

**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, 2018**

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STATEMENT OF SOURCES AND USES OF  
SALE AND LEASE PROCEEDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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

We have performed the procedures described below, which were agreed to by the City of Alameda, California, solely to assist the City in evaluating the accompanying Statement of Sources and Uses of Sale and Lease Proceeds of the City as a Local Redevelopment Authority for the former Alameda Naval Air Station (NAS) for the year ended June 30, 2018 and the accompanying Balance Sheet as of June 30, 2018 (Statements). The City's management is responsible for the Statements. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 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, 2018 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 and fund balance of the sale and leasing activities of the City as of June 30, 2018.

**Findings:** None

- E. We verified 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, 2018.

**Findings:** None

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statements. 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.

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This report is intended solely for the information and use of management and the City Council 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.



Pleasant Hill, California  
March 27, 2019

CITY OF ALAMEDA, CALIFORNIA  
BASE REUSE FUNDS  
BALANCE SHEET  
PROCEEDS DERIVED FROM THE SALE OR LEASE OF NAS ALAMEDA  
AS OF JUNE 30, 2018

**ASSETS**

|                                 |                            |
|---------------------------------|----------------------------|
| Cash and Investments            | \$26,814,945               |
| Restricted Cash and Investments | 31,846                     |
| Accounts Receivable             | 7,687                      |
| <b>Total Assets</b>             | <u><u>\$26,854,478</u></u> |

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

|                          |                         |
|--------------------------|-------------------------|
| Accounts Payable         | \$705,434               |
| Accrued Payroll          | 25,743                  |
| Refundable Deposits      | 1,067,658               |
| <b>Total Liabilities</b> | <u><u>1,798,835</u></u> |

**Fund Balance:**

|                           |                          |
|---------------------------|--------------------------|
| Restricted for Base Reuse | 25,055,643               |
| <b>Total Fund Balance</b> | <u><u>25,055,643</u></u> |

|   |                            |
|---|----------------------------|
| <b>Total Liabilities and Fund Balance</b> | <u><u>\$26,854,478</u></u> |
|---|----------------------------|

CITY OF ALAMEDA, CALIFORNIA  
 BASE REUSE FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 PROCEEDS DERIVED FROM THE SALE OR LEASE OF NAS ALAMEDA  
 FOR THE YEAR ENDING JUNE 30, 2018

|  |                            |
|--|----------------------------|
| REVENUES                                     |                            |
| Lease Revenues                               | \$14,866,957               |
| Utility Revenues                             | 129,794                    |
| Rent Revenues                                | 1,950,897                  |
| Revenues from other agencies                 | 750,137                    |
| Interest and other use of money and property | <u>102,155</u>             |
| Total Revenues                               | <u>17,799,940</u>          |
| EXPENDITURES                                 |                            |
| Building Rehabilitation                      | 4,678,223                  |
| Planning/Marketing of redevelopment/reuse    | 5,457,753                  |
| Operation/Maintenance of NAS Alameda         | <u>3,025,946</u>           |
| Total Expenditures                           | <u>13,161,922</u>          |
| REVENUES OVER/(UNDER) EXPENDITURES           | <u>4,638,018</u>           |
| OTHER FINANCING SOURCES (USES)               |                            |
| Proceeds from Sale of Properties             | 12,971,153                 |
| Alameda Point Debt Service Contribution      | <u>(518,720)</u>           |
| Total Other Financing Sources (Uses)         | <u>12,452,433</u>          |
| Net Change in Fund Balance                   | 17,090,451                 |
| Fund Balance at Beginning of Period          | 7,943,959                  |
| Restatement (Note 1)                         | <u>21,233</u>              |
| Fund Balance at End of Period                | <u><u>\$25,055,643</u></u> |

Note: 1. Restatement of beginning fund balance is to include prior year unreported Debt Service Fund balance.

## 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.