,193 | 0 | 8-Mar-11 | to City |
| Sycamore Crossing (APN: 404-020-057_58) | 12,245,938 | 0 | 8-Mar-11 | to City |
| Yellow Freight (APN: 358-030-027-9) | 1,860,307 | 0 | 8-Mar-11 | to City |
| Corridor BART Development | 217,040 | 217,040 | | |
| Civic Center Facility | 1,926,336 | 1,911,998 | | |
| City Hall Annex Improvements | 1,976 | 1,963 | | |
| City Hall Sunroom | 30,092 | 29,953 | | |
| Historic Clubhouse Facility Improvements | 570,437 | 566,629 | | |
| Refugio Valley Flood Control | 155,389 | 154,352 | | |
| Childcare Materials | 102,888 | 101,756 | | |
| Sycamore/Palm Inter Realignment 2006 | 793,561 | 783,633 | | |
| Sycamore Avenue 2006 | 989,804 | 977,420 | | |
| Sycamore/Palm Inter Realignment 2007 | 70,734 | 69,854 | | |
| Sycamore Ave Extension 2007 | 1,263,093 | 1,247,374 | | |
| Reconstruct Willow Median | 69,081 | 68,793 | | |
| North Shore Medians | 26,318 | 26,205 | | |
| 2008-09 Swimming Pool Rehab | 130,571 | 130,039 | | |
| CIP | 159,557 | 159,557 | | |
| Sycamore Downtown Project | 38,017,556 | 38,017,556 | | |
| Hercules Rail Station | 13,311,066 | 13,311,066 | | |
| Corridor BART Development | 9,400,247 | 9,400,247 | | |

Source – Asset Transfer Form prepared by the City of Hercules

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 17, 2013

Mr. Steve Duran, City Manager
 City of Hercules Successor Agency
 111 Civic Drive
 Hercules, CA 94547

Dear Mr. Duran:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hercules Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 26, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 25, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- Item No. 18 – Sycamore North Construction Contracts totaling \$2,076,643. Finance originally denied this item as the contracts were between the City of Hercules and various third party vendors. During the Meet and Confer process, the Agency provided additional documentation. Finance concludes that the former redevelopment agency (RDA) is a party to the contracts; however, this item still continues to be denied for Redevelopment Property Tax Trust Fund (RPTTF) funding.

It is our understanding that these costs were incurred prior to January 1, 2012. Pursuant to HSC section 34177 (l) (3) obligations incurred prior to January 1, 2012 shall be made from property tax revenues received in the spring of 2011 property tax distribution. Therefore, this item is not eligible for RPTTF funding on the ROPS.

In addition, per Finance's ROPS letter dated April 12, 2013, the following item continues to be approved:

- Item No. 10 – Disposition Development and Loan Agreement (DDLA) for Hercules Senior Housing Development in the amount of \$130,000. This item was previously denied on the January through June 2013 ROPS. Subsequently, the Agency provided sufficient documentation to support the required operating subsidy. Specifically, Finance finally received a true and complete copy of the DDLA including key pages that were missing from previous version provided to Finance. Those pages specifically delineate a \$130,000 annual pledge that makes this item an enforceable obligation. Therefore,

Mr. Steve Duran
 May 17, 2013
 Page 2

Finance is adjusting the ROPS accordingly and allowing this item as an enforceable obligation and is approving \$130,000 in RPTTF.

In addition to the above, Finance has received new information related to Item 6, which was previously denied on ROPS III. Specifically, the properties in question are now in the possession of the Agency instead of the city. According to the settlement agreement, the Agency is required to sell various properties with the proceeds being distributed to AMBAC. Finance agrees that the settlement agreement is an enforceable obligation of the Agency. As such, the Agency is allowed to sell the properties in question and distribute the proceeds according to the settlement. Finance is unlocking and approving Item 6 for expenditure in the upcoming ROPS 13-14A period from "other funds" in the amount of \$6.5 million, which was the amount requested during the ROPS III period.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,180,795 as summarized below:

| Approved RPTTF Distribution Amount | |
|--|---------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 10,994,760 |
| Plus: Item 10 | \$ 130,000 |
| Minus: Six-month total for Items denied Item 18 | 2,076,643 |
| Total approved RPTTF for enforceable obligations | \$ 9,048,117 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 132,678 |
| Minus: ROPS II prior period adjustment | - |
| Total RPTTF approved for distribution: | \$ 9,180,795 |

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time

EXHIBIT 2

Mr. Steve Duran
May 17, 2013
Page 3


period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Nickie Mastay, Finance Director, City of Hercules
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: (510) 799-8200

Meeting Date: December 7, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Housing Due Diligence Review Public Comment Session.

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Receive Public Comment on the Due Diligence Review of the Housing Funds.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

V 2

**REPORT ON APPLYING
AGREED-UPON PROCEDURES TO THE
CITY OF HERCULES
LOW AND MODERATE INCOME
HOUSING FUND
IN ACCORDANCE WITH AB 1484**

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**AGREED-UPON PROCEDURES TO THE
CITY OF HERCULES
LOW AND MODERATE INCOME HOUSING FUND
IN ACCORDANCE WITH AB 1484**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 1 |
| Attachment A – Agreed-Upon Procedures Engagement | 3-12 |
| Appendices: | |
| Appendix 1 | 13 |
| Appendix 5 | 14 |
| Appendix 6 | 15 |
| Appendix 7 | 16 |
| Appendix 8A..... | 17 |
| Appendix 8C..... | 18 |
| Appendix 10 | 19 |

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to AB 1484. Management of the successor agency and the City are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c)(1) through 34179.5(c)(6). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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 scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A related to the Low and Moderate Income Housing Fund of the City of Hercules.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. 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 applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

GALLINA LLP

A handwritten signature in cursive script that reads 'Gallina LLP'.

Roseville, California
October 6, 2015

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ATTACHMENT A

Agreed Upon Procedures Engagement Pursuant to AB1484 and Health and Safety Code Section 34179.5

Purpose: to determine the unobligated balances of the (a) Low and Moderate Income Housing Fund available to transfer to taxing entities.

Health and Safety Code Section 34179.5(c)

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

1. **Procedure:** Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the book value of the assets transferred to the Successor Agency as of that October 6, 2015.

Results:

Refer to Appendix 1 for a listing of assets transferred to the Successor Agency and comments, if any. The book value of the assets transferred was \$15,429,619 less liabilities of 14,410,234.

34179.5(c)(2)The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The reviews shall provide documentation of any enforceable obligation that required the transfer.

2. **Procedure:** If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to the City that formed the redevelopment agency for the period January 1, 2011 through January 31, 2012.

- B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to the City that formed the redevelopment agency for the period February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

N/A. Refer to procedures 2A and 2B above.

34179.5(c)(3)The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

- 3. **Procedure:** If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to any other public agency or private party for the period January 1, 2011 through January 31, 2012.

- B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to any other public agency or private party for the period February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

N/A. Refer to procedures 3A and 3B above.

34179.5(c)(4)The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.

- 4. **Procedure:** Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified basis of accounting. End of year balances for capital assets (in total) and long term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

- C. Compare amounts in the schedule relevant to the fiscal year ending June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

These procedures are not required for the Low and Moderate Income Housing Fund only report. These procedures are to be performed for the Redevelopment Agency as a whole.

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

- A. A statement of the total value of each fund as of June 30, 2012.
- 5. **Procedure:** Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of the assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets and liabilities of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets that were held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

Refer to Appendix 5 for a listing of the assets held by the Successor Agency related to the Low and Moderate Income Housing Fund.

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

6. **Procedure:** Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:
- A. Unspent bond proceeds:
 - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

Refer to Appendix 6 for a listing of amounts that are legally restricted for unspent bond proceeds and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

- B. Grant proceeds and program income that are restricted by third parties:
 - i. Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

There are no amounts that are legally restricted by third parties and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

- C. Other assets considered to be legally restricted:
 - i. Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures.)
 - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
 - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Results:

There are no other amounts that are legally restricted and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report.

Refer to Appendix 6 for a listing of amounts that are legally restricted by unspent bond proceeds and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund. No amounts have been identified as a result of procedures 6B or 6C.

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

7. **Procedure:** Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
- B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

Refer to Appendix 7 for a listing of assets that are not liquid or otherwise available for distribution that relate to the Low and Moderate Income Housing Fund.

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with

dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

8. **Procedure:** Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

Refer to Appendix 8A for an itemized listing of current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation..

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
 - i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.

- ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

The Successor Agency has asserted that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments. The projected tax revenue and bond debt service is presented in a separate agreed-upon procedures report issued for the Successor Agency to the Redevelopment Agency (excluding Low and Moderate Income Housing Fund).

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
 - i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

Refer to Appendix 8C for a schedule of projected property tax revenues and bond debt service.

The Successor Agency has asserted that projected property tax revenues and other general purpose revenues are insufficient to pay bond debt service payments.

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
 - i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

The calculation of current unrestricted balances necessary for retention is listed at appendix 10.

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

9. **Procedure:** If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

The Successor Agency has asserted that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period July 1, 2012 through June 30, 2013. The final ROPS, including the Affordable Housing Bonds, is presented in a separate agreed-upon procedures report issued for the Successor Agency to the Redevelopment Agency (excluding Low and Moderate Income Housing Fund).

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

10. **Procedure:** Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low

and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

Refer to Appendix 10 for the schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

Appendix 1
Balance Sheet
City of Hercules
Low and Moderate Income Housing Fund
February 1, 2012

| | | Low Mod Housing Fund |
|---|--|----------------------------|
| ASSETS | | |
| Cash, cash equivalents and investments | | \$ 216,505 |
| Cash with fiscal agent | | 4,205,751 |
| Accounts receivable | | 50 |
| Notes receivable | | 10,609,669 |
| Land held for resale | | 397,644 |
| Total assets | | <u>\$ 15,429,619</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | | \$ 4,054 |
| Unavailable revenue | | 10,812,587 |
| Advances from other funds | | 3,593,593 |
| Total liabilities | | <u>14,410,234</u> |
| Net assets: | | |
| Unrestricted | | 1,019,385 |
| Total net assets | | <u>1,019,385</u> |
| Total liabilities and net assets | | <u>\$ 15,429,619</u> |

Appendix 5
City of Hercules
Low and Moderate Income Housing Fund
Included in the Successor Agency's Financial Statements
For the Five Months Ended June 30, 2012

| | Successor Agency 5 Months Ending 6/30/2012 |
|--|---|
| <hr/> | |
| Assets: | |
| Cash and cash equivalents | \$ 213,887 |
| Cash with fiscal agent | 1,911,206 |
| Accounts receivable | 50 |
| Note receivable | 10,592,611 |
| Land held for resale | 397,644 |
| | <hr/> |
| Total Assets | \$ 13,115,398 |
| Liabilities: | |
| Accounts and other payables | \$ 3,800 |
| Unavailable revenue | 10,592,611 |
| Advances from other funds | 3,593,593 |
| Long-term debt | 23,911,076 |
| | <hr/> |
| Total Liabilities | \$ 38,101,080 |
| Equity | <hr/> (1,074,606) |
| Total Liabilities + Equity | <hr/> \$ 37,026,474 |
| Revenues: | |
| Use of money and property | \$ (45,990) |
| Program revenue | 179,417 |
| Miscellaneous | 153 |
| | <hr/> |
| Total Revenues | \$ 133,580 |
| Expenditures: | |
| Current: | |
| Community Development | \$ (67,177) |
| Debt service: | |
| Principal | 1,655,000 |
| Interest and fiscal agent fees | 645,491 |
| | <hr/> |
| Total Expenditures/Expenses | \$ 2,233,314 |
| Other financing sources (uses): | |
| Transfers in | \$ 1,064,450 |
| Transfers out | (1,058,707) |
| | <hr/> |
| Total Transfers | \$ 5,743 |
| Net change in equity | <hr/> \$ (2,093,991) |
| Beginning Equity: Equity transfer from City's Low and Moderate Income Housing funds | <hr/> \$ 1,019,385 |
| Ending Equity: | <hr/> \$ (1,074,606) |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)

Appendix 6 - List of assets restricted for (a) unspent bond proceeds, (b) grant proceeds and (i) other assets considered to be legally restricted

| | Description | Cost | Obtain successor agency's computation of the restricted balances (e.g total proceeds less eligible expenditures) | Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation). | Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted. |
|---|--|-------------|--|--|---|
| 1 | Fund 617 2007A Hsng Bnd Reserve | \$ 984,247 | For final debt service payment for 2007A Housing Bond | Amount agrees to custodian statement balances | N/A |
| 2 | Fund 618 2007B Hsng Bnd Capital Projects | 50,056 | Unspent bond proceeds | Amount agrees to custodian statement balances | N/A |
| 3 | Fund 618 2007B Hsng Bnd Reserve | 876,901 | For final debt service payment for 2007B Housing Bond | Amount agrees to custodian statement balances | N/A |
| 4 | Restricted Assets | (1,861,148) | Debt reserves on appendix 8 | | |
| | | \$ 50,056 | | | |

Appendix 7

City of Hercules

Low and Moderate Income Housing Fund

Health and Safety Code Section 34179.5(c)

Appendix 7A - List of assets not liquid or otherwise available for distribution (capital assets, land held for resale, LT receivables etc) at June 30, 2012

| | Description | Amount | If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences | If assets have been disposed, inspect evidence that proceeds were deposited into trust fund | If listed at estimated market value cost, inspect evidence supporting value and document methodology used |
|---|---------------------------|---------------|--|---|---|
| 1 | Accounts Receivable | \$ 50 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 115: Housing Set-Aside Operating Fund | N/A | N/A |
| 2 | Notes receivable | 10,592,611 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 117: Housing Set-Aside Operating Fund | N/A | N/A |
| 3 | Land/Bldg Held for Resale | 397,644 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 105: Housing Set-Aside Operating Fund | N/A | N/A |
| | | \$ 10,990,305 | | | |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 8A - List of assets dedicated or restricted for repayment of enforceable obligations

| | Description | Amount | The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation. | i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question. | ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. | iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance. | iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation. |
|---|-------------------------|----------------------|---|--|--|--|---|
| 1 | Cash with Fiscal Agents | \$ 984,247 | Housing Division 2007A reserve account for the final debt service payment | Amount agrees to custodian statement balances | Amount agrees to custodian statement balances | | NA |
| 2 | Cash with Fiscal Agents | 876,901 1,861,148 | Housing Division 2007B reserve account for the final debt service payment | Amount agrees to custodian statement balances | Amount agrees to custodian statement balances | | NA |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 8C - Projected Property Tax Revenues and Bond Debt Service

| | Description | Amount | If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule. | i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. | ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections. | iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections. |
|---|--|----------------|---|---|---|---|
| 2 | Projected outflows through December 31, 2012 | (1,249,545) | ROPS #3 2007 Tax Allocation Bonds Housing (A) in the amount of \$651,097 ROPS #4 2007 Tax Allocation Bonds Housing (B) in the amount of \$598,448 | Total projected outflows through December 31, 2012 for the Successor Agency are \$10,060,395, of which 1,249,545 are for housing related bonds. | N/A | |
| | | \$ (1,249,545) | Projected Shortfall | | | |

**City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 10**

Procedure:

Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities pursuant to section 34179.5 (c) (6) of AB 1484.

