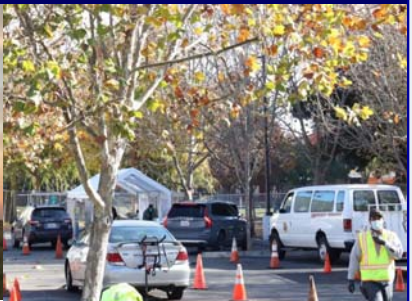




2020
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2020
East Palo Alto, California

City of East Palo Alto

East Palo Alto, California

Comprehensive Annual Financial Report

For the year ended June 30, 2020

Prepared by:
Finance Department

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2020
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CITY OF EAST PALO ALTO
DEPARTMENT OF FINANCE
Letter of Transmittal

December 21, 2020

Honorable Mayor Carlos Romero
Honorable Members of the City Council
Residents of the City of East Palo Alto, California

**THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE CITY OF EAST PALO ALTO**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of East Palo Alto for the fiscal year ended June 30, 2020. It is the policy of the City of East Palo Alto to annually publish financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. This CAFR report is published to fulfill that requirement.

Management assumes full responsibility for the accuracy of the information contained in this report. We believe this CAFR to be complete and reliable in all material respects. In order to provide a reasonable basis for making this representation, we have established a comprehensive framework of internal controls designed to protect the City's assets from loss, theft, or misuse and to record and compile the information necessary to produce financial statements in conformity with generally accepted accounting principles. Since the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by an independent firm of Certified Public Accountants, Badawi & Associates, licensed to practice in the State of California. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2020 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unmodified" opinion. The auditor's report is in the Financial Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion & Analysis (MD&A). The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The City of East Palo Alto was incorporated in 1983 and is in San Mateo County in the Greater San Francisco Bay Area. It is in a desirable setting and is situated among three major metropolitan cities: San Jose, Oakland, and San Francisco. East Palo Alto currently occupies 2.5 square miles and has a population of 30,794.

East Palo Alto operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing body (City Council) consisting of the Mayor, the Vice-mayor and three other members. The City Council appoints the government’s Chief Executive Officer (known as City Manager), who in turn appoints the Directors of City departments; except for the City Attorney who is also appointed by the City Council. City Council members are elected by voters to serve overlapping four-year terms. The Mayor and Vice-Mayor are appointed by majority vote of the City Council on an annual basis to serve a one-year term. There are currently four Advisory Boards and Commissions that are appointed by the City Council: Rent Stabilization Board, Planning Commission, Public Works and Transportation Commission, and Senior Advisory Board.

The City of East Palo Alto provides a range of basic municipal services. These services include public safety police services, public works and maintenance, limited parks and recreation activities, building, planning and zoning, housing and rent stabilization services, community development, streetlighting, drainage, refuse collection, infrastructure construction, and general administrative services. The City also provides community grant programs to support community and social-services organizations.

The CAFR includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial and/or fiduciary accountability. The Council serves in separate session as the governing body of the East Palo Alto Public Financing Authority; and, the Successor Agency to the former Redevelopment Agency of the City of East Palo Alto, for which it has fiduciary responsibility.

ECONOMIC CONDITION AND FISCAL OUTLOOK

Prior to the U.S. outbreak of novel coronavirus (“COVID-19”), the City’s economic and fiscal outlook reflected emerging challenges including flattening general revenue resources; uncertainty related to certain property tax payments; and extended time-gaps between development project proposal and completion. The outbreak of COVID-19 introduced an abrupt and uneven disruption in near-term

resources with impacts anticipated across tax revenues derived from commercial office, retail, hospitality, and multi-family residential business activity. While the initial fiscal impacts have been manageable, the recovery within each industry type is wide-ranging and predicted to be uneven with some commercial industries recovering quickly and others struggling for uncertain, extended periods.

