

CITY OF ALAMEDA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR ALAMEDA NAVAL AIR STATION BASE REUSE FUND
STATEMENT OF SOURCES AND USES OF
SALE AND LEASE PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2023**

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FOR THE YEAR ENDED JUNE 30, 2023**

To the Honorable Members of the City Council
City of Alameda, California

We have performed the procedures enumerated below on evaluating the accompanying Statement of Revenues, Expenditures and Change in Fund Balance (Statement of Sources and Uses of Sale and Lease Proceeds) of the City of Alameda as a Local Redevelopment Authority for the former Alameda Naval Air Station (NAS) for the year ended June 30, 2023 and the accompanying Balance Sheet as of June 30, 2023 (Statements). The City's management is responsible for the Statements.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Statements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

- A. Read the Background information prepared by City Management, pertaining to the agreement between the United States Navy (U.S. Navy) and the City.

Findings: None

- B. After reading the agreement, we traced the revenues presented on the Statement of Sources and Uses of Sale and Lease Proceeds to the Base Reuse Special Revenue Fund, Base Reuse Debt Service Fund and Alameda Point Capital Projects Fund in the audited financial statements of the City and verified, on a test basis, that revenues from other activities have been excluded.

Findings: None

- C. We verified, on a test basis, that the expenditures presented on the Statement of Sources and Uses of Sale and Lease Proceeds for the year ended June 30, 2023 sufficiently show the uses of the proceeds that are to be used only for activities outlined in the agreement between the U.S. Navy and the City.

Findings: None

- D. We verified the accompanying balance sheet presents the assets, liabilities, deferred inflows of resources and fund balance of the sale and leasing activities of the City as of June 30, 2023.

Findings: None

- E. We verified, on a test basis, that balances unrelated to the agreement have been excluded from the Statement of Sources and Uses of Sale and Lease Proceeds and the Balance Sheet as of and for the year ended June 30, 2023.

Findings: None

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

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

This report is intended solely for the information and use of management, the City Council and the Department of Defense and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Mane & Associates

Pleasant Hill, California
December 28, 2023

CITY OF ALAMEDA, CALIFORNIA
 BASE REUSE FUNDS
 BALANCE SHEET
 PROCEEDS DERIVED FROM THE SALE OR LEASE OF NAS ALAMEDA
 AS OF JUNE 30, 2023

ASSETS

Cash and Investments	\$ 47,034,262
Restricted Cash and Investments	153,821
Accounts Receivable	685,537
Leases Receivable	73,010,671
Total Assets	<u><u>\$ 120,884,291</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
 AND FUND BALANCE**

Liabilities:

Accrued Payroll	\$ 75,570
Refundable Deposits	1,360,777
Total Liabilities	<u>1,436,347</u>

Deferred Inflows of Resources:

Unavailable revenue - accounts receivable	685,537
Related to leases	69,807,540
Total Deferred Inflows of Resources	<u>70,493,077</u>

Fund Balance:

Restricted for Base Reuse	<u>48,954,867</u>
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**Total Liabilities, Deferred Inflows of Resources
 and Fund Balance**

\$ 120,884,291

CITY OF ALAMEDA, CALIFORNIA
 BASE REUSE FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 PROCEEDS DERIVED FROM THE SALE OR LEASE OF NAS ALAMEDA
 FOR THE YEAR ENDING JUNE 30, 2023

REVENUES	
Lease Revenues	\$ 14,964,507
Rent Revenues	1,927,148
Interest and Other Use of Money and Property	<u>1,427,519</u>
Total Revenues	<u>18,319,174</u>
EXPENDITURES	
Building Rehabilitation	4,347,310
Landscaping/Grading	126,313
Utility Construction	14,746,705
Transportation Management Facilities	100,979
Planning/Marketing of Redevelopment/Reuse	5,258,171
Operation/Maintenance of NAS Alameda	<u>2,449,224</u>
Total Expenditures	<u>27,028,702</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(8,709,528)</u>
OTHER FINANCING SOURCES (USES)	
Alameda Point Debt Service Contribution	(802,404)
Return of unspent funds	<u>(818,683)</u>
Total Other Financing Sources (Uses)	<u>(1,621,087)</u>
Net Change in Fund Balance	(10,330,615)
Fund Balance at Beginning of Period	<u>59,285,482</u>
Fund Balance at End of Period	<u><u>\$ 48,954,867</u></u>