Results:

Schedule for City of Hercules Low Moderate Income Housing Fund is shown below

BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|---|-------------------------------------|
| Total amount of assets held by the successor agency as of June 30, 2012 | \$ 13,115,398 |
| Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments. | (50,056) |
| Less assets that are not cash or cash equivalents (i.e. physical assets) | (10,990,305) |
| Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) | <u>(1,861,148)</u> |
| Subtotal - Unassigned fund balance | <u>213,889</u> * |
| Projected shortfall through December 2012 - Appendix 8C | <u>(1,249,545)</u> |
| Amount available to be remitted to county for disbursement to taxing entities - Negative balance indicates that there are no balances available to be remitted to taxing entities. | <u><u>\$ (1,035,656)</u></u> |

* The City requests amount to be retained as a reserve for repayment of debt service due to projected shortfall

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: 799-8200

Meeting Date: December 8, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Property Management Plan

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Adopt a resolution approving the Long Range Property Management Plan in accordance with the requirement of Health and Safety Code Section 34191.5.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

VI 1

**STAFF REPORT TO THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS
SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY**

DATE: December 7, 2015

TO: The Oversight Board for the City of Hercules as Successor Agency to the Hercules Redevelopment Agency

SUBMITTED BY: David Biggs, City Manager

SUBJECT: Long Range Property Management Plan

RECOMMENDED ACTION:

Adopt a resolution approving the Long Range Property Management Plan in accordance with the requirements of Health and Safety Code Section 34191.5.

BACKGROUND:

The former Redevelopment Agency of the City of Hercules was dissolved on February 1, 2012, pursuant to ABx1 26 (as amended by AB1484). Amongst other requirements, AB1484, requires a property management plan, and audits of housing and redevelopment assets before a finding of completion can be issued by the State of California Department of Finance.

AMBAC Litigation

On January 30, 2012, AMBAC (Redevelopment Agency bond insurer) filed an action in the Contra Costa County Superior Court against the City, the Redevelopment Agency and each individual member of the City Council, seeking to, among other things, compel the City to transfer \$4,100,000 from the Pooled Cash Account, which AMBAC alleges constitute the December 2011 tax increment receipts, to the Trustee, and in the alternative to impose a constructive trust on such funds and prevent the City from using those funds for any other purpose.

On March 8, 2012, a stipulation and Writ of Attachment was signed between AMBAC, the City of Hercules and the Redevelopment Agency. It was agreed that as consideration for AMBAC's forbearance on seeking an immediate writ of mandate and preliminary injunction on March 20, 2012, AMBAC receive a Writ of Attachment on the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A"), the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6) (Property B), the real property commonly known as "Sycamore Crossing" (Contra Costa County Assessor's Parcel No. 404-020-057-00, 404-020-058-00) (Property "C"). These properties are to be sold to satisfy what is owed to AMBAC.

On February 24, 2014 the real property commonly known as “Victoria Crescent” (Contra Costa County Assessor’s Parcel No. 404-040-062-0)(Property “B”) was sold to Venture Partners, LLC. On August 26, 2014 the real property commonly known as Parcel “C” (Contra Costa County Assessor’s Parcel No. 404-020-073-0) (Property “A”) was sold to Lewis Homes. Proceeds from the sale of both parcels were paid to AMBAC to satisfy a portion of what is owed to AMBAC.

DISCUSSION:

The three properties transferred to the Successor Agency consist of the following:

- The real property commonly known as “Parcel C” located on John Muir Parkway. An 11 acre site sold to Lewis Homes on August 26, 2014 for development of 143 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Parcel C.
- The real property commonly known as “Victoria Crescent” located on San Pablo Avenue. A 6 acre site sold to Venture Partners, LLC for development of 43 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Victoria Crescent.
- The real property commonly known as “Sycamore Crossing” located on Sycamore Avenue and San Pablo Avenue. A 14 acre site that is under a Purchase and Sale agreement with Terramar for future commercial development to include a Safeway store and gasoline station and retail space. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Sycamore Crossing.

The Long Range Property Management Plan is organized to provide specific information for each property, as required by Health and Safety Code 34191.5. This includes Property Inventory: The property inventory provides specific information related to each property’s acquisition date, cost, and purpose, parcel information, its current value, contractual requirements, environmental contamination/remediation, its potential for Transit oriented development, and advancement of planning objectives, and its development proposal history and activity. This information is included in the Long Range Property Management Tracking Worksheet included in Attachment 2.

ATTACHMENTS:

1. Resolution
2. Long Range Property Management Plan – Exhibit A

RESOLUTION NO.

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S LONG RANGE PROPERTY MANAGEMENT PLAN PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.5

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 Health and Safety code 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, California Health and Safety Code section 34179 requires that each Successor Agency have an Oversight Board; and

WHEREAS, pursuant to Health and Safety Code Section 34191.5(b), the Successor Agency is now entitled to and must prepare and submit a Long Range Property Management Plan (the “LRPMP”) to the Oversight Board and the State Department of Finance.

NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY HEREBY RESOLVES:

- (1) Approval of the Long Range Property Management Plan - Exhibit A.

The foregoing Resolution was duly and regularly adopted by the Oversight Board for the City of Hercules as Successor Agency to the Hercules Redevelopment Agency at its meeting held on the 7th day of December, 2015 by the following:

AYES:

NOES:

Dan Romero, Chair

ATTEST:

Margaret S. Roberts, MMC
Administrative Services Director/City Clerk

Long Range Property Management Plan

Successor Agency to the Hercules Redevelopment Agency

December 2015

BACKGROUND:

The former Redevelopment Agency of the City of Hercules was dissolved on February 1, 2012, pursuant to ABx1 26 (as amended by AB1484). Amongst other requirements, AB1484, requires a property management plan, and audits of housing and redevelopment assets before a finding of completion can be issued by the State of California Department of Finance.

AMBAC Litigation

On January 30, 2012, AMBAC (Redevelopment Agency bond insurer) filed an action in the Contra Costa County Superior Court against the City, the Redevelopment Agency and each individual member of the City Council, seeking to, among other things, compel the City to transfer \$4,100,000 from the Pooled Cash Account, which AMBAC alleges constitute the December 2011 tax increment receipts, to the Trustee, and in the alternative to impose a constructive trust on such funds and prevent the City from using those funds for any other purpose.

On March 8, 2012, a stipulation and Writ of Attachment was signed between AMBAC, the City of Hercules and the Redevelopment Agency. It was agreed that as consideration for AMBAC's forbearance on seeking an immediate writ of mandate and preliminary injunction on March 20, 2012, AMBAC receive a Writ of Attachment on the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A"), the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6) (Property B), the real property commonly known as "Sycamore Crossing" (Contra Costa County Assessor's Parcel No. 404-020-057-00, 404-020-058-00) (Property "C"). These properties are to be sold to satisfy what is owed to AMBAC.

On February 24, 2014 the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-0)(Property "B") was sold to Venture Partners, LLC. On August 26, 2014 the real property commonly known as Parcel "C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A") was sold to Lewis Homes. Proceeds from the sale of both parcels were paid to AMBAC to satisfy a portion of what is owed to AMBAC.

SUMMARY OF PROPOSED REAL PROPERTY ASSET RETENTION AND DISPOSITION:

The three properties transferred to the Successor Agency consist of the following:

1. The real property commonly known as "Parcel C" located on John Muir Parkway. An 11 acre site sold to Lewis Homes on August 26, 2014 for development of 143 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included is a letter from the State Department of Finance approving the sale of Parcel C.

2. The real property commonly known as “Victoria Crescent” located on San Pablo Avenue. A 6 acre site sold to Venture Partners, LLC for development of 43 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included is a letter from the State Department of Finance approving the sale of Victoria Crescent.

3. The real property commonly known as “Sycamore Crossing” located on Sycamore Avenue and San Pablo Avenue. A 14 acre site that is under a Purchase and Sale agreement with Terramar for future commercial development to include a Safeway store and gasoline station and retail space. Included is a letter from the State Department of Finance approving the sale of Sycamore Crossing.

Specific information for each property, as required by Health and Safety Code 34191.5 includes Property Inventory: The property inventory provides specific information related to each property’s acquisition date, cost, and purpose, parcel information, its current value, contractual requirements, environmental contamination/remediation, its potential for Transit oriented development, and advancement of planning objectives, and its development proposal history and activity. This information is included in the Long Range Property Management Tracking Worksheet



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

September 27, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of its oversight board (OB) resolution. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution Nos. 13-007 related to the disposition of Parcel C (A.P. No. 404-020-076), is approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office



First American Title Company

6683 Owens Drive • Pleasanton, CA 94588

Office Phone:(925)738-4050 Office Fax:(866)648-7806

Seller's Final Settlement Statement

Property: Parcel 1, Subdivision Map 8764, John Muir Parkway, Hercules, CA
File No: 0131-619809ala
Officer: Diane Burton/DB
Settlement Date: 08/26/2014
Disbursement Date: 08/26/2014
Print Date: 10/20/2014, 12:46 PM

Buyer: LD Hercules Land, LLC
Address: 9216 Kiefer Blvd., Suite 4, Sacramento, CA 95826
Seller: City of Hercules
Address: Attention: Hercules City Clerk, 111 Civic Drive, Hercules, CA 94547
Lender:
Address:
New Loan No.:

| Charge Description | Seller Charge | Seller Credit |
|--|---------------------|---------------------|
| Consideration: | | |
| Total Consideration | | 8,000,000.00 |
| Adjustments: | | |
| Independent Consideration | | 100.00 |
| Assume John Muir Bond AD 2005-01 | 1,750,000.00 | |
| Release of Independent Consideration | 100.00 | |
| Prorations: | | |
| County Tax (2013-2014 less John Muir Bond) 07/01/14 to 08/26/14 @\$866.60/yr | 132.96 | |
| Commission: | | |
| Commission Paid at Settlement to Cushman & Wakefield | 200,000.00 | |
| Commission Paid at Settlement to CBRE, Inc. | 200,000.00 | |
| Payoff Loan(s): | | |
| Lender: Oliver & Company, Inc. | | |
| Principal Balance - Oliver & Company, Inc. | 2,566,464.33 | |
| Interest on Payoff Loan 07/22/14 to 08/27/14 @8.250000% - Oliver & Company, Inc. | 20,883.29 | |
| Disbursements Paid: | | |
| Release Writ of Attachment to Ambac Assurance Corp Operating Acct. | 2,910,366.93 | |
| Property Tax Default for August 2014 to Contra Costa Tax Collector | 352,152.49 | |
| Totals | 8,000,100.00 | 8,000,100.00 |

Parcel C



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

September 10, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of various oversight board (OB) resolutions. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, OB Resolution Nos. 12-008, 12-009 and 13-001, related to the disposition of the Victoria Crescent property (A.P. No. 404-040-062-6), are approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office



First American Title Company
National Commercial Services
 1737 North First Street, Suite 500 • San Jose, CA 95112

Seller's Final Settlement Statement

Property: San Pablo Avenue, Hercules, CA

File No: NCS-578942-SC

Officer: Carol M. Herrera/VA

New Loan No:

Settlement Date:

Disbursement Date: 02/19/2014

Print Date: 02/24/2014, 4:53 PM

Buyer: CV HERCULES 1 INV, LLC

Address: 1900 Quail Street, Newport Beach, CA 92660

Seller: City of Hercules

Address: 111 Civic Drive, Hercules, CA 94547

| Charge Description | Seller Charge | Seller Credit |
|---|---------------|---------------|
| Consideration: | | |
| Total Consideration | | 2,125,000.00 |
| Prorations: | | |
| County Tax 01/01/14 to 02/24/14 @\$545.05/semi | 161.28 | |
| Commission: | | |
| Commission Paid at Settlement to Cassidy Turley BT Commercial | 127,500.00 | |
| Title/Escrow Charges to: | | |
| Closing-Escrow Fee (one half each) to First American Title Company National Commercial Services | 1,437.50 | |
| Overnight Delivery Service to First American Title Company National Commercial Services | 25.00 | |
| Policy-Standard ALTA 2006 Owner's to First American Title Company National Commercial Services | 3,361.00 | |
| Record Grant Deed to First American Title Company National Commercial Services | 16.00 | |
| Documentary Transfer Tax-County to First American Title Company National Commercial Services | 2,337.50 | |
| Disbursements Paid: | | |
| Writ of Attachment Paydown to Ambac Assurance Corporation c/o Arent Fox | 1,967,071.62 | |
| Reimbursement for Planning Fees to City of Hercules | 22,490.55 | |
| 1st Tax Installment: 2013-2014 to Contra Costa County Tax Collector | 545.05 | |
| 1st Tax Installment: Penalty Due to Contra Costa County Tax Collector | 54.50 | |
| Totals | 2,125,000.00 | 2,125,000.00 |



November 1, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of its oversight board (OB) resolution. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution Nos. 13-008 related to the disposition of Sycamore Crossing (A.P. No. 404-020-057 and A.P. No. 404-020-058), is approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office

Successor Agency: City of Hercules as Successor Agency to the Former Redevelopment Agency
 County: Contra Costa County

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY INVENTORY DATA

| No. | Address or Description | APN | Property Type | HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(2) | | HSC 34191.5 (c)(1)(A) | | SALE OF PROPERTY (if applicable) | | | |
|-----|---------------------------------|-------------------------------|-----------------|---|--|-------------------------|---------------------|------------------------------------|----------------------------|---------------------------------------|-------------------------------------|------------------------|-----------------------|
| | | | | Permissible Use Fulfill an Enforceable Obligation | If Sale of Property, specify intended use of sale proceeds | Permissible Use Detail | Acquisition Date | Value at Time of Acquisition | Estimated Current Value | Date of Estimated Current Value | Estimated Current Value Basis | Proposed Sale Value | Proposed Sale Date |
| 1 | Victoria Crescent (vacant land) | 404-040-062-6 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | Residential Development | 03/2009 | 3,418,193 | 2,125,000 | 02/2014 | Market | 2,125,000 | 02/19/2014 |
| 2 | Parcel C | 404-020-076-0 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | Residential Development | 06/2009 | 13,916,064 | 8,000,100 | 08/2014 | Market | 8,000,100 | 08/28/2014 |
| 3 | Sycamore Crossing | 404-020-057-001/04-020-058-00 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | Commercial Development | 07/2007 | 11,050,101 | 5,000,000 | 10/2013 | Market | 5,000,000 | 06/30/2016 |

Successor Agency: City of Hercules as Successor Ag
 County: Contra Costa County

LONG RANGE PROPERTY MANAGEMENT PLAN: PROP

| HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(1)(B) | | HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(1)(D) | | HSC 34191.5 (c)(1)(E) | | HSC 34191.5 (c)(1)(F) | | HSC 34191.5 (c)(1)(G) | | HSC 34191.5 (c)(1)(H) | |
|---------------------------------|-------------------------------|---|----------|-----------------------|----------------------------------|-----------------------------------|---|--|---|--|--|-----------------------|--|-----------------------|--|
| Address or Description | APN | Purpose for which property was acquired | Lot Size | Current Zoning | Estimate of Current Parcel Value | Annual Estimate of Income/Revenue | Are there any contractual requirements for use of income/revenue? | Has there been historic environmental contamination, studies, and/or remediation, and designation as a brownfield site for the property? | Does the property have the potential as a transit oriented development? | Were there advancements to the successor agency's planning objectives? | Does the property have a history of previous development proposals and activity? | | | | |
| Victoria Crescent (vacant land) | 404-040-062-6 | Residential Development | 6 Acres | Residential | 2,125,000 | Zero | Yes | Yes | No | No | Yes | | | | |
| Parcel C | 404-020-076-0 | Residential Development | 11 Acres | Residential | 8,000,100 | Zero | Yes | Yes | Yes | Not Reported | Yes | | | | |
| Sycamors Crossing | 404-020-057-00/404-020-058-00 | Commercial Development | 14 Acres | Commercial | 5,000,000 | Zero | Yes | Yes | No | Not Reported | Yes | | | | |

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: (510) 799-8200

Meeting Date: December 7, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Non-Housing Due Diligence Review Public Comment Session.

