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FBI corruption unit probes Hercules finances

By Tom Lochner
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Three years after initial news reports about apparent financial irregularities and conflicts of interest at Hercules City Hall, the matter is in the hands of the FBI's Public Corruption Unit.

Federal authorities would not confirm this week whether what has been a long-standing rumor is true, but a former City Hall official told this newspaper that the FBI began an investigation last December, a turbulent month in the city's politics.

A Contra Costa County prosecutor confirmed this week that he referred the matter to the FBI corruption unit that same month.

"I have heard that people in the community have been contacted by the FBI, but I can't confirm or deny that," Contra Costa Deputy District Attorney Steve Bolen said this week.

On Dec. 7, 2010, the City Council fired then-interim City Manager Charlie Long and announced the sudden return of City Manager Nelson Oliva from medical leave. Days earlier, Long had publicly revealed the extent of the city's financial problems, warning that the Redevelopment Agency could not pay all of its bond and other obligations; that the general fund lacked the money to pay for municipal services; and that a redevelopment project was more than \$42 million short of funding.

Long also had reviewed and canceled contracts with consultants and recommended phasing out the \$1.1 million worth of city contracts of a firm founded by Oliva, who claimed to have transferred the company to his daughters

before assuming the top post in 2007.

On Dec. 14, then-Mayor Kris Valstad wrote Long that the council had in fact terminated him for "an

insubordinate failure to carry out its instructions." Long responded that his firing came shortly after an outburst by then-Councilman Ed Balico accusing Long of harming his business; Balico, a licensed real estate broker, has been involved in the waste-to-energy technology business.

Bolen said this week that his office had followed news reports of the problems in Hercules and that upset residents had called when Long was fired. The same month, Bolen's office referred the matter to federal authorities and specifically the FBI's Public Corruption Unit, he said Tuesday.

In an email Thursday, Hercules City Manager Steve Duran said "the city cannot release any information concerning the federal investigation of certain former city employees" and referred questions to the FBI.

Pete Lee and Jack Gillund, spokesmen, respectively, for the FBI and the U.S. attorney's office in San Francisco, said they "can't confirm or deny" that there is a federal investigation.

Contact Tom Lochner at 510-262-2760.

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