BACKGROUND

Prepared by City Management

Alameda Naval Air Station

In June 1993, the Defense Base Realignment and Closure Commission (BRAC) recommended the closure of the Naval Air Station Alameda (“NAS Alameda”), which encompasses the Naval facilities and grounds comprising the western end of the City of Alameda and consists of approximately 2,693 acres of real property, together with the buildings, improvements and other tangible personal property. President Clinton accepted the recommendation that same month, and Congress confirmed the closure in October 1993. The NAS Alameda was decommissioned by the United States Department of the Navy in 1993 and closed operationally in April of 1997.

No Cost Economic Development Conveyance

In 1996, the Alameda Reuse and Redevelopment Authority (ARRA), of which the City is a member, approved the NAS Alameda Community Reuse Plan, as amended in 1997, to establish a plan for the reuse and redevelopment of the property at the former NAS Alameda. On June 6, 2000, the Department of the Navy and the City of Alameda signed an Economic Development Conveyance Memorandum of Agreement (EDC MOA), which authorized a no-cost conveyance of major portions of NAS Alameda property, including Alameda Point and Bayport, to the ARRA consistent with the NAS Alameda Community Reuse Plan (Reuse Plan) adopted in 1996, and subsequently amended. The ARRA and Navy entered into Amendment No. 2 to the EDC MOA on January 4, 2012 that re-commits the ARRA and Navy to the Reuse Plan by including in the Agreement an enforcement mechanism to deter development different from that contemplated by the Reuse Plan. On February 7, 2012 the City of Alameda accepted a transfer of all of the ARRA’s rights, obligations and assets, including the EDC MOA. The United States Office of Economic Adjustment, on behalf of the Secretary of Defense, recognized the City as the official Local Reuse Authority on March 9, 2012.

Pursuant to these agreements: phase one conveyance of approximately 1,379 acres, including 509 acres of land and 870 acres of submerged land of the Alameda Point property was transferred from the Navy to the City in June 2013 (Phase 1 Conveyance); a second phase of land was transferred from the Navy to the City in April 2016, consisting of 183 acres (Phase 2 Conveyance); a small third conveyance of 2.6-acres was conveyed in April 2017 (Phase 3A Conveyance); and a fourth conveyance of 42 acres (Phase 3B Conveyance) was conveyed in September 2017.

Reporting

On October 5, 1999, the President signed into law legislation amending Section 2905(b) (4) of the Defense Base Closure and Realignment Act of 1990 authorizing the Secretary of the Navy to convey surplus property at a closing installation to a Local Redevelopment Authority at no cost for economic development purposes.

The 1999 legislation requires local redevelopment authorities to reinvest proceeds from the use of former military bases for the first seven years after acceptance of applicable Quitclaim Deeds, and the amended Memorandum of Agreement extends that term to the 25 year period following the execution of the amendment No. 2 to the Agreement. The reinvestment of proceeds must support job-generation and economic development activities.

These allowable activities included reimbursement of the following categories:

1. Road construction
2. Transportation management facilities
3. Storm and sanitary sewer construction
4. Police and fire protection facilities and other public facilities
5. Utility construction
6. Building rehabilitation
7. Historic property preservation
8. Pollution prevention equipment or facilities
9. Demolition
10. Disposal of hazardous materials generated by demolition
11. Landscaping grading and other site or public improvements
12. Planning for or the marketing of the redevelopment and reuse of the Property

To ensure compliance with the no-cost legislation, the Department of Defense requires Local Redevelopment Authorities to submit financial statements that account for the reinvestment of proceeds by the approved categories for a minimum period of seven years from the date of property conveyance.