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Receive Public Comment on the Due Diligence Review of the Non-Housing Funds.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

V 1

**REPORT ON APPLYING
AGREED-UPON PROCEDURES
IN ACCORDANCE WITH AB 1484
FOR THE HERCULES REDEVELOPMENT AGENCY AND
THE SUCCESSOR AGENCY TO THE RDA
ALL FUNDS AND ACCOUNTS (EXCLUDING LOW AND
MODERATE INCOME HOUSING FUND)**

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**AGREED-UPON PROCEDURES
HERCULES REDEVELOPMENT AGENCY
AND THE SUCCESSOR AGENCY TO THE RDA**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 1 |
| Attachment A – Agreed-Upon Procedures Engagement | 3-11 |
| Appendices: | |
| Appendix 1 | 13 |
| Appendix 2A..... | 14 |
| Appendix 4A..... | 15-18 |
| Appendix 4B..... | 19-22 |
| Appendix 6 | 23 |
| Appendix 7A | 24 |
| Appendix 8C..... | 25 |
| Appendix 9 | 26 |
| Appendix 10 | 27 |
| Exhibit 1 – State Controller’s Asset Transfer Review Report..... | 29-43 |
| Exhibit 2 – DOF Final Determination ROPS Letter | 44-46 |

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Oversight Board of the Successor Agency
of the Hercules Redevelopment Agency
Hercules, California

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to AB 1484. Management of the successor agency and the City are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c)(1) through 34179.5(c)(6). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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 scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A related to all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund).

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. 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 successor agency and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

GALLINA LLP

A handwritten signature in cursive script that reads 'Gallina LLP'.

Roseville, California
October 6, 2015

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ATTACHMENT A

Agreed Upon Procedures Engagement Pursuant to AB1484 and Health and Safety Code Section 34179.5

Purpose: to determine the unobligated balances of all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) available to transfer to taxing entities.

Health and Safety Code Section 34179.5(c)

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

1. Procedure:

Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the book value of the assets transferred to the Successor Agency as of that date.

Results:

Refer to Appendix 1 for a listing of assets transferred to the Successor Agency and comments, if any. The book value of the assets transferred was \$60,676,321.

34179.5(c)(2)The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The reviews shall provide documentation of any enforceable obligation that required the transfer.

2. Procedure: If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency transferred \$35,489,750 in assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the City that formed the redevelopment agency for the

period January 1, 2011 through January 31, 2012. See Appendix 2A and the State Controller's Asset Transfer Review report (Exhibit 1).

B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to the City that formed the redevelopment agency for the period February 1, 2012 through June 30, 2012.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

Legal documents are not required because the State Controller's Office has completed its review of transfers. Refer to State Controller's Office Asset Transfer Review report at Exhibit 1.

34179.5(c)(3)The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

3. Procedure: If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund) to any other public agency or private party for the period January 1, 2011 through January 31, 2012.

B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to all other funds of the Successor Agency combined (excluding the Low and Moderate Income Housing Fund) to any other public agency or private party for the period February 1, 2012 through June 30, 2012.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

The State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report. Refer to Exhibit 1.

34179.5(c)(4)The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010-11 and 2011-12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the controller for the 2009-10 fiscal year.

4A. Procedures: Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedules for information purposes.

B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

C. Compare amounts in the schedule relevant to the fiscal year ending June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

Refer to Appendices 4a and 4b for a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the period ending June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012.

For all fiscal periods indicated in the schedule – total revenues, expenditures and transfers account for the changes in equity from the previous period, except for a prior period adjustment for the period ending January 31, 2012. The adjustment reflects the reversal of payments against advances owed to the City which were disallowed by the Department of Finance.

Amounts reported on the schedule for the fiscal year ended June 30, 2010 agree to the amounts reported on the State Controller Report filed for the Redevelopment Agency for the same period, except for amounts not reported on state controller report such as deferred costs, interest payable and accumulated depreciation.

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

5. Procedure: Obtain from the Successor Agency a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets and liabilities of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

Refer to Appendices 4A and 4B columns labeled Successor Agency for a listing of the assets held by the Successor Agency for all other funds and accounts combined (excluding the Low and Moderate Income Housing Fund). Refer to the Agreed Upon Procedures Report in accordance with ABX126 for the capital asset detail of \$33,947,972.

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

6. Procedure: Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

Refer to Appendix 6 for unspent bond proceeds and cash with fiscal agent set aside for future debt service obligations.

B. *Grant proceeds and program income that are restricted by third parties:*

Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

There are no amounts that are legally restricted by third parties and cannot be provided to taxing entities relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund).

C. *Other assets considered to be legally restricted:*

Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures.)

Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Results:

There are no other amounts that are legally restricted and cannot be provided to taxing entities relating to all the other funds and account balances of the former redevelopment agency (excluding the Low and Moderate Income Housing Fund).

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report.

N/A.

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

7. **Procedure:** Perform the following procedures:

A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

Refer to Appendix 7A for a listing of assets that are not liquid or otherwise available for distribution that relate to all other funds and accounts combined (excluding the Low and Moderate Income Housing Fund).

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both

the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

8. Procedure: Perform the following procedures:

A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.

Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.

Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

N/A

B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.

Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.

Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections. For the forecasted annual revenues:

Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

N/A

C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.

Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

Refer to appendix 8C for projected property tax revenues and project outflows through December 2012. The calculation of current unrestricted balances necessary for retention is listed at Appendix 10.

If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.

Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.

Include the calculation in the AUP report.

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

9. Procedure: If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the

period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

Refer to Appendix 9 for a listing of obligations listed on the Recognized Obligation Payment Schedule for the period of July 1, 2012 through June 30, 2013.

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

10. Procedure: Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

Refer to Appendix 10 for the schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

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**Appendix 1
Balance Sheet
Successor Agency to the City of Hercules Redevelopment Agency
All Funds and Accounts Excluding Low and Moderate Income Housing Fund
February 1, 2012 (unaudited)**

| | Redevelopment Agency All Funds less LMIHF |
|---|--|
| ASSETS | |
| Cash with fiscal agent | \$ 12,373,928 |
| Accounts receivable | 363,796 |
| Due from other funds | 1,683,631 |
| Loans receivable | 1,780,594 |
| Land held for resale | 3,862,040 |
| Accumulated project costs | 40,612,332 |
| Total assets | <u><u>\$ 60,676,321</u></u> |
| LIABILITIES AND EQUITY | |
| Liabilities: | |
| Accounts payable | \$ 12,557,221 |
| Unavailable revenue | 1,780,593 |
| Due to other funds | 1,361,576 |
| Advances from other funds | 10,920,366 |
| Total liabilities | <u><u>26,619,756</u></u> |
| Net assets: | |
| Net assets held in trust | <u>34,056,565</u> |
| Total net assets | <u><u>34,056,565</u></u> |
| Total liabilities and net assets | <u><u>\$ 60,676,321</u></u> |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 2A - Transfers from RDA to City or County that formed the RDA - January 1, 2011 - January 31, 2012

| | Date | Description | Value | For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. | For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer. |
|---|----------|--|------------|--|--|
| 1 | 3/8/2011 | Parcel C (APN: 404-020-076-0)* | 13,916,084 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 2 | 3/8/2011 | Victoria Crescent (APN: 404-040-062-6)* | 3,418,193 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 3 | 3/8/2011 | Sycamore Crossing (APN: 404-020-057,58)* | 12,245,938 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 4 | 3/8/2011 | Yellow Freight (APN: 358-030-027-9)* | 1,860,307 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| 5 | | Cash transferred to City of Hercules* | 4,049,228 | Agrees to SCO Asset Transfer Review Report included as Exhibit 1 | |
| | | TOTAL | 35,489,750 | | |

* These assets were transferred back from the City of Hercules to the Successor Agency RDA.

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010

| | City Audit Less SCO Report Differences | Financial Transaction Report All Funds | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|---|---|--|---|---|
| ASSETS | | | | | |
| Cash and investments | -- | 882,264 | \$ 882,264 | \$ -- | \$ 882,264 |
| Cash and investments with fiscal agents | -- | 38,331,928 | 38,331,928 | 10,127,733 | 28,204,195 |
| Accounts receivable | -- | 139,244 | 139,244 | 1,492 | 137,752 |
| Interest receivable | -- | 530,285 | 530,285 | 399,598 | 130,687 |
| Due from the City of Hercules | -- | 137,141 | 137,141 | -- | 137,141 |
| Due from other funds | -- | 2,171,043 | 2,171,043 | 434,577 | 1,736,466 |
| Loans receivable | (1,997,082) | 14,604,907 | 12,607,825 | 10,654,269 | 1,953,556 |
| Land held for resale | -- | 5,214,077 | 5,214,077 | 1,352,037 | 3,862,040 |
| Total assets | \$ (1,997,082) | \$ 62,010,889 | \$ 60,013,807 | \$ 22,969,706 | \$ 37,044,101 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ -- | \$ 9,679,735 | \$ 9,679,735 | \$ 46,695 | \$ 9,633,040 |
| Accrued wages | -- | 61,072 | 61,072 | 5,214 | 55,858 |
| Deferred revenue | (1,986,664) | 15,257,691 | 13,271,027 | 11,053,867 | 2,217,160 |
| Due to the City of Hercules | -- | 6,433,985 | 6,433,985 | 3,514,922 | 2,919,063 |
| Due to other funds | -- | 2,171,043 | 2,171,043 | 1,300,342 | 870,701 |
| Total liabilities | (1,986,664) | 33,603,526 | 31,616,862 | 15,921,040 | 15,695,822 |
| Fund balances: | | | | | |
| Reserved | -- | 50,386,291 | 50,386,291 | 7,048,666 | 43,337,625 |
| Unreserved, undesignated | (10,418) | (21,978,928) | (21,989,346) | -- | (21,989,346) |
| Total fund balances | (10,418) | 28,407,363 | 28,396,945 | 7,048,666 | 21,348,279 |
| Total liabilities and fund balances | \$ (1,997,082) | \$ 62,010,889 | \$ 60,013,807 | \$ 22,969,706 | \$ 37,044,101 |

| | | | | | |
|--|----------------------|-------------------------|------------------------|------------------------|------------------------|
| Reconciliation | | | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | | | |
| Non-depreciable | \$ 76,613,549 | \$ -- | \$ 76,613,549 | \$ -- | \$ 76,613,549 |
| Depreciable, net of accumulated depreciation | 6,544,658 | -- | 6,544,658 | -- | 6,544,658 |
| Net Capital Assets | 83,158,207 | -- | 83,158,207 | -- | 83,158,207 |
| Deferred revenue | (1,986,664) | 15,257,691 | 13,271,027 | -- | 13,271,027 |
| Allowance for forgiveness loan | (700,000) | -- | (700,000) | (700,000) | -- |
| Interest payable | (2,664,715) | -- | (2,664,715) | (554,606) | (2,110,109) |
| Deferred charges, such as issuance costs | 3,741,744 | -- | 3,741,744 | 798,688 | 2,943,056 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | | | |
| 2005 Tax Allocation Bonds | -- | (50,660,000) | (50,660,000) | -- | (50,660,000) |
| Premium on 2005 Tax Allocation Bonds | (1,813,308) | -- | (1,813,308) | -- | (1,813,308) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 242,635 | -- | 242,635 | -- | 242,635 |
| 2007 Housing Tax Allocation Bonds, Series A | -- | (12,670,000) | (12,670,000) | (12,670,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | -- | (12,275,000) | (12,275,000) | (12,275,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (72,368) | -- | (72,368) | (72,368) | -- |
| 2007 Tax Allocation Bonds, Series A | -- | (57,280,000) | (57,280,000) | -- | (57,280,000) |
| Long-term notes payable | -- | (402,023) | (402,023) | -- | (402,023) |
| Advances from the City of Hercules | (891,103) | (37,830,552) | (38,721,655) | -- | (38,721,655) |
| Total Long-Term Liabilities | \$ (2,534,144) | \$ (171,117,575) | \$ (173,651,719) | \$ (25,017,368) | \$ (148,634,351) |
| Net Assets of Governmental Activities | \$ 79,004,010 | \$ (127,452,521) | \$ (48,448,511) | \$ (18,424,620) | \$ (30,023,891) |

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2011

| | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|--|---|---|
| ASSETS | | | |
| Cash and investments | \$ 51,419 | \$ -- | \$ 51,419 |
| Cash and investments with fiscal agents | 16,355,949 | 3,761,137 | 12,594,812 |
| Accounts receivable | 357,931 | 50 | 357,881 |
| Interest receivable | 420,330 | 414,588 | 5,742 |
| Due from the City of Hercules | 322,055 | -- | 322,055 |
| Due from other funds | 2,165,015 | 561,048 | 1,603,967 |
| Loans receivable | 12,153,898 | 10,373,305 | 1,780,593 |
| Accumulated project costs | 40,094,199 | -- | 40,094,199 |
| Land held for resale | 4,601,099 | 739,059 | 3,862,040 |
| Total assets | \$ 76,521,895 | \$ 15,849,187 | \$ 60,672,708 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 10,217,457 | \$ 7,682 | \$ 10,209,775 |
| Accrued wages | 51,412 | 1,967 | 49,445 |
| Deferred revenue | 12,568,486 | 10,787,893 | 1,780,593 |
| Due to the City of Hercules | 1,479,343 | -- | 1,479,343 |
| Due to other funds | 2,165,015 | -- | 2,165,015 |
| Advances from City of Hercules | 14,513,959 | 3,593,593 | 10,920,366 |
| Total liabilities | 40,995,672 | 14,391,135 | 26,604,537 |
| Fund balances: | | | |
| Nonspendable | 4,601,099 | -- | 4,601,099 |
| Restricted | 14,985,658 | -- | 14,985,658 |
| Unassigned | 15,939,466 | 1,458,052 | 14,481,414 |
| Total fund balances | 35,526,223 | 1,458,052 | 34,068,171 |
| Total liabilities and fund balances | \$ 76,521,895 | \$ 15,849,187 | \$ 60,672,708 |
| Reconciliation | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | |
| Non-depreciable | \$ 27,481,833 | \$ -- | \$ 27,481,833 |
| Depreciable, net of accumulated depreciation | 6,233,928 | -- | 6,233,928 |
| Net Capital Assets | 33,715,761 | -- | 33,715,761 |
| Deferred revenue | 12,568,486 | -- | 12,568,486 |
| Interest payable | (2,664,715) | (466,332) | (2,198,383) |
| Deferred charges, such as issuance costs | 3,607,700 | 798,688 | 2,809,012 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | |
| 2005 Tax Allocation Bonds | (49,085,000) | -- | (49,085,000) |
| Premium on 2005 Tax Allocation Bonds | (1,740,776) | -- | (1,740,776) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 232,930 | -- | 232,930 |
| 2007 Housing Tax Allocation Bonds, Series A | (12,415,000) | (12,415,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | (12,015,000) | (12,015,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (69,222) | (69,222) | -- |
| 2007 Tax Allocation Bonds, Series A | (56,095,000) | -- | (56,095,000) |
| Long-term notes payable | (347,070) | -- | (347,070) |
| Total Long-Term Liabilities | \$ (131,534,138) | \$ (24,499,222) | \$ (107,034,916) |
| Net Assets of Governmental Activities | \$ (48,780,683) | \$ (22,708,814) | \$ (26,071,869) |