Assessed property values in fiscal year 2019-20 total \$3.6 billion. The year over year increase is 6.2% compared to an 11.6% increase in the prior year. Initial assessed valuation growth for fiscal year 2020-21 (2%) reflects continued moderation of residential property sales, significant drop in commercial property sales, and a lack of recent commercial development. Future, temporary taxable value reductions in certain property classifications are possible due to COVID-19. Long-term growth potential remains highly positive due to a large mass of undeveloped land in the Ravenswood Business District, unprecedented development planning activity, consolidation of industrial properties in the Ravenswood Business District, strategies to develop affordable housing, and incentives to intensify housing densities. The City is engaged in addressing the infrastructure, transit, environmental, and community impact challenges and opportunities attendant with the sustained interest in development. Solving these challenges increases the potential gap of time between project proposal and completion.

The City's resident population has remained stable over the past five years with an average of approximately 30,600 over the period. City unemployment rates over the same period fell precipitously to a notable low of 1.8% last year and remained at 11.9% as of June 30, 2020 due to COVID-19 non-essential business closures and shelter-at-home health orders. We anticipate challenges for our residents due to the notably uneven economic recovery from COVID-19 whereby low-income workers have been more severely impacted.

The City is focused on socially progressive milestones to support a vibrant, diverse community and workforce. The 2018 Measure HH special parcel tax generated approximately \$1.7 million in additional annual taxes for affordable and supportive housing and for programs that facilitate resident access to job opportunities.

Near-term the City has managed the challenges of COVID-19 within an existing environment of flattening general revenues, uncertainty in property tax payments, and rising costs. Long-term, with the unprecedented uncertainty surrounding both economic and social impacts of COVID-19, the City must continue to employ vigilant strategic resource planning and management.

LONG TERM FINANCIAL PLANNING

As part of the strategic resource and budget planning process, management presents a multi-year financial projection to the City Council. The projection provides Council with the opportunity to plan for the management of financial resources and to address forecasted financial challenges. Maintaining a sustainable budget and prudent fiscal planning is a key strategic priority of the Council supported by citizen survey.

The advent of COVID-19 global pandemic, including extended non-pharmaceutical interventions employed to reduce public health risks, have substantially increased existing challenges. Recent projections indicate the City must strategically address COVID-19 impacts and existing non-recessionary general operating deficits in addition to solving legacy infrastructure challenges. City has identified four areas of infrastructure with significant regulatory mandates and deferred investment risks, as follows: (1) water infrastructure and regulation; (2) storm-water infrastructure and regulation; (3) basic public facilities; and, (4) storm drainage infrastructure. In recent years, the City has committed surplus funding to mitigate some deferred infrastructure maintenance risks; however, as the City responds to impacts of COVID-19, and as the underlying pace of general tax revenue growth declines, the current high levels of funding capital infrastructure from general resources are not projected to be sustained.

It is also noted that California cities are subject to limits on the proceeds of taxes that may be appropriated for spending in a given fiscal year (i.e. the GANN Limit). While voters may approve an override of such limits, it is another important long-term planning factor to consider in long-term strategic resource planning.

The financial plan also calls for the City to exercise financial “best practices,” including achieving a minimum General Fund contingency reserve of 15% of operating expenditures. The purpose of the reserve is to provide the City with fiscal capacity for responding to emergencies and economic uncertainties and vulnerabilities, thereby minimizing the impact on service levels to the community during such challenging times. Current reserve and unassigned reserve levels exceed the established minimum reserve level.

FINANCIAL POLICIES AND INFORMATION

Budgetary Controls

The City Council is required to adopt a budget on an annual basis which is passed by June 30th of each year. In compliance with the City’s municipal ordinance, the Council adopted the Fiscal Year 2019-20 budget through a public hearing process conducted during June 2019. The budget serves as the foundation for the City of East Palo Alto’s financial planning and control. The budget is prepared by fund and division. Transfers between departments require City Manager, or designee, approval. Unless mandated by regulation, transfers between funds are approved by City Council.

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Adopted Budget and approved by the City Council. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Financial Policies

The City has financial policies related to revenue and expenditure administration, minimum fund balance requirements, grants and debt management, cash and investments, and other financial

policies. The City completed a comprehensive risk-based study to determine the appropriate amount and types of general reserves needed to mitigate identified risks, including a general reserves policy to direct the purpose and use of such reserves.

Major Initiatives

Major initiatives for the year were developed through the budget planning process and with the guidance of the City Council as articulated through its Strategic Priorities process, as follows:

Enhance Public Safety and Emergency Preparedness: includes goals for implementing long-term crime and violence reduction programs and conducting public education and outreach on emergency preparation.

Enhance Economic Vitality: includes goals for aiding small businesses, setting aside capital improvement monies, and developing appropriate development impact fees.

Increase Organizational Effectiveness and Efficiency includes goals for long-term financial planning, preparing a staff development training plan, and acquiring systems to improve efficiencies and effectiveness.

Improve Public Facilities and Infrastructure: These goals pertain to completion of street, sidewalk, and bicycle-related infrastructure, exploring options for City facilities, enhancing the water distribution system, enhancing flood protection, and conducting a comprehensive transportation and mobility plan.

Improve Communication and Enhance Community Engagement: includes goals for improving resident and business communications through various mediums; including, implementing a website management plan, developing a communications plan, and fostering community cultural events and activities.

Create a Healthy and Safe Community: includes goals to improve pedestrian and bicycle access safety, fully implement the Rent Stabilization program, develop a comprehensive Healthy Community Plan, preserve and expand affordable housing in East Palo Alto, and improving educational resources and services.

The City made notable progress in all strategic areas, particularly in the following areas:

- Authorized \$1.2 million COVID-19 Emergency Response:
 - Temporary Residential and Commercial Eviction Moratoria, Rental Assistance
 - Expanded RV Safe Parking Services
 - Implemented Neighborhood COVID testing sites
 - Public Safety and Community Outreach
- Affordable Housing and Workforce Development:
 - Local Minimum Wage Ordinance
 - Anti-Displacement Services

- Measure HH Strategic Planning
- HEART Grant Commitment \$1.7M
- Additional Dwelling Unit (ADU) Initiatives
- 965 Weeks Street Project
- Development Approvals:
 - Sobrato Phase II
 - Clarum University
- Infrastructure:
 - Bay Road \$15.1M
 - Transportation Demand Management (TDM) Study
 - Facilities Master Plan, Mobility Study
 - Water Safety Strategy Blueprint and Asset Management Plan
- Technology Planning and Improvements:
 - Enterprise Resource Planning Project
 - Website Re-design, Agenda Management

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. This is the eleventh consecutive year the City has achieved this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, in conformance with program standards. The report also must satisfy generally accepted accounting principles as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year only. The City believes this CAFR conforms to the GFOA Certificate of Achievement Program and will submit the report to the GFOA for consideration of the annual award.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated staff of the Finance Department. Sincere appreciation is extended to those staff - each of whom demonstrated exemplary personal dedication and professionalism during this process.

The Finance Department wishes to express our sincere appreciation to the City Council for providing policy direction and support for the pursuit of excellence in attaining the City's goals.

Sincerely,

Brenda L. Olwin

Finance Director



CITY OF EAST PALO ALTO

DIRECTORY OF OFFICIALS

City Council

Carlos Romero Mayor
Ruben Abrica Vice Mayor
Lisa Gauthier Council Member
Antonio López Council Member
Regina Wallace-Jones Council Member