Appendix 4A
City of Hercules Redevelopment Agency
Balance Sheet
Governmental Funds
January 31, 2012 (unaudited)

| | Redevelopment Agency All Funds | Less Low-Moderate Income Housing | Redevelopment Agency Excluding LMIHF Total |
|--|--------------------------------------|---|---|
| ASSETS | | | |
| Cash and investments | \$ 216,505 | \$ 216,505 | \$ -- |
| Cash and investments with fiscal agents | 16,579,679 | 4,205,751 | 12,373,928 |
| Accounts receivable | 363,846 | 50 | 363,796 |
| Due from other funds | 1,683,631 | -- | 1,683,631 |
| Loans receivable | 12,390,263 | 10,609,669 | 1,780,594 |
| Accumulated project costs | 40,612,332 | -- | 40,612,332 |
| Land held for resale | 4,259,684 | 397,644 | 3,862,040 |
| Total assets | \$ 76,105,940 | \$ 15,429,619 | \$ 60,676,321 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 12,561,275 | \$ 4,054 | \$ 12,557,221 |
| Unavailable revenue | 12,593,180 | 10,812,587 | 1,780,593 |
| Due to other funds | 1,361,576 | -- | 1,361,576 |
| Advances from other funds | 14,513,959 | 3,593,593 | 10,920,366 |
| Total liabilities | 41,029,990 | 14,410,234 | 26,619,756 |
| Fund balances: | | | |
| Unassigned | 35,075,950 | 1,019,385 | 34,056,565 |
| Total fund balances | 35,075,950 | 1,019,385 | 34,056,565 |
| Total liabilities and fund balances | \$ 76,105,940 | \$ 15,429,619 | \$ 60,676,321 |
| Reconciliation | | | |
| Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the governmental funds: | | | |
| Non-depreciable | \$ 27,481,833 | \$ -- | 27,481,833 |
| Depreciable, net of accumulated depreciation | 6,233,928 | -- | 6,233,928 |
| Net Capital Assets | 33,715,761 | -- | 33,715,761 |
| Deferred revenue | 12,593,180 | 10,812,587 | 1,780,593 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds: | | | |
| 2005 Tax Allocation Bonds | (47,445,000) | -- | (47,445,000) |
| Premium on 2005 Tax Allocation Bonds | (1,668,244) | -- | (1,668,244) |
| Deferred loss on refunding for the 2005 Tax Allocation Bonds | 223,225 | -- | 223,225 |
| 2007 Housing Tax Allocation Bonds, Series A | (12,145,000) | (12,145,000) | -- |
| 2007 Housing Tax Allocation Bonds, Series B | (11,700,000) | (11,700,000) | -- |
| Premium on 2007 Housing Tax Allocation Bonds, Series B | (66,076) | (66,076) | -- |
| 2007 Tax Allocation Bonds, Series A | (54,855,000) | -- | (54,855,000) |
| Long-term notes payable | (347,070) | -- | (347,070) |
| Total Long-Term Liabilities | \$ (128,003,165) | \$ (23,911,076) | \$ (104,092,089) |
| Net Assets of Governmental Activities | \$ (46,618,274) | \$ (12,079,104) | \$ (34,539,170) |

Appendix 4A
 Successor Agency for the Redevelopment Agency of the City of Hercules
 Balance Sheet/Statement of Net Assets
 Private Purpose Trust Fund
 June 30, 2012

| | RDA Successor Low-Moderate Income Housing Only | RDA Successor Agency Excluding LMIHF Total | Private Purpose Trust Fund |
|---|--|--|-------------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 213,887 | \$ 960,846 | \$ 1,174,733 |
| Cash and investments with fiscal agents | 1,911,206 | 12,383,897 | 14,295,103 |
| Accounts receivable | 50 | 376,179 | 376,229 |
| Interest receivable | -- | 465,608 | 465,608 |
| Due from the City of Hercules | -- | 322,056 | 322,056 |
| Loans receivable | 10,592,611 | 1,250,045 | 11,842,656 |
| Accumulated project costs | -- | 40,612,332 | 40,612,332 |
| Land held for resale | 397,644 | 3,862,040 | 4,259,684 |
| Capital Assets: | | | |
| Depreciable | -- | 28,024,463 | 28,024,463 |
| Nondepreciable | -- | 5,923,509 | 5,923,509 |
| Total assets | <u>\$ 13,115,398</u> | <u>\$ 94,180,975</u> | <u>\$ 107,296,373</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,800 | \$ 11,926,005 | \$ 11,929,805 |
| Unavailable revenue | 10,592,611 | 1,713,687 | 12,306,298 |
| Advances from other funds | 3,593,593 | (3,593,593) | -- |
| Advances from City of Hercules | -- | 14,513,959 | 14,513,959 |
| Long-term debt | 23,911,076 | 104,092,089 | 128,003,165 |
| Total liabilities | <u>38,101,080</u> | <u>128,652,147</u> | <u>166,753,227</u> |
| Net assets held in trust | <u>(24,985,682)</u> | <u>(34,471,172)</u> | <u>(59,456,854)</u> |
| Total net assets | <u>(24,985,682)</u> | <u>(34,471,172)</u> | <u>(59,456,854)</u> |
| Total liabilities and net assets | <u>\$ 13,115,398</u> | <u>\$ 94,180,975</u> | <u>\$ 107,296,373</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2010

| | City Audit Less SCO Report Differences | Financial Transaction Report All Funds | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|---|---|---|--|---|------------------------------------|
| REVENUES | | | | | |
| Taxes and assessments | \$ 1 | \$ 10,405,552 | \$ 10,405,553 | \$ 2,081,111 | \$ 8,324,442 |
| Use of money and property | 1 | (239,313) | (239,312) | (91,540) | (147,772) |
| Program revenue | 475,718 | -- | 475,718 | 189,876 | 285,842 |
| Charges for services | 98,686 | -- | 98,686 | 98,407 | 279 |
| Miscellaneous | (584,822) | 673,713 | 88,891 | 8,034 | 80,857 |
| Total revenue | <u>(10,416)</u> | <u>10,839,952</u> | <u>10,829,536</u> | <u>2,285,888</u> | <u>8,543,648</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration costs | (52,143) | 52,143 | -- | | |
| Professional services | (596,839) | 596,839 | -- | | |
| General Government | | | | | |
| Community Development | 15,975,077 | -- | 15,975,077 | 2,430,541 | 13,544,536 |
| Capital outlay | 29,286,378 | -- | 29,286,378 | -- | 29,286,378 |
| Subsidies to LMIHF | (2,795,463) | 2,795,463 | -- | | |
| Other expenditures including pass through payments | (40,925,908) | 40,925,908 | -- | | |
| Debt service: | | | | | |
| Principal | -- | 3,190,926 | 3,190,926 | 250,000 | 2,940,926 |
| Interest and fiscal agent fees | -- | 9,244,643 | 9,244,643 | 577,442 | 8,667,201 |
| Total expenditures | <u>891,102</u> | <u>56,805,922</u> | <u>57,697,024</u> | <u>3,257,983</u> | <u>54,439,041</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(901,518)</u> | <u>(45,965,970)</u> | <u>(46,867,488)</u> | <u>(972,095)</u> | <u>(45,895,393)</u> |
| Other financing sources (uses): | | | | | |
| Proceeds from financing (advance from City) | 891,103 | 4,680,298 | 5,571,401 | -- | 5,571,401 |
| Transfers in from the City of Hercules | (3) | 2,431,136 | 2,431,133 | -- | 2,431,133 |
| Transfers in | (1) | 35,682,132 | 35,682,131 | 2,054,821 | 33,627,310 |
| Transfers out | 1 | (35,682,132) | (35,682,131) | (6,326,883) | (29,355,248) |
| Total other financing sources (uses) | <u>891,100</u> | <u>7,111,434</u> | <u>8,002,534</u> | <u>(4,272,062)</u> | <u>12,274,596</u> |
| Special item | -- | -- | -- | -- | -- |
| Net change in fund balances | (10,418) | (38,854,536) | (38,864,954) | (5,244,157) | (33,620,797) |
| Fund balances, July 1 | -- | 67,261,899 | 67,261,899 | 12,292,823 | 54,969,076 |
| Fund balances, June 30 | <u>\$ (10,418)</u> | <u>\$ 28,407,363</u> | <u>\$ 28,396,945</u> | <u>\$ 7,048,666</u> | <u>\$ 21,348,279</u> |
| Net change in fund balances | | | \$ (38,864,954) | \$ (5,244,157) | \$ (33,620,797) |
| Government wide adjustments | | | | | |
| Capital outlays | | | 28,380,931 | | 28,380,931 |
| Depreciation | | | (310,729) | | (310,729) |
| Construction in progress | | | (4,360,332) | | (4,360,332) |
| Deferred revenues | | | 1,637,183 | | 1,637,183 |
| Amortization of premium, deferred bond discounts, and loss on refunding | | | (68,071) | | (68,071) |
| Issuance of long-term debt | | | (5,571,401) | | (5,571,401) |
| Repayment of debt principal | | | 3,190,926 | 250,000 | 2,940,926 |
| Interest payable | | | 79,950 | | 79,950 |
| Change in net assets of governmental activities | | | <u>\$ (15,886,497)</u> | <u>\$ (4,994,157)</u> | <u>\$ (10,892,340)</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2011

| | Redevelopment Agency All Fund Types | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|---|--|---|------------------------------------|
| REVENUES | | | |
| Taxes and assessments | \$ 9,768,553 | \$ 3,019,804 | \$ 6,748,749 |
| Use of money and property | (178,706) | (86,422) | (92,284) |
| Program revenue | 1,182,986 | 178,437 | 1,004,549 |
| Charges for services | 2,039 | 2,039 | -- |
| Miscellaneous | 340,139 | 9,603 | 330,536 |
| Total revenue | <u>11,115,011</u> | <u>3,123,461</u> | <u>7,991,550</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Administration costs | | | |
| Professional services | | | |
| General Government | \$ 173,910 | \$ 173,910 | \$ -- |
| Community Development | 9,774,590 | 1,184,570 | 8,590,020 |
| Capital outlay | 3,377,811 | -- | 3,377,811 |
| Debt service: | | | |
| Principal | 3,275,000 | 260,000 | 3,015,000 |
| Interest and fiscal agent fees | 8,567,625 | 568,364 | 7,999,261 |
| Total expenditures | <u>25,168,936</u> | <u>2,186,844</u> | <u>22,982,092</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(14,053,925)</u> | <u>936,617</u> | <u>(14,990,542)</u> |
| Other financing sources (uses): | | | |
| Transfers in from the City of Hercules | 850,285 | -- | 850,285 |
| Transfers in | 28,413,690 | 868,036 | 27,545,654 |
| Transfers out | (28,413,690) | (8,379,514) | (20,034,176) |
| Total other financing sources (uses) | <u>850,285</u> | <u>(7,511,478)</u> | <u>8,361,763</u> |
| Special item | 6,561,057 | -- | 6,561,057 |
| Net change in fund balances | (6,642,583) | (6,574,861) | (67,722) |
| Fund balances, July 1 | 28,396,945 | 7,048,666 | 21,348,279 |
| Prior period adjustment | 13,771,861 | 984,247 | 12,787,614 |
| Fund balances, June 30 | <u>\$ 35,526,223</u> | <u>\$ 1,458,052</u> | <u>\$ 34,068,171</u> |
| Net change in fund balances | \$ (6,642,583) | \$ (6,574,861) | \$ (67,722) |
| Government wide adjustments | | | |
| Capital outlays | 3,361,800 | | 3,361,800 |
| Depreciation | (310,730) | | (310,730) |
| Deferred revenues | (2,541) | | (2,541) |
| Amortization of premium, deferred bond discounts, and loss on refunding | (68,071) | | (68,071) |
| Repayment of debt principal | 3,329,953 | | 3,329,953 |
| Change in net assets of governmental activities | <u>\$ (332,172)</u> | <u>\$ (6,574,861)</u> | <u>\$ 6,242,689</u> |

Appendix 4B
City of Hercules Redevelopment Agency
Revenues, Expenses, and Changes in Fund Balance
Governmental Funds
For the period ended January 31, 2012

| | Redevelopment Agency All Funds | Less Low-Moderate Income Housing | RDA Excluding LMIHF Total |
|--|--------------------------------------|---|------------------------------------|
| REVENUES | | | |
| Taxes and assessments | \$ 5,061,535 | \$ 1,012,307 | \$ 4,049,228 |
| Use of money and property | 135,502 | 59,293 | 76,209 |
| Program revenue | 93,624 | 17,608 | 76,016 |
| Miscellaneous | 1,310,021 | 290 | 1,309,731 |
| Total revenue | <u>6,600,682</u> | <u>1,089,498</u> | <u>5,511,184</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Community Development | 605,238 | 210,296 | 394,942 |
| Capital outlay | 334,078 | -- | 334,078 |
| Debt service: | | | |
| Principal | 3,465,000 | 585,000 | 2,880,000 |
| Interest and fiscal agent fees | 3,158,289 | 653,497 | 2,504,792 |
| Total expenditures | <u>7,562,605</u> | <u>1,448,793</u> | <u>6,113,812</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(961,923)</u> | <u>(359,295)</u> | <u>(602,628)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 9,131,087 | 1,682,929 | 7,448,158 |
| Transfers out | (8,619,437) | (1,762,301) | (6,857,136) |
| Total other financing sources (uses) | <u>511,650</u> | <u>(79,372)</u> | <u>591,022</u> |
| Net change in fund balances | (450,273) | (438,667) | (11,606) |
| Fund balances, July 1 | 35,526,223 | 1,458,052 | 34,068,171 |
| Fund balances, January 31 | <u>\$ 35,075,950</u> | <u>\$ 1,019,385</u> | <u>\$ 34,056,565</u> |
| Net change in fund balances | \$ (450,273) | \$ (438,667) | \$ (11,606) |
| Government wide adjustments | | | |
| Capital outlays | 334,078 | -- | 334,078 |
| Depreciation | (310,420) | -- | (310,420) |
| Repayment of debt principal | 3,540,678 | 588,146 | 2,952,532 |
| Change in net assets of governmental activities | <u>\$ 3,114,063</u> | <u>\$ 149,479</u> | <u>\$ 2,964,584</u> |

Appendix 4B
Successor Agency for the Redevelopment Agency of the City of Hercules
Revenues, Expenses, and Changes in Fund Balance
Private Purpose Trust Fund
For the 5 months ended June 30, 2012

| | RDA Successor Low-Moderate Income Housing Only | RDA Successor Agency Excluding LMIHF Total | Private Purpose Trust Fund |
|--|--|--|-------------------------------------|
| REVENUES AND ADDITIONS | | | |
| Taxes and assessments | \$ -- | \$ 4,012,183 | \$ 4,012,183 |
| Use of money and property | (45,990) | (90,626) | (136,616) |
| Program revenue | 179,417 | (179,417) | -- |
| Miscellaneous | 153 | 453,591 | 453,744 |
| Total revenue and additions | <u>133,580</u> | <u>4,195,731</u> | <u>4,329,311</u> |
| EXPENDITURES AND DEDUCTIONS | | | |
| Current: | | | |
| Community Development | (67,177) | 135,552 | 68,375 |
| Debt service: | | | |
| Principal | 1,655,000 | -- | 1,655,000 |
| Interest and fiscal agent fees | 645,491 | 2,443,032 | 3,088,523 |
| Total expenditures and deductions | <u>2,233,314</u> | <u>2,578,584</u> | <u>4,811,898</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,099,734)</u> | <u>1,617,147</u> | <u>(482,587)</u> |
| Other financing sources (uses): | | | |
| Transfers in | 1,064,449 | (1,064,449) | -- |
| Transfers out | (1,058,706) | 1,058,706 | -- |
| Extraordinary Items: | | | |
| Equity transfer to PPTF as of 1/31 | 1,019,385 | 34,056,565 | 35,075,950 |
| Assets of Hercules RDA - Government-Wide | -- | 33,952,948 | 33,952,948 |
| Liabilities of Hercules RDA - Government-Wide | (23,911,076) | (104,092,089) | (128,003,165) |
| Total other financing sources (uses) | <u>(22,885,948)</u> | <u>(36,088,319)</u> | <u>(58,974,267)</u> |
| Net change in net assets | (24,985,682) | (34,471,172) | (59,456,854) |
| Net assets, beginning | -- | -- | -- |
| Net assets, ending | <u>\$ (24,985,682)</u> | <u>\$ (34,471,172)</u> | <u>\$ (59,456,854)</u> |

**Successor Agency to the City of Hercules Redevelopment Agency
Health and Safety Code Section 34179.5(c)**

Appendix 6 - List of assets restricted for (a) unspent bond proceeds, (b) grant proceeds and (c) other assets considered to be legally restricted

| | Description | Cost | Obtain successor agency's computation of the restricted balances (e.g total proceeds less eligible expenditures) | Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation). | Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted. |
|---|-----------------------|---------------|--|--|---|
| 1 | Unspent Bond Proceeds | \$ 12,383,897 | | Amount agrees to custodian statement balances | 2007 Tax Allocation Bonds Series A issued December 2007 |

Successor Agency to the City of Hercules Redevelopment Agency

Health and Safety Code Section 34179.5(c)

Appendix 7A - List of assets not liquid or otherwise available for distribution (capital assets, land held for resale, LT receivables etc) at June 30, 2012

| | Description | Cost | If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences | If assets have been disposed, inspect evidence that proceeds were deposited into trust fund | If listed at estimated market value cost, inspect evidence supporting value and document methodology used |
|---|-------------------------------|---------------|--|---|---|
| 1 | Loan Receivables | \$ 11,842,656 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 2 | Land held for resale | 4,259,684 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 3 | Accumulated Project Costs | 40,612,332 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 4 | Capital Assets/Depreciable | 28,024,463 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| 5 | Capital Assets/Nondepreciable | 5,923,509 | Amount agrees to City of Hercules's FY 2012 audited financial statements | N/A | N/A |
| | | \$ 90,662,644 | | | |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 8C - Projected Property Tax Revenues and Bond Debt Service

| | Description | Amount | If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule. | i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. | ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections. | iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections. |
|---|--|--------------------------------|---|---|---|---|
| 1 | Projected revenues through December 31, 2012 | \$ 4,012,183 | | Funding received in December is meant to fund obligations due through June 3013 | Projection assumes that the same amount will be received in December 2012 as was received in June 2012. | No other revenues are included in cash flow projections |
| 2 | Projected outflows through December 31, 2012 | (10,060,395) \$ (6,048,212) | Refer to Appendix 9 - Final ROPS Projected shortfall | | N/A | N/A |
| | | | | | - | |

Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 9 - FINAL ROPS review for the period July 1, 2012 through June 30, 2013

| # on final ROPS | Project name or area associated with the obligation | The payee | A description of the nature of the work/service agreed to | Total Outstanding Debt or Obligation | The amount of payments obligated to be made by month through June 30, 2013 | (1) Amounts of existing cash that are needed to satisfy the obligation through December 31, 2012 | (2) SA Explanation as to why the SA believes that such balances are needed to satisfy the obligation |
|-----------------|---|----------------------------------|---|--------------------------------------|--|--|---|
| 1 | 2005 Tax Allocation Bonds | Bank of New York | Bonds issued to fund non-housing projects | 76,193,344 | 3,969,855 | 2,852,503 | No additional unrestricted cash flows are projected before obligations are due. |
| 2 | 2007 Tax Allocation Bonds | Bank of New York | Bonds issued to fund non-housing projects | 106,778,857 | 3,846,859 | 2,589,679 | No additional unrestricted cash flows are projected before obligations are due. |
| 3 | 2007 Tax Allocation Bonds Housing (A) 1 | Bank of New York | Affordable Housing Bonds | 21,976,310 | 1,009,358 | 651,097 | No additional unrestricted cash flows are projected before obligations are due. |
| 4 | 2007 Tax Allocation Bonds Housing (B) 1 | Bank of New York | Affordable Housing Bonds | 18,908,647 | 865,351 | 598,448 | No additional unrestricted cash flows are projected before obligations are due. |
| 5 | Catellus/Hercules LLC | | Settlement Agreement | 53,315,581 | 1,649,436 | 824,718 | No additional unrestricted cash flows are projected before obligations are due. |
| 6 | AMBAC Settlement | | Settlement Agreement | 6,500,000 | | - | Although this obligation was initially disallowed, per the Final Determination Letter (Exhibit 2) dated May 7, 2013, it was added back to the ROPS. |
| 7 | Owner Participation Agreement | Pro Media | Tax Increment Reimbursement | 112,752 | 17,917 | - | |
| 8 | Owner Participation Agreement | Bio Rad | Tax Increment Reimbursement | 215,201 | 53,677 | - | |
| 9 | Owner Participation Agreement | East Group | Tax Increment Reimbursement | 130,338 | 32,191 | - | |
| 10 | Owner Participation Agreement | Hercules Senior Housing/Bridge | OPA for Senior Housing | 1,400,000 | 130,000 | 65,000 | No additional unrestricted cash flows are projected before obligations are due |
| 11 | Lewis Development Agreement | Contra Costa County | Assessment District Matures 2035 | 4,080,000 | 170,000 | 85,000 | No additional unrestricted cash flows are projected before obligations are due |
| 12 | Lease of Commercial Space | Emmerich | Rent for commercial space | 710,604 | 355,302 | 177,651 | No additional unrestricted cash flows are projected before obligations are due |
| 13 | Lease of Commercial Space | Montoya | Rent for commercial space | 13,176 | 13,176 | 13,176 | No additional unrestricted cash flows are projected before obligations are due |
| 14 | City Loan entered into on 3/8/11 | City loan entered into on 3/8/11 | Construction costs for Sycamore North | 2,253,058 | 2,253,058 | 2,253,058 | No additional unrestricted cash flows are projected before obligations are due |
| 15 | Separation Agreement | Separation Agreement | | 56,250 | 56,250 | 56,250 | No additional unrestricted cash flows are projected before obligations are due |
| 16 | Co-operation Agreement: Loan Repayment Agreement | City of Hercules | Hercules Resolution 83-18 dated 2/9/1983 | 10,384,363 | | | |
| 17 | BART Park-n-Ride Lot | | | 108,240 | 108,240 | 54,120 | No additional unrestricted cash flows are projected before obligations are due |
| 18 | Contract for Construction Sycamore North | | | 2,076,643 | 2,076,643 | 2,076,643 | No additional unrestricted cash flows are projected before obligations are due |
| 19 | Homeowner Association Fees | | Agency-owned homes | 18,720 | 18,720 | 9,360 | No additional unrestricted cash flows are projected before obligations are due |
| 20 | Bank and Trustee Fees | | Bank and trustee fees for redevelopment bonds and bank accounts | 13,500 | 13,500 | 6,750 | No additional unrestricted cash flows are projected before obligations are due |
| 21 | SERAF | State of California | | 6,020,951 | | | |
| | | | subtotal | 311,266,535 | 16,639,533 | 12,313,453 | |
| | City Loan entered into on 3/8/11 | City loan entered into on 3/8/11 | Construction costs for Sycamore North | (2,253,058) | (2,253,058) | (2,253,058) | Disallowed per DOF letter dated May 17, 2012 |
| | | | Allowed ROPS total | 309,013,477 | 14,386,475 | 10,060,395 | |

**Successor Agency to the City of Hercules Redevelopment Agency
 Health and Safety Code Section 34179.5(c)
 Appendix 10**

Procedure:

Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities pursuant to section 34179.5 (c) (6) of AB 1484.

Results:

See schedule included

BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|---|-------------------------------|
| Total amount of assets held by the successor agency as of June 30, 2012 | \$ 94,180,975 |
| Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - unspent bonds proceeds. | (12,383,897) |
| Less assets that are not cash or cash equivalents (i.e. physical assets) | <u>(90,662,644)</u> |
| Subtotal - Unassigned fund balance | <u>(8,865,566)</u> |
| Less recognized obligation payments (ROPS) through December 31, 2012 | (10,060,395) |
| Projected revenue through December 31, 2012 | <u>4,012,183</u> |
| Amount to be remitted to county for disbursement to taxing entities | <u>\$ (14,913,778)</u> |

Based on the calculation balance depicted above, there are insufficient funds available to satisfy enforceable obligations, including repayment of advances due to the City.

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HERCULES REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

November 2012



JOHN CHIANG
California State Controller

November 8, 2012

Steven Duran, City Manager
City of Hercules
Hercules Redevelopment/Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Pursuant to Health and Safety (H&S) code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Hercules Redevelopment Agency to the City of Hercules or any other public agency during the period of January 1, 2011, through January 31, 2012. This statutory provision explicitly states that, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether assets should be returned to the Hercules Redevelopment Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City of Hercules or any other public agencies have been reversed.

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These transfers included unallowable transfers of assets to the City of Hercules totaling \$35,489,750, or 28.61% of total assets transferred. Pursuant to H&S Code section 34167.5, the City of Hercules will be ordered to reverse all unallowable transfers identified in the final report and transfer them to the Hercules Redevelopment Successor Agency.

Additionally, our review identified \$15,638,313 in Hercules Redevelopment Agency assets that have not yet been transferred to any agency. The City of Hercules will be ordered to transfer these assets to the Hercules Redevelopment Successor Agency in the final report.

Assembly Bill 1484 (AB 1484) was passed on June 27, 2012, adding H&S Code section 34178.8, which states, ". . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . ." The SCO has initiated the review associated with AB 1484, and will complete that at a later date.

If you have any questions, please contact Steven Mar, Bureau Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD

Chief, Division of Audits

JVB/sk

cc: Nickie Mastay, Finance Director
City of Hercules
The Honorable Robert Campbell, Auditor-Controller
County of Contra Costa
Steve Szalay, Local Government Consultant
Department of Finance
The Honorable Dan Romero, Chairman
Oversight Board, Hercules RDA Successor Agency
Betty Moya, Audit Manager
Division of Audits, State Controller's Office
Tuan Tran, Auditor-in-Charge
Division of Audits, State Controller's Office

Contents

Review Report

| | |
|--|---|
| Summary | 1 |
| Background | 1 |
| Objectives, Scope, and Methodology | 2 |
| Conclusion | 2 |
| Views of Responsible Officials | 3 |
| Restricted Use | 3 |
| Findings and Orders of the Controller | 4 |
| Schedule 1—Unallowable Transfers to the City of Hercules | 8 |
| Schedule 2—Assets that Should Have Been Transferred to the Successor Agency | 9 |
| Attachment—Land Transferred to the City on March 8, 2011 | |

Asset Transfer Assessment Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Hercules Redevelopment Agency for the period of January 1, 2011, through January 31, 2012. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and any rights to payments of any kind from any source.

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These transfers included unallowable transfers of assets totaling \$35,489,750, or 28.61%, that must be turned over to the Successor Agency. Additionally, \$15,638,313 in Hercules Redevelopment Agency housing assets have not yet been transferred, and must be transferred to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

On June 27, 2012, the Governor signed a trailer bill, Assembly Bill 1484 (AB 1484), which clarified provisions of ABX1 26, and imposed new tasks on county auditor-controllers and successor agencies related to RDA dissolution.

ABX1 26 and AB 1484 were codified in the Health and Safety Code (H&S Code) beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date at which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred during that period between the Hercules Redevelopment Agency, the City of Hercules, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objectives, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City Council and the RDA.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

AB 1484 was passed on June 27, 2012, adding H&S Code section 34178.8, which states “. . . the Controller shall review the activities of successor agencies in the state to determine if an asset transfer has occurred after January 31, 2012. . . .”

The SCO has initiated the review associated with AB 1484, and will complete that at a later date.

Conclusion

Our review disclosed that the Hercules Redevelopment Agency transferred \$124,062,897 in assets. These included unallowable transfers of assets totaling \$35,489,750, or 28.61%, that must be turned over to the Successor Agency. Additionally, \$15,638,313 in Hercules Redevelopment Agency housing assets have not yet been transferred, and must be transferred to the Successor Agency.

Unallowable Assets Transferred:

| | |
|---|----------------------|
| Unallowable assets transferred to City of Hercules (See Schedule 1 and Attachment 1) | \$ 35,489,750 |
| Total Unallowable Transfers | <u>\$ 35,489,750</u> |

Assets That Have Not Yet Been Transferred:

| | |
|--|----------------------|
| Hercules Redevelopment Agency housing assets that have not been transferred to the Successor Agency from the Low and Moderate Income Housing Fund (Low Mod Fund) (See Schedule 2) | \$ 15,638,313 |
| Total Assets to Be Transferred to Successor Agency | <u>\$ 51,128,063</u> |

The City of Hercules is ordered to immediately reverse the unallowable transfers and turn over the assets identified in this report to the Successor Agency (see Schedule 1 and Attachment 1). Additionally, housing assets that have not been transferred from the Low Mod Fund must be transferred to the Successor Agency (see schedule 2).

Details of our findings and Orders of the Controller are in the Findings and Orders of the Controller section of this report. We also have included a detailed schedule of assets to be turned over to, or transferred to, the Successor Agency.

**Views of
Responsible
Officials**

At an exit conference on August 23, 2012, we discussed the review results with Nickie Mastay, Finance Director; Doreen Mathews, City Clerk; and Thanh Nguyen, Interim Accountant. At the exit conference, we stated that the final report will include the views of responsible officials.

Restricted Use

This report is solely for the information and use of the City of Hercules, the Redevelopment Successor Agency, the Hercules Successor Agency Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

November 8, 2012

Findings and Orders of the Controller

FINDING 1— Unallowable asset transfers to the City of Hercules

The Hercules Redevelopment Agency (RDA) transferred \$ 35,489,750 in assets to the City of Hercules (City). All of the asset transfers to the City occurred during the period of January 1, 2011, through January 31, 2012, and the assets were not contractually committed to a third party prior to June 28, 2011. Those assets consisted of cash and capital assets.

Unallowable Asset Transfers, Capital Assets:

On March 8, 2011, the RDA transferred capital assets of \$31,440,522 in land to the City. To accomplish those transfers, the City and the RDA entered into an agreement under RDA Resolution No. 11-012. Based on Health and Safety Code (H&S Code) sections 34163(b) and (d), the RDA was not allowed to enter into such an agreement or transfer physical assets or cash after January 1, 2011.

City's Response

The State Controller's Office, based on H&S Code section 34167.5, is ordering the City of Hercules to reverse the transfer of these assets. On February 9, 1983, the City adopted Resolution 83-18, which was within two years of formation of the Agency, that created a loan repayment agreement between the City of Hercules Redevelopment Agency and the City of Hercules. The current Recognized Obligation Payment Schedule shows the amount owed to the City of Hercules is \$10,384,363. Upon reversal of the transfer, the Recognized Obligation Payment Schedule will show the amount owed to the City of Hercules as \$41,824,885.