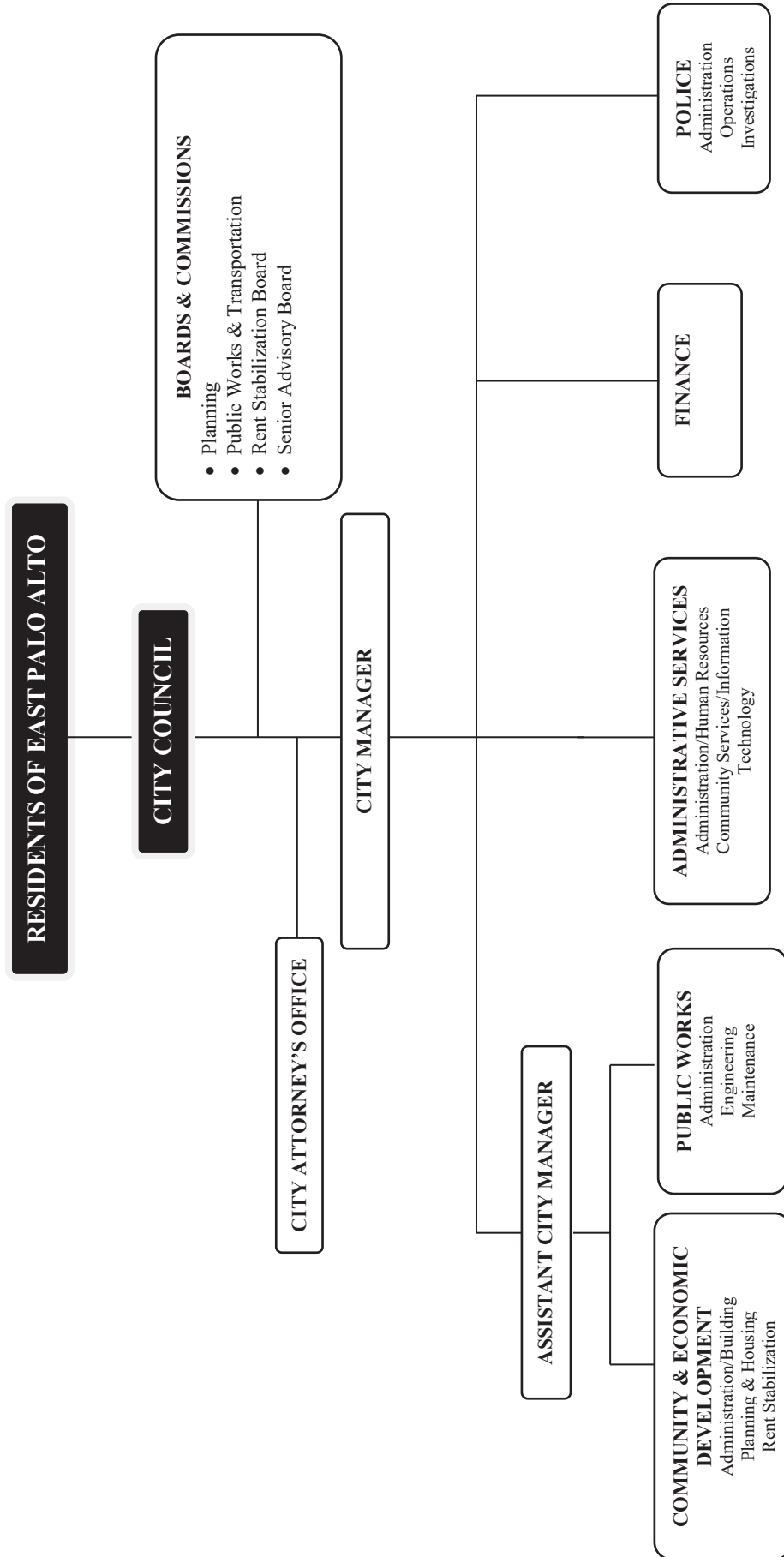
Administration

Jaime M. Fontes City Manager
Patrick Heisinger.....Assistant City Manager
Rafael E. Alvarado Jr. City Attorney
Marie McKenzie.....Administrative Services Director
Brenda Olwin..... Finance Director
Albert Pardini.....Police Chief
Kamal Fallaha.....Public Works Director

Regional Map



CITY OF EAST PALO ALTO CITY ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of East Palo Alto
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Palo Alto, California (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 5-17 and 86-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

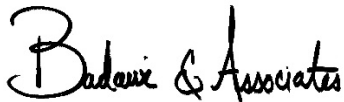
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 94-122 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Badawi & Associates".

Badawi and Associates
Certified Public Accountants
Berkeley, California
December 21, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2020. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2019-20 FINANCIAL HIGHLIGHTS

Government-wide Statements

- Total net position equals \$166.2 million, an increase of \$12.3 million over the prior year balance of \$153.9 million. The increase is comprised of \$11.3 million in governmental activities and \$1.0 in business-type activities.
- Total revenues equal \$44.2 million compared to \$45.9 million in the prior year; a decrease of \$1.7 million. Of the total \$44.2 million revenues reported, \$39.9 million was generated by governmental activities, and \$4.3 million was generated by business-type activities. The net decrease of \$1.7 million is primarily due to decreased capital grant and contributions (\$3.7M) and transient occupancy taxes (\$1.0M) offset by increased charges for services (\$1.2M) and other taxes (\$1.7M).
- Total expenses equal \$31.9 million compared to \$30.3 million in the prior year; an increase of \$1.6 million. Of the total \$31.9 million expenses reported, \$28.6 million is reported in governmental activities and \$3.3 million is reported in business-type activities. The increase is primarily due to professional services (\$0.5M), personnel expenses (\$0.4M), emergency response (\$0.3M) and property and other housing services costs (\$0.4M).

Governmental Fund Statements

- Total governmental fund balances equal \$102.3 million, an increase of \$11.4 million over the prior year balance of \$90.9 million. Of the total \$102.3 million balance, \$71.3 million is comprised of non-spendable, restricted, or committed balances; and \$31 million is comprised of unassigned balances.
- General Fund total fund balance equals \$43.0 million, an increase of \$3.8 million over the prior year fund balance of \$39.2 million. The net change is comprised of \$31.0 million revenues offset by \$22.6 million expenditures and \$4.6 million net other financing uses. Net other financing uses is primarily due to major capital transfers.

Proprietary Fund Statements

- Total proprietary net position equals \$15.8 million, an increase of \$1.0 over the prior year balance of \$14.8 million. Total revenues increased \$0.3 million to \$4.3 million and total expenses increased \$0.3 million to \$3.3 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Government-wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad view of the City's finances on a similar reporting basis as a private-sector business.

Statement of Net Position: Presents information on all the City's assets and liabilities, with the difference between the two reported as net position (deficit). Over time, the change in net position (deficit) may serve as a useful indicator of whether the financial position of the City is improving or declining.

Statement of Activities: Presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported in the period the event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods. Non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure must be considered to properly assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, activities are divided into two types:

- Governmental activities - Most of the City's basic services are reported here, including police, public works, community development, and general administration. Taxes, user fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to cover all or most of the cost of certain services it provides. The City's water system and residential garbage collection services are reported in this activity.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate financial compliance with legal requirements. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The fund financial statements provide detailed information about the most significant funds, called major funds. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage funds for particular purposes (such as the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as grants received from the Federal government). The City reports the following major funds: General Fund and Capital Improvements Fund. The remaining non-major funds of the City are summarized and presented in a single column. The City's different types of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

- *Governmental funds* - Most of the City's basic services are reported in the governmental funds, where the focus is on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near-term to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in detail in a reconciliation located after each of the fund financial statements.
- *Proprietary funds* - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - the services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as a statement of cash flows.
- *Fiduciary funds* - the City maintains a Private Purpose Trust Fund to account for the activity of the former Redevelopment Agency of the City of East Palo Alto. The City's fiduciary activities such as the Successor Agency are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The accounting basis used for fiduciary funds is comparable to the proprietary funds. These activities are excluded from the City's other financial statements because the City cannot use the assets to finance its own operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City provides two-year comparative financial information for the Government-wide financial statements. Net position serves as a useful indicator of a government's financial position.