SCO's Comment

The State Controller's Office (SCO) is in agreement with the City. Once the assets are transferred to the Successor Agency, the City can change the amount on the recognized Obligation Payment Schedule to \$41,824,885.

The SCO finding remains as stated.

Unallowable Asset Transfers, Cash:

On December 31, 2011, the RDA transferred tax increment revenue in the amount of \$4,049,228 to the City. This transfer was made for repayment of an advance in August 2011 from the City to the RDA to allow the RDA to pay various obligations. Based on H&S Code section 34162(a)(2), the RDA was prohibited from incurring debt payables from prohibited sources of incoming revenue, including taxes allocated to the RDA.

City's Response

The City of Hercules does not agree that the December 31, 2011 tax increment is an unallowable asset transfer because the tax increment

revenue was used to pay for the City of Hercules Redevelopment Agency debt service which was initially paid by the City of Hercules Development Impact Fee Fund and Vehicle Replacement Fund. In August 2011, the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund paid the City of Hercules Redevelopment Agency debt service. Since the City of Hercules Redevelopment Agency was going to receive Tax Increment in December 2011, this transaction was booked as a short term loan (Due To/Due From on the Balance Sheet). The non-housing debt service paid in August 2011 by the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund was \$5,380,441.88 (2005 Bond \$2,819,762.50 plus 2007A Bond \$2,560,679.38). The non-housing Tax Increment received in December 2011 from the City of Hercules Redevelopment Agency was \$4,029,228.83. As you can see, there is not enough non-housing Tax Increment for the City of Hercules Redevelopment Agency to pay back the City of Hercules Development Impact Fee Funds and Vehicle Replacement Fund. The shortfall is \$1,331,214.05. The sale of the Yellow Freight property reduced the shortfall by \$1,248,875.62. Even with the sale of property, the shortfall is \$82,338.43. This shortfall amount will be added to the Recognized Obligation Payment Schedule.

SCO's Comment

The SCO determined that the December 31, 2011 tax increment was used to pay back a loan to the City, not the debt service payment. Although the SCO recognizes that the loan was created to cover a cash shortfall required for debt service, AB X1 26 does not allow this payment to be treated as a debt service payment.

From June 28, 2011, through January 31, 2012, the RDA was not allowed to repay loan(s) not listed on the enforceable obligations schedule under H&S Code section 34167(d). Therefore, the December 31, 2011 tax increment must be turned over to the Successor Agency.

Pursuant to H&S Code section 34167.5, any asset transfers by the RDA to a city, county, city and county, or any other public agency after January 1, 2011 should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d) and (e).

The SCO finding remains as stated.

Order of the Controller

Based on H&S Code section 34167.5, the City of Hercules is ordered to reverse the transfer of the above assets, described in Schedule 1 and Attachment 1, in the amount of \$35,489,750 plus interest earned, and turn them over to the Successor Agency.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (e). The 5,380,441.88 short term loan should be added to the Recognized Obligation Payment Schedule and must be approved by the Department of Finance. In addition, any payments of the short-term loan should be added to the Successor Agency's ROPS.

The Successor Agency is directed to properly dispose of those assets in accordance with H&S Code sections 34177(d) and (3).

**FINDING 2—
The RDA failed to
transfer assets to
Successor Agency**

The Hercules Redevelopment Agency failed to transfer \$15,638,313 in housing assets to the Successor Agency by January 31, 2012.

City's Response

The City of Hercules does not agree that the City of Hercules Redevelopment Agency failed to transfer assets to the Successor Agency. In January 2012, the City of Hercules elected not to become the Housing Successor Agency and contacted the Contra Costa County Housing Authority to try to develop a plan to turn over the housing assets. At the end of April 2012 and May 2012 the City of Hercules had a citizen volunteer organized the housing asset files. On June 4, 2012, the City of Hercules Manager contacted the Contra Costa County Housing Authority Executive Director via e-mail asking whether or not the Contra Costa County Housing Authority will be the Housing Successor Agency for the housing portion of the City of Hercules Redevelopment Agency. On June 6, 2012, the Contra Costa Housing Authority Executive Director replied via e-mail that they were declining. On September 17, 2012 via e-mail the State Department of Finance sent a letter to the Contra Costa County Housing Authority Executive Director stating that they had no legal basis for refusing to perform the duties required by Health and Safety Code 34176(b)(2). The letter also states that the State Department of Finance reserves the right to pursue any and all means legally available to compel the Housing Authority to perform its statutory duty. On September 27, 2012 the City of Hercules City Manager contacted the State Department of Finance via e-mail on the status of the Contra Costa Housing Authority taking on the responsibility of the Housing Successor Agency for Hercules. The State Department of Finance responded that the matter has not yet been resolved and that the Contra Costa County Housing Authority responded with a statement that they are working to identify funding with which to perform these responsibilities. Since January 2012 when the City of Hercules elected not to become the Housing Successor Agency, the City of Hercules has worked with Contra Costa County and the State of California to transition the housing assets to the appropriate Housing Successor Agency, but neither party has elected to become the Housing Successor Agency. The citizens of the City of Hercules that have housing related loans with the City of Hercules former Redevelopment Agency have not been able to refinance, pay off their loans, etc. because of the unclear legislation in AB1x 26 and AB 1484. When a Housing Successor Agency is named, the City of Hercules will work with them to transition the housing asset.

SCO's Comment

The SCO is in agreement, in part, with the City of Hercules. We understand the situation regarding housing assets and the lack of a Housing Successor Agency. However, the housing assets still must be transferred to the Redevelopment Successor Agency per H&S Code 34175(b).

The Successor Agency will temporarily hold the assets until the Housing Authority of Contra Costa is established. Once the Housing Authority is established, any encumbered funds related to the Low and Moderate Income Housing Fund will be transferred to the Housing Authority.

H&S Code section 34175(b) states, "All assets, properties, contracts, leases, books and records, buildings, and equipment of the former redevelopment agency are transferred on February 1, 2012, to the control of the successor agency, for administration pursuant to the provisions of this part. This includes all cash or cash equivalents and amounts owed to the redevelopment agency as of February 1, 2012."

The SCO finding remains as stated.

Order of the Controller

Based on H&S Code section 34167.5, the City of Hercules is ordered to transfer all Hercules Redevelopment Agency assets in the Low and Moderate Income Housing Fund, described in Schedule 2, in the amount of \$15,638,313, to the Successor Agency.

The Successor Agency is directed to dispose of these assets and transfer the proceeds to the County Auditor-Controller for distribution to taxing entities pursuant to H&S Code section 34177(d).

**Schedule 1—
Unallowable Transfers to the City of Hercules**

| | <u>Amount</u> |
|------------------------------------|----------------------|
| Capital Assets | |
| Land and Improvements ¹ | \$ 31,440,522 |
| Current Assets | |
| Cash Transfer to City | <u>4,049,228</u> |
| Total Unallowable Transfers - City | <u>\$ 35,489,750</u> |

¹ Detail listing of assets on Attachment 1.

**Schedule 2—
Assets that should have been
Transferred to the Successor Agency**

Total Housing Assets to be Transferred to the Successor Agency

\$ 15,638,313

Attachment 1— Land Transferred to the City of Hercules On March 8, 2011

FORMER REDEVELOPMENT AGENCY NAME Hercules Redevelopment Agency
 SUCCESSOR AGENCY City of Hercules
 CONTACT NAME Nickie Mastay PHONE 510-799-8222 TITLE Finance Director

| A ASSET DESCRIPTION | B CARRYING VALUE AS OF | | C IF THE ASSET WAS TRANSFERRED TO A CITY, COUNTY, OR OTHER PUBLIC AGENCY BETWEEN JANUARY 1, 2011 AND JANUARY 31, 2012 (EXCLUDE HOUSING ASSETS): | |
|--|-------------------------------|------------------------------|--|---------------|
| | UNAUDITED JUNE 30, 2011 | ESTIMATE JANUARY 31, 2012 | TRANSFER DATE | PUBLIC AGENCY |
| | Parcel C (APN: 404-020-076-0) | 13,916,084 | 0 | 8-Mar-11 |
| Victoria Crescent (APN: 404-040-062-6) | 3,418,193 | 0 | 8-Mar-11 | to City |
| Sycamore Crossing (APN: 404-020-057-58) | 12,245,938 | 0 | 8-Mar-11 | to City |
| Yellow Freight (APN: 358-030-027-9) | 1,860,307 | 0 | 8-Mar-11 | to City |
| Corridor BART Development | 217,040 | 217,040 | | |
| Civic Center Facility | 1,926,336 | 1,911,998 | | |
| City Hall Annex Improvements | 1,976 | 1,963 | | |
| City Hall Sunroom | 30,092 | 29,953 | | |
| Historic Clubhouse Facility Improvements | 570,437 | 566,629 | | |
| Refugio Valley Flood Control | 155,389 | 154,352 | | |
| Childcare Materials | 102,888 | 101,756 | | |
| Sycamore/Palm Inter Realignment 2006 | 793,561 | 783,633 | | |
| Sycamore Avenue 2006 | 989,804 | 977,420 | | |
| Sycamore/Palm Inter Realignment 2007 | 70,734 | 69,854 | | |
| Sycamore Ave Extension 2007 | 1,263,093 | 1,247,374 | | |
| Reconstruct Willow Median | 69,081 | 68,793 | | |
| North Shore Medians | 26,318 | 26,205 | | |
| 2008-09 Swimming Pool Rehab | 130,571 | 130,039 | | |
| CIP | 159,557 | 159,557 | | |
| Sycamore Downtown Project | 38,017,556 | 38,017,556 | | |
| Hercules Rail Station | 13,311,066 | 13,311,066 | | |
| Corridor BART Development | 9,400,247 | 9,400,247 | | |

Source – Asset Transfer Form prepared by the City of Hercules

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 17, 2013

Mr. Steve Duran, City Manager
 City of Hercules Successor Agency
 111 Civic Drive
 Hercules, CA 94547

Dear Mr. Duran:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS 13-14A) letter dated April 12, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Hercules Successor Agency (Agency) submitted a ROPS 13-14A to Finance on February 26, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on April 25, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific item being disputed.

- Item No. 18 – Sycamore North Construction Contracts totaling \$2,076,643. Finance originally denied this item as the contracts were between the City of Hercules and various third party vendors. During the Meet and Confer process, the Agency provided additional documentation. Finance concludes that the former redevelopment agency (RDA) is a party to the contracts; however, this item still continues to be denied for Redevelopment Property Tax Trust Fund (RPTTF) funding.

It is our understanding that these costs were incurred prior to January 1, 2012. Pursuant to HSC section 34177 (l) (3) obligations incurred prior to January 1, 2012 shall be made from property tax revenues received in the spring of 2011 property tax distribution. Therefore, this item is not eligible for RPTTF funding on the ROPS.

In addition, per Finance's ROPS letter dated April 12, 2013, the following item continues to be approved:

- Item No. 10 – Disposition Development and Loan Agreement (DDLA) for Hercules Senior Housing Development in the amount of \$130,000. This item was previously denied on the January through June 2013 ROPS. Subsequently, the Agency provided sufficient documentation to support the required operating subsidy. Specifically, Finance finally received a true and complete copy of the DDLA including key pages that were missing from previous version provided to Finance. Those pages specifically delineate a \$130,000 annual pledge that makes this item an enforceable obligation. Therefore,

Mr. Steve Duran
 May 17, 2013
 Page 2

Finance is adjusting the ROPS accordingly and allowing this item as an enforceable obligation and is approving \$130,000 in RPTTF.

In addition to the above, Finance has received new information related to Item 6, which was previously denied on ROPS III. Specifically, the properties in question are now in the possession of the Agency instead of the city. According to the settlement agreement, the Agency is required to sell various properties with the proceeds being distributed to AMBAC. Finance agrees that the settlement agreement is an enforceable obligation of the Agency. As such, the Agency is allowed to sell the properties in question and distribute the proceeds according to the settlement. Finance is unlocking and approving Item 6 for expenditure in the upcoming ROPS 13-14A period from "other funds" in the amount of \$6.5 million, which was the amount requested during the ROPS III period.

Except for items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied on for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is \$9,180,795 as summarized below:

| Approved RPTTF Distribution Amount | |
|--|---------------------|
| For the period of July through December 2013 | |
| Total RPTTF funding requested for obligations | \$ 10,994,760 |
| Plus: Item 10 | \$ 130,000 |
| Minus: Six-month total for Items denied Item 18 | 2,076,643 |
| Total approved RPTTF for enforceable obligations | \$ 9,048,117 |
| Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost | 132,678 |
| Minus: ROPS II prior period adjustment | - |
| Total RPTTF approved for distribution: | \$ 9,180,795 |

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%2013-14A%20Forms%20by%20Successor%20Agency/).

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time

EXHIBIT 2

Mr. Steve Duran
May 17, 2013
Page 3


period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor or Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Nickie Mastay, Finance Director, City of Hercules
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controller's Office

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: (510) 799-8200

Meeting Date: December 7, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Housing Due Diligence Review Public Comment Session.

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Receive Public Comment on the Due Diligence Review of the Housing Funds.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

V 2

**REPORT ON APPLYING
AGREED-UPON PROCEDURES TO THE
CITY OF HERCULES
LOW AND MODERATE INCOME
HOUSING FUND
IN ACCORDANCE WITH AB 1484**

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**AGREED-UPON PROCEDURES TO THE
CITY OF HERCULES
LOW AND MODERATE INCOME HOUSING FUND
IN ACCORDANCE WITH AB 1484**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 1 |
| Attachment A – Agreed-Upon Procedures Engagement | 3-12 |
| Appendices: | |
| Appendix 1 | 13 |
| Appendix 5 | 14 |
| Appendix 6 | 15 |
| Appendix 7 | 16 |
| Appendix 8A..... | 17 |
| Appendix 8C..... | 18 |
| Appendix 10 | 19 |

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**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office and the Department of Finance solely to assist you in ensuring that the dissolved redevelopment agency is complying with its statutory requirements with respect to AB 1484. Management of the successor agency and the City are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34179.5(c)(1) through 34179.5(c)(6). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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 scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A related to the Low and Moderate Income Housing Fund of the City of Hercules.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. 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 applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

GALLINA LLP

A handwritten signature in cursive script that reads 'Gallina LLP'.

Roseville, California
October 6, 2015

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ATTACHMENT A

Agreed Upon Procedures Engagement Pursuant to AB1484 and Health and Safety Code Section 34179.5

Purpose: to determine the unobligated balances of the (a) Low and Moderate Income Housing Fund available to transfer to taxing entities.

Health and Safety Code Section 34179.5(c)

34179.5(c)(1) The dollar value of assets transferred from the former redevelopment agency to the successor agency on or about February 1, 2012.

1. **Procedure:** Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the book value of the assets transferred to the Successor Agency as of that October 6, 2015.

Results:

Refer to Appendix 1 for a listing of assets transferred to the Successor Agency and comments, if any. The book value of the assets transferred was \$15,429,619 less liabilities of 14,410,234.

34179.5(c)(2)The dollar value of assets and cash and cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to the city, county, or city and county that formed the redevelopment agency and the purpose of each transfer. The reviews shall provide documentation of any enforceable obligation that required the transfer.

2. **Procedure:** If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to the City that formed the redevelopment agency for the period January 1, 2011 through January 31, 2012.