Analysis of Net Position

Government-wide assets (\$184.9M) and deferred outflows (\$4.0M) exceed liabilities (\$22.4M) and deferred inflows (\$0.3M) by \$166.2 million on June 30, 2020. A significant portion of assets (\$67.6M) are comprised of capital assets and are not available to pay current and future liabilities of the City. The following table is a summary of the government-wide net position for both governmental and business-type activities:

STATEMENT OF NET POSITION
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	108,714	97,308	8,607	7,351	117,321	104,659
Capital Assets	56,071	55,198	11,557	11,665	67,628	66,863
Total assets	164,785	152,506	20,164	19,016	184,949	171,522
Deferred outflows of resources						
Deferred pension outflows	3,988	4,218	-	-	3,988	4,218
Total deferred outflows	3,988	4,218	-	-	3,988	4,218
Liabilities:						
Current and other liabilities	4,370	4,579	872	692	5,242	5,271
Noncurrent liabilities	13,665	12,726	3,457	3,481	17,122	16,207
Total liabilities	18,035	17,305	4,329	4,173	22,364	21,478
Deferred inflows of resources						
Deferred inflows - pension	332	354	-	-	332	354
Total deferred inflows	332	354	-	-	332	354
Net Position:						
Net Investment in capital assets	56,071	55,198	10,880	10,965	66,951	66,163
Restricted	48,148	43,827	592	586	48,740	44,413
Unrestricted	46,186	40,040	4,363	3,292	50,549	43,332
Total Net Position	150,405	139,065	15,835	14,843	166,240	153,908

Net Position - Governmental Activities

Total governmental activities assets of \$164.8 million consist of current and other assets of \$108.7 million and capital assets of \$56.1 million. Total governmental activities assets increased \$12.3 million due primarily to increased current and other assets (\$11.4M) and capital assets (\$0.9M).

Deferred outflows of \$4.0 million consists of \$2.0 million deferred employer pension contributions paid after the pension liability measurement date, \$1.2 million of plan-related assumption changes and projected to actual differences, and \$0.8 million of City-specific factors such as change in proportional share of multi-employer plan and differences between the actual and proportional share of contributions.

Total liabilities of \$18.0 million consist of \$4.4 million current liabilities and \$13.6 non-current liabilities. Of the non-current liabilities, the most significant portion (\$11.5M) relates to net pension liability. Total governmental activities liabilities increased \$0.7 million primarily due to an increase in net pension liability.

Deferred inflows of \$0.3 million also relate to GASB #68 due to certain differences between actuarial estimates versus results, as well as changes in proportion in the City's multi-employer cost-sharing plans.

Of the \$150.4 million governmental activities net position, \$56.1 million (37.3%) represents capital assets net of related debt. The City uses capital assets, such as roadways, storm drains, lighting, parks, and other infrastructure to provide services to residents; therefore, the assets do not provide cash liquidity to pay liabilities. Historically, the City has not issued a significant amount of debt to finance capital assets primarily due to a former focus on redevelopment contracts, grant-funded projects, and a lack of significant capital assets available for leveraged leaseback activity.

Total restricted net position equals \$48.1 million (32%). Such amounts relate to resources subject to external restrictions on how they may be spent by the City. The restricted balance relates to local and county special taxes, tax districts, capital and grant agreements, housing funds, and other restricted uses. Total unrestricted net position equals \$46.2 million (30.7%); however, a significant portion of the unrestricted balances are not liquid or are committed for capital projects and other intended uses.

Net Position - Business-type Activities

Business-type activities assets of \$20.2 million consist of current and other assets of \$8.6 million and capital assets of \$11.6 million. Of the \$8.6 million in current and other assets, approximately \$1.8 million relates to garbage collection, and \$5.8 million relates to water services, a significant portion of which is committed for capital infrastructure replacement. All capital assets are comprised of water-services infrastructure.

Business-type liabilities of \$4.3 million primarily consist of garbage collection and other accounts payable and amounts advanced from developers in connection with certain water service implementation agreements.