- B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to the City that formed the redevelopment agency for the period February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

N/A. Refer to procedures 2A and 2B above.

34179.5(c)(3)The dollar value of any cash or cash equivalents transferred after January 1, 2011, through June 30, 2012, by the redevelopment agency or the successor agency to any other public agency or private party and the purpose of each transfer. The review shall provide documentation of any enforceable obligation that required the transfer.

- 3. **Procedure:** If the State Controller's Office has completed its review of transfers required under Section 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the due diligence AUP report. If this has not yet occurred, perform the following procedures:
 - A. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The former redevelopment agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to any other public agency or private party for the period January 1, 2011 through January 31, 2012.

- B. Obtain a list prepared by the Successor Agency of all transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal or accounting requirements. Provide this listing as an attachment to the AUP report.

Results:

The Successor Agency did not transfer any assets relating to the Low and Moderate Income Housing Fund to any other public agency or private party for the period February 1, 2012 through June 30, 2012.

- C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Results:

N/A. Refer to procedures 3A and 3B above.

34179.5(c)(4)The review shall provide expenditure and revenue accounting information and identify transfers and funding sources for the 2010–11 and 2011–12 fiscal years that reconciles balances, assets, and liabilities of the successor agency on June 30, 2012 to those reported to the Controller for the 2009-10 fiscal year.

- 4. **Procedure:** Perform the following procedures:
 - A. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified basis of accounting. End of year balances for capital assets (in total) and long term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.
 - B. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

- C. Compare amounts in the schedule relevant to the fiscal year ending June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.
- D. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

Results:

These procedures are not required for the Low and Moderate Income Housing Fund only report. These procedures are to be performed for the Redevelopment Agency as a whole.

34179.5(c)(5) A separate accounting for the balance for the Low and Moderate Income Housing Fund for all other funds and accounts combined shall be made as follows:

- A. A statement of the total value of each fund as of June 30, 2012.
- 5. **Procedure:** Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of the assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets and liabilities of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets that were held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

Results:

Refer to Appendix 5 for a listing of the assets held by the Successor Agency related to the Low and Moderate Income Housing Fund.

34179.5(c)(5)(B) An itemized statement listing any amounts that are legally restricted as to purpose and cannot be provided to taxing entities. This could include the proceeds of any bonds, grant funds, or funds provided by other governmental entities that place conditions on their use.

6. **Procedure:** Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.)
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

Refer to Appendix 6 for a listing of amounts that are legally restricted for unspent bond proceeds and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

B. Grant proceeds and program income that are restricted by third parties:

- i. Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures)
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

Results:

There are no amounts that are legally restricted by third parties and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

C. Other assets considered to be legally restricted:

- i. Obtain Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures.)
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by Successor the Agency as restricted.

Results:

There are no other amounts that are legally restricted and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund.

- D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report.

Refer to Appendix 6 for a listing of amounts that are legally restricted by unspent bond proceeds and cannot be provided to taxing entities for the Low and Moderate Income Housing Fund. No amounts have been identified as a result of procedures 6B or 6C.

34179.5(c)(5)(C) An itemized statement of the values of any assets that are not cash or cash equivalents. This may include physical assets, land, records, and equipment. For the purpose of this accounting, physical assets may be valued at purchase cost or at any recently estimated market value. The statement shall list separately housing-related assets.

7. **Procedure:** Perform the following procedures:

- A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
- B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.
- C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.
- D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

Results:

Refer to Appendix 7 for a listing of assets that are not liquid or otherwise available for distribution that relate to the Low and Moderate Income Housing Fund.

34179.5(c)(5)(D) An itemized listing of any current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation that identifies the nature of the dedication or restriction and the specific enforceable obligation. In addition, the successor agency shall provide a listing of all approved enforceable obligations that includes a projection of annual spending requirements to satisfy each obligation and a projection of annual revenues available to fund those requirements. If a review finds that future revenues together with

dedicated or restricted balances are insufficient to fund future obligations and thus retention of current balances is required, it shall identify the amount of current balances necessary for retention. The review shall also detail the projected property tax revenues and other general purpose revenues to be received by the successor agency, together with both the amount and timing of the bond debt service payments of the successor agency, for the period in which the oversight board anticipates the successor agency will have insufficient property tax revenue to pay the specified obligations.

8. **Procedure:** Perform the following procedures:

- A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.
 - i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
 - iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results:

Refer to Appendix 8A for an itemized listing of current balances that are legally or contractually dedicated or restricted for the funding of an enforceable obligation..

- B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:
 - i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.

- ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
 - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:
 - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

Results:

The Successor Agency has asserted that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments. The projected tax revenue and bond debt service is presented in a separate agreed-upon procedures report issued for the Successor Agency to the Redevelopment Agency (excluding Low and Moderate Income Housing Fund).

- C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.
 - i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results:

Refer to Appendix 8C for a schedule of projected property tax revenues and bond debt service.

The Successor Agency has asserted that projected property tax revenues and other general purpose revenues are insufficient to pay bond debt service payments.

- D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.
 - i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
 - ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
 - iii. Include the calculation in the AUP report.

The calculation of current unrestricted balances necessary for retention is listed at appendix 10.

34179.5(c)(5)(E) An itemized list and analysis of any amounts of current balances that are needed to satisfy obligations that will be placed on the Recognized Obligation Payment Schedules for the current fiscal year.

9. **Procedure:** If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation. Include this schedule as an attachment to the AUP report.

Results:

The Successor Agency has asserted that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period July 1, 2012 through June 30, 2013. The final ROPS, including the Affordable Housing Bonds, is presented in a separate agreed-upon procedures report issued for the Successor Agency to the Redevelopment Agency (excluding Low and Moderate Income Housing Fund).

34179.5(c)(6) The review shall total the net balances available after deducting the total amounts described in subparagraphs (B) to (E), inclusive, of paragraph (5). The review shall add any amounts that were transferred as identified in paragraphs (2) and (3) of subdivision (c) if an enforceable obligation to make that transfer did not exist. The resulting sum shall be available for allocation to affected taxing entities pursuant to Section 34179.6. It shall be a rebuttable presumption that cash and cash equivalent balances available to the successor agency are available and sufficient to disburse the amount determined in this paragraph to taxing entities. If the review finds that there are insufficient cash balances to transfer or that cash or cash equivalents are specifically obligated to the purposes described in subparagraphs (B), (D), and (E) of paragraph (5) in such amounts that there is insufficient cash to provide the full amount determined pursuant to this paragraph, that amount shall be demonstrated in an additional itemized schedule.

10. **Procedure:** Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low

and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

Results:

Refer to Appendix 10 for the schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

Appendix 1
Balance Sheet
City of Hercules
Low and Moderate Income Housing Fund
February 1, 2012

| | | Low Mod Housing Fund |
|---|--|-----------------------------|
| | | <u> </u> |
| ASSETS | | |
| Cash, cash equivalents and investments | | \$ 216,505 |
| Cash with fiscal agent | | 4,205,751 |
| Accounts receivable | | 50 |
| Notes receivable | | 10,609,669 |
| Land held for resale | | <u>397,644</u> |
| Total assets | | <u><u>\$ 15,429,619</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | | \$ 4,054 |
| Unavailable revenue | | 10,812,587 |
| Advances from other funds | | <u>3,593,593</u> |
| Total liabilities | | <u>14,410,234</u> |
| Net assets: | | |
| Unrestricted | | <u>1,019,385</u> |
| Total net assets | | <u>1,019,385</u> |
| Total liabilities and net assets | | <u><u>\$ 15,429,619</u></u> |

Appendix 5
City of Hercules
Low and Moderate Income Housing Fund
Included in the Successor Agency's Financial Statements
For the Five Months Ended June 30, 2012

| | Successor Agency 5 Months Ending 6/30/2012 |
|--|---|
| <hr/> | |
| Assets: | |
| Cash and cash equivalents | \$ 213,887 |
| Cash with fiscal agent | 1,911,206 |
| Accounts receivable | 50 |
| Note receivable | 10,592,611 |
| Land held for resale | 397,644 |
| | <hr/> |
| Total Assets | \$ 13,115,398 |
| Liabilities: | |
| Accounts and other payables | \$ 3,800 |
| Unavailable revenue | 10,592,611 |
| Advances from other funds | 3,593,593 |
| Long-term debt | 23,911,076 |
| | <hr/> |
| Total Liabilities | \$ 38,101,080 |
| Equity | <hr/> (1,074,606) |
| Total Liabilities + Equity | <hr/> \$ 37,026,474 |
| Revenues: | |
| Use of money and property | \$ (45,990) |
| Program revenue | 179,417 |
| Miscellaneous | 153 |
| | <hr/> |
| Total Revenues | \$ 133,580 |
| Expenditures: | |
| Current: | |
| Community Development | \$ (67,177) |
| Debt service: | |
| Principal | 1,655,000 |
| Interest and fiscal agent fees | 645,491 |
| | <hr/> |
| Total Expenditures/Expenses | \$ 2,233,314 |
| Other financing sources (uses): | |
| Transfers in | \$ 1,064,450 |
| Transfers out | (1,058,707) |
| | <hr/> |
| Total Transfers | \$ 5,743 |
| Net change in equity | <hr/> \$ (2,093,991) |
| Beginning Equity: Equity transfer from City's Low and Moderate Income Housing funds | <hr/> \$ 1,019,385 |
| Ending Equity: | <hr/> \$ (1,074,606) |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)

Appendix 6 - List of assets restricted for (a) unspent bond proceeds, (b) grant proceeds and (i) other assets considered to be legally restricted

| | Description | Cost | Obtain successor agency's computation of the restricted balances (e.g total proceeds less eligible expenditures) | Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation). | Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted. |
|---|--|-------------|--|--|---|
| 1 | Fund 617 2007A Hsng Bnd Reserve | \$ 984,247 | For final debt service payment for 2007A Housing Bond | Amount agrees to custodian statement balances | N/A |
| 2 | Fund 618 2007B Hsng Bnd Capital Projects | 50,056 | Unspent bond proceeds | Amount agrees to custodian statement balances | N/A |
| 3 | Fund 618 2007B Hsng Bnd Reserve | 876,901 | For final debt service payment for 2007B Housing Bond | Amount agrees to custodian statement balances | N/A |
| 4 | Restricted Assets | (1,861,148) | Debt reserves on appendix 8 | | |
| | | \$ 50,056 | | | |

Appendix 7

City of Hercules

Low and Moderate Income Housing Fund

Health and Safety Code Section 34179.5(c)

**Appendix 7A - List of assets not liquid or otherwise available for
distribution (capital assets, land held for resale, LT receivables etc) at June 30, 2012**

| | Description | Amount | If listed at purchase cost, trace amounts to a previously audited statements or to successor accounting records and note any differences | If assets have been disposed, inspect evidence that proceeds were deposited into trust fund | If listed at estimated market value cost, inspect evidence supporting value and document methodology used |
|---|---------------------------|---------------|--|---|---|
| 1 | Accounts Receivable | \$ 50 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 115: Housing Set-Aside Operating Fund | N/A | N/A |
| 2 | Notes receivable | 10,592,611 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 117: Housing Set-Aside Operating Fund | N/A | N/A |
| 3 | Land/Bldg Held for Resale | 397,644 | Amount agrees to 6/30/2012 trial balance for: Fund 640 Sub 105: Housing Set-Aside Operating Fund | N/A | N/A |
| | | \$ 10,990,305 | | | |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 8A - List of assets dedicated or restricted for repayment of enforceable obligations

| | Description | Amount | The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation. | i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question. | ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. | iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance. | iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation. |
|---|-------------------------|----------------------|---|--|--|--|---|
| 1 | Cash with Fiscal Agents | \$ 984,247 | Housing Division 2007A reserve account for the final debt service payment | Amount agrees to custodian statement balances | Amount agrees to custodian statement balances | | NA |
| 2 | Cash with Fiscal Agents | 876,901 1,861,148 | Housing Division 2007B reserve account for the final debt service payment | Amount agrees to custodian statement balances | Amount agrees to custodian statement balances | | NA |

City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 8C - Projected Property Tax Revenues and Bond Debt Service

| | Description | Amount | If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule. | i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. | ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections. | iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections. |
|---|--|----------------|---|---|---|---|
| 2 | Projected outflows through December 31, 2012 | (1,249,545) | ROPS #3 2007 Tax Allocation Bonds Housing (A) in the amount of \$651,097 ROPS #4 2007 Tax Allocation Bonds Housing (B) in the amount of \$598,448 | Total projected outflows through December 31, 2012 for the Successor Agency are \$10,060,395, of which 1,249,545 are for housing related bonds. | N/A | |
| | | \$ (1,249,545) | Projected Shortfall | | | |

**City of Hercules
 Low and Moderate Income Housing Fund
 Health and Safety Code Section 34179.5(c)
 Appendix 10**

Procedure:

Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities pursuant to section 34179.5 (c) (6) of AB 1484.

Results:

Schedule for City of Hercules Low Moderate Income Housing Fund is shown below

BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

| | |
|---|-------------------------------------|
| Total amount of assets held by the successor agency as of June 30, 2012 | \$ 13,115,398 |
| Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments. | (50,056) |
| Less assets that are not cash or cash equivalents (i.e. physical assets) | (10,990,305) |
| Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) | <u>(1,861,148)</u> |
| Subtotal - Unassigned fund balance | <u>213,889</u> * |
| Projected shortfall through December 2012 - Appendix 8C | <u>(1,249,545)</u> |
| Amount available to be remitted to county for disbursement to taxing entities - Negative balance indicates that there are no balances available to be remitted to taxing entities. | <u><u>\$ (1,035,656)</u></u> |

* The City requests amount to be retained as a reserve for repayment of debt service due to projected shortfall

AGENDA ITEM REQUEST FORM

Department: City Manager's Office

Department Director: David Biggs

Phone: 799-8200

Meeting Date: December 8, 2015

Final Decision Date Deadline:

SUBJECT:

Former Redevelopment Agency Property Management Plan

INDICATE APPROPRIATE BODY

- City Council Successor Agency to the Redevelopment Agency Public Financing Authority Finance Commission
- Planning Commission Community/ Library Services Commission Other Oversight Board

ITEM

- Presentation/Introduction Study Session Grant Application/Acceptance
- Public Hearing Resolution Video/PowerPoint
- Consent Calendar Ordinance
- Discussion/Action Contract/Agreement

RECOMMENDED ACTION:

Adopt a resolution approving the Long Range Property Management Plan in accordance with the requirement of Health and Safety Code Section 34191.5.

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

REVIEWED AND APPROVED FOR AGENDA:

City Attorney (if Contract, Ordinance or Resolution)

Signature / Date

Finance Department for Fiscal Impact

Signature / Date

City Manager

Signature / Date

AGENDA ITEM NO:

VI 1

**STAFF REPORT TO THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS
SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY**

DATE: December 7, 2015

TO: The Oversight Board for the City of Hercules as Successor Agency to the Hercules Redevelopment Agency

SUBMITTED BY: David Biggs, City Manager

SUBJECT: Long Range Property Management Plan

RECOMMENDED ACTION:

Adopt a resolution approving the Long Range Property Management Plan in accordance with the requirements of Health and Safety Code Section 34191.5.

BACKGROUND:

The former Redevelopment Agency of the City of Hercules was dissolved on February 1, 2012, pursuant to ABx1 26 (as amended by AB1484). Amongst other requirements, AB1484, requires a property management plan, and audits of housing and redevelopment assets before a finding of completion can be issued by the State of California Department of Finance.

AMBAC Litigation

On January 30, 2012, AMBAC (Redevelopment Agency bond insurer) filed an action in the Contra Costa County Superior Court against the City, the Redevelopment Agency and each individual member of the City Council, seeking to, among other things, compel the City to transfer \$4,100,000 from the Pooled Cash Account, which AMBAC alleges constitute the December 2011 tax increment receipts, to the Trustee, and in the alternative to impose a constructive trust on such funds and prevent the City from using those funds for any other purpose.

On March 8, 2012, a stipulation and Writ of Attachment was signed between AMBAC, the City of Hercules and the Redevelopment Agency. It was agreed that as consideration for AMBAC's forbearance on seeking an immediate writ of mandate and preliminary injunction on March 20, 2012, AMBAC receive a Writ of Attachment on the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A"), the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6) (Property B), the real property commonly known as "Sycamore Crossing" (Contra Costa County Assessor's Parcel No. 404-020-057-00, 404-020-058-00) (Property "C"). These properties are to be sold to satisfy what is owed to AMBAC.

On February 24, 2014 the real property commonly known as “Victoria Crescent” (Contra Costa County Assessor’s Parcel No. 404-040-062-0)(Property “B”) was sold to Venture Partners, LLC. On August 26, 2014 the real property commonly known as Parcel “C” (Contra Costa County Assessor’s Parcel No. 404-020-073-0) (Property “A”) was sold to Lewis Homes. Proceeds from the sale of both parcels were paid to AMBAC to satisfy a portion of what is owed to AMBAC.

DISCUSSION:

The three properties transferred to the Successor Agency consist of the following:

- The real property commonly known as “Parcel C” located on John Muir Parkway. An 11 acre site sold to Lewis Homes on August 26, 2014 for development of 143 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Parcel C.
- The real property commonly known as “Victoria Crescent” located on San Pablo Avenue. A 6 acre site sold to Venture Partners, LLC for development of 43 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Victoria Crescent.
- The real property commonly known as “Sycamore Crossing” located on Sycamore Avenue and San Pablo Avenue. A 14 acre site that is under a Purchase and Sale agreement with Terramar for future commercial development to include a Safeway store and gasoline station and retail space. Included in Attachment 2 is a letter from the State Department of Finance approving the sale of Sycamore Crossing.

The Long Range Property Management Plan is organized to provide specific information for each property, as required by Health and Safety Code 34191.5. This includes Property Inventory: The property inventory provides specific information related to each property’s acquisition date, cost, and purpose, parcel information, its current value, contractual requirements, environmental contamination/remediation, its potential for Transit oriented development, and advancement of planning objectives, and its development proposal history and activity. This information is included in the Long Range Property Management Tracking Worksheet included in Attachment 2.

ATTACHMENTS:

1. Resolution
2. Long Range Property Management Plan – Exhibit A

RESOLUTION NO.

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S LONG RANGE PROPERTY MANAGEMENT PLAN PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.5

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 Health and Safety code 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, California Health and Safety Code section 34179 requires that each Successor Agency have an Oversight Board; and

WHEREAS, pursuant to Health and Safety Code Section 34191.5(b), the Successor Agency is now entitled to and must prepare and submit a Long Range Property Management Plan (the “LRPMP”) to the Oversight Board and the State Department of Finance.

NOW, THEREFORE, THE OVERSIGHT BOARD FOR THE CITY OF HERCULES AS SUCCESSOR AGENCY TO THE HERCULES REDEVELOPMENT AGENCY HEREBY RESOLVES:

- (1) Approval of the Long Range Property Management Plan - Exhibit A.

The foregoing Resolution was duly and regularly adopted by the Oversight Board for the City of Hercules as Successor Agency to the Hercules Redevelopment Agency at its meeting held on the 7th day of December, 2015 by the following:

AYES:

NOES:

Dan Romero, Chair

ATTEST:

Margaret S. Roberts, MMC
Administrative Services Director/City Clerk

Long Range Property Management Plan

Successor Agency to the Hercules Redevelopment Agency

December 2015

BACKGROUND:

The former Redevelopment Agency of the City of Hercules was dissolved on February 1, 2012, pursuant to ABx1 26 (as amended by AB1484). Amongst other requirements, AB1484, requires a property management plan, and audits of housing and redevelopment assets before a finding of completion can be issued by the State of California Department of Finance.

AMBAC Litigation

On January 30, 2012, AMBAC (Redevelopment Agency bond insurer) filed an action in the Contra Costa County Superior Court against the City, the Redevelopment Agency and each individual member of the City Council, seeking to, among other things, compel the City to transfer \$4,100,000 from the Pooled Cash Account, which AMBAC alleges constitute the December 2011 tax increment receipts, to the Trustee, and in the alternative to impose a constructive trust on such funds and prevent the City from using those funds for any other purpose.

On March 8, 2012, a stipulation and Writ of Attachment was signed between AMBAC, the City of Hercules and the Redevelopment Agency. It was agreed that as consideration for AMBAC's forbearance on seeking an immediate writ of mandate and preliminary injunction on March 20, 2012, AMBAC receive a Writ of Attachment on the real property commonly known as "Parcel C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A"), the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-6) (Property B), the real property commonly known as "Sycamore Crossing" (Contra Costa County Assessor's Parcel No. 404-020-057-00, 404-020-058-00) (Property "C"). These properties are to be sold to satisfy what is owed to AMBAC.

On February 24, 2014 the real property commonly known as "Victoria Crescent" (Contra Costa County Assessor's Parcel No. 404-040-062-0)(Property "B") was sold to Venture Partners, LLC. On August 26, 2014 the real property commonly known as Parcel "C" (Contra Costa County Assessor's Parcel No. 404-020-073-0) (Property "A") was sold to Lewis Homes. Proceeds from the sale of both parcels were paid to AMBAC to satisfy a portion of what is owed to AMBAC.

SUMMARY OF PROPOSED REAL PROPERTY ASSET RETENTION AND DISPOSITION:

The three properties transferred to the Successor Agency consist of the following:

1. The real property commonly known as "Parcel C" located on John Muir Parkway. An 11 acre site sold to Lewis Homes on August 26, 2014 for development of 143 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included is a letter from the State Department of Finance approving the sale of Parcel C.

2. The real property commonly known as “Victoria Crescent” located on San Pablo Avenue. A 6 acre site sold to Venture Partners, LLC for development of 43 single family homes. As mentioned previously, this parcel was sold to satisfy a portion of what is owed to AMBAC. Included is a letter from the State Department of Finance approving the sale of Victoria Crescent.

3. The real property commonly known as “Sycamore Crossing” located on Sycamore Avenue and San Pablo Avenue. A 14 acre site that is under a Purchase and Sale agreement with Terramar for future commercial development to include a Safeway store and gasoline station and retail space. Included is a letter from the State Department of Finance approving the sale of Sycamore Crossing.

Specific information for each property, as required by Health and Safety Code 34191.5 includes Property Inventory: The property inventory provides specific information related to each property’s acquisition date, cost, and purpose, parcel information, its current value, contractual requirements, environmental contamination/remediation, its potential for Transit oriented development, and advancement of planning objectives, and its development proposal history and activity. This information is included in the Long Range Property Management Tracking Worksheet



DEPARTMENT OF
FINANCE

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

September 27, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of its oversight board (OB) resolution. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution Nos. 13-007 related to the disposition of Parcel C (A.P. No. 404-020-076), is approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office



First American Title Company

6683 Owens Drive • Pleasanton, CA 94588

Office Phone:(925)738-4050 Office Fax:(866)648-7806

Seller's Final Settlement Statement

Property: Parcel 1, Subdivision Map 8764, John Muir Parkway, Hercules, CA
File No: 0131-619809ala
Officer: Diane Burton/DB
Settlement Date: 08/26/2014
Disbursement Date: 08/26/2014
Print Date: 10/20/2014, 12:46 PM

Buyer: LD Hercules Land, LLC
Address: 9216 Kiefer Blvd., Suite 4, Sacramento, CA 95826
Seller: City of Hercules
Address: Attention: Hercules City Clerk, 111 Civic Drive, Hercules, CA 94547
Lender:
Address:
New Loan No.:

| Charge Description | Seller Charge | Seller Credit |
|--|---------------|---------------|
| Consideration: | | |
| Total Consideration | | 8,000,000.00 |
| Adjustments: | | |
| Independent Consideration | | 100.00 |
| Assume John Muir Bond AD 2005-01 | 1,750,000.00 | |
| Release of Independent Consideration | 100.00 | |
| Prorations: | | |
| County Tax (2013-2014 less John Muir Bond) 07/01/14 to 08/26/14 @\$866.60/yr | 132.96 | |
| Commission: | | |
| Commission Paid at Settlement to Cushman & Wakefield | 200,000.00 | |
| Commission Paid at Settlement to CBRE, Inc. | 200,000.00 | |
| Payoff Loan(s): | | |
| Lender: Oliver & Company, Inc. | | |
| Principal Balance - Oliver & Company, Inc. | 2,566,464.33 | |
| Interest on Payoff Loan 07/22/14 to 08/27/14 @8.250000% - Oliver & Company, Inc. | 20,883.29 | |
| Disbursements Paid: | | |
| Release Writ of Attachment to Ambac Assurance Corp Operating Acct. | 2,910,366.93 | |
| Property Tax Default for August 2014 to Contra Costa Tax Collector | 352,152.49 | |
| Totals | | |
| | 8,000,100.00 | 8,000,100.00 |

Parcel C



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

September 10, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of various oversight board (OB) resolutions. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, OB Resolution Nos. 12-008, 12-009 and 13-001, related to the disposition of the Victoria Crescent property (A.P. No. 404-040-062-6), are approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office



First American Title Company
National Commercial Services
 1737 North First Street, Suite 500 • San Jose, CA 95112

Seller's Final Settlement Statement

Property: San Pablo Avenue, Hercules, CA

File No: NCS-578942-SC

Officer: Carol M. Herrera/VA

New Loan No:

Settlement Date:

Disbursement Date: 02/19/2014

Print Date: 02/24/2014, 4:53 PM

Buyer: CV HERCULES 1 INV, LLC

Address: 1900 Quail Street, Newport Beach, CA 92660

Seller: City of Hercules

Address: 111 Civic Drive, Hercules, CA 94547

| Charge Description | Seller Charge | Seller Credit |
|---|---------------|---------------|
| Consideration: | | |
| Total Consideration | | 2,125,000.00 |
| Prorations: | | |
| County Tax 01/01/14 to 02/24/14 @\$545.05/semi | 161.28 | |
| Commission: | | |
| Commission Paid at Settlement to Cassidy Turley BT Commercial | 127,500.00 | |
| Title/Escrow Charges to: | | |
| Closing-Escrow Fee (one half each) to First American Title Company National Commercial Services | 1,437.50 | |
| Overnight Delivery Service to First American Title Company National Commercial Services | 25.00 | |
| Policy-Standard ALTA 2006 Owner's to First American Title Company National Commercial Services | 3,361.00 | |
| Record Grant Deed to First American Title Company National Commercial Services | 16.00 | |
| Documentary Transfer Tax-County to First American Title Company National Commercial Services | 2,337.50 | |
| Disbursements Paid: | | |
| Writ of Attachment Paydown to Ambac Assurance Corporation c/o Arent Fox | 1,967,071.62 | |
| Reimbursement for Planning Fees to City of Hercules | 22,490.55 | |
| 1st Tax Installment: 2013-2014 to Contra Costa County Tax Collector | 545.05 | |
| 1st Tax Installment: Penalty Due to Contra Costa County Tax Collector | 54.50 | |
| Totals | 2,125,000.00 | 2,125,000.00 |



November 1, 2013

Mr. Steve Duran, City Manager
City of Hercules Successor Agency
111 Civic Drive
Hercules, CA 94547

Dear Mr. Duran:

Subject: Oversight Board Action

The City of Hercules Successor Agency (Agency) notified the California Department of Finance (Finance) of its oversight board (OB) resolution. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution Nos. 13-008 related to the disposition of Sycamore Crossing (A.P. No. 404-020-057 and A.P. No. 404-020-058), is approved. This property is being sold under a court approved settlement agreement. Proceeds from the sale are to be remitted to the bond insurer as required by the settlement.

Please direct inquiries to Justyn Howard, Assistant Program Budget Manager at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Nickie Mastay, Finance Director
Mr. Bob Campbell, Auditor-Controller, County of Contra Costa
California State Controllers Office

Successor Agency: City of Hercules as Successor Agency to the Former Redevelopment Agency
 County: Contra Costa County

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY INVENTORY DATA

| No. | Address or Description | APN | Property Type | HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(2) | | HSC 34191.5 (c)(1)(A) | | SALE OF PROPERTY (if applicable) | |
|-----|---------------------------------|-------------------------------|-----------------|--------------------------------|--|--------------------|------------------------------|---------------------------------|-------------------------------|-------------------------------------|--------------------|
| | | | | Permissible Use | If Sale of Property, specify intended use of sale proceeds | Acquisition Date | Value at Time of Acquisition | Date of Estimated Current Value | Estimated Current Value Basis | Proposed Sale Value | Proposed Sale Date |
| 1 | Victoria Crescent (vacant land) | 404-040-062-6 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | 03/2009 | 3,418,193 | 02/2014 | Market | 2,125,000 | 02/19/2014 |
| 2 | Parcel C | 404-020-076-0 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | 06/2009 | 13,916,064 | 08/2014 | Market | 8,000,100 | 08/28/2014 |
| 3 | Sycamore Crossing | 404-020-057-001/04-020-058-00 | Vacant Lot/Land | Fulfill Enforceable Obligation | Fulfill an Enforceable Obligation | 07/2007 | 11,050,101 | 10/2013 | Market | 5,000,000 | 06/30/2016 |

Successor Agency: City of Hercules as Successor Ag
 County: Contra Costa County

LONG RANGE PROPERTY MANAGEMENT PLAN: PROP

| HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(1)(B) | | HSC 34191.5 (c)(1)(C) | | HSC 34191.5 (c)(1)(D) | | HSC 34191.5 (c)(1)(E) | | HSC 34191.5 (c)(1)(F) | | HSC 34191.5 (c)(1)(G) | | HSC 34191.5 (c)(1)(H) | |
|---------------------------------|-------------------------------|---|----------|-----------------------|----------------------------------|-----------------------------------|---|--|---|--|--|-----------------------|--|-----------------------|--|
| Address or Description | APN | Purpose for which property was acquired | Lot Size | Current Zoning | Estimate of Current Parcel Value | Annual Estimate of Income/Revenue | Are there any contractual requirements for use of income/revenue? | Has there been historic environmental contamination, studies, and/or remediation, and designation as a brownfield site for the property? | Does the property have the potential as a transit oriented development? | Were there advancements to the successor agency's planning objectives? | Does the property have a history of previous development proposals and activity? | | | | |
| Victoria Crescent (vacant land) | 404-040-062-6 | Residential Development | 6 Acres | Residential | 2,125,000 | Zero | Yes | Yes | No | No | Yes | | | | |
| Parcel C | 404-020-076-0 | Residential Development | 11 Acres | Residential | 8,000,100 | Zero | Yes | Yes | Yes | Not Reported | Yes | | | | |
| Sycamors Crossing | 404-020-057-00/404-020-058-00 | Commercial Development | 14 Acres | Commercial | 5,000,000 | Zero | Yes | Yes | No | Not Reported | Yes | | | | |