Net position of \$15.8 million includes \$10.9 million of capital assets net of related debt, \$0.6 million in restricted development related fees, and \$4.3 million in unrestricted net position. Unrestricted net position increased \$1.0 million over the prior year due to water services (\$0.9M) and garbage collection (\$0.1M) activities.

Analysis of Statement of Activities

The statement of activities reports the change in government-wide net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities compared to the previous year. The City's government-wide net position increased \$12.3 million as further described on the following pages.

STATEMENT OF ACTIVITIES

(Dollars in thousands)

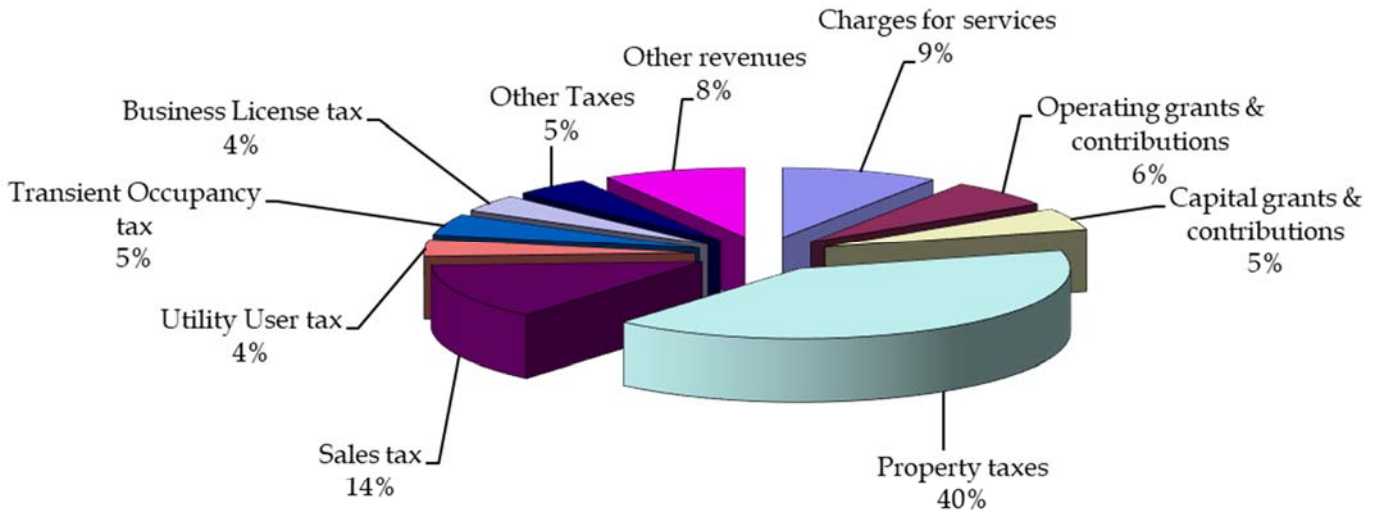
	Governmental Activities		Business-Type Activities		Total	
	2020	2019 ¹	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 3,743	\$ 2,737	\$ 3,985	\$ 3,821	\$ 7,728	\$ 6,558
Operating grants & contribution	2,542	1,948	-	-	2,542	1,948
Capital grants & contribution	2,037	5,771	31	-	2,068	5,771
General revenues:						
Property taxes	16,099	16,411	-	-	16,099	16,411
Sales taxes	5,171	5,794	-	-	5,171	5,794
Utility user tax	1,585	1,538	-	-	1,585	1,538
Transient Occupancy tax	1,962	2,990	-	-	1,962	2,990
Business taxes	1,586	1,453	-	-	1,586	1,453
Other taxes	1,797	87	-	-	1,797	87
Investment Earnings	2,113	2,029	315	234	2,428	2,263
Miscellaneous	1,277	1,148	-	-	1,277	1,148
Total revenues	39,912	41,906	4,331	4,055	44,243	45,961
Expenses						
Program expenses:						
General government	5,309	4,811	-	-	5,309	4,811
Public safety	11,681	11,860	-	-	11,681	11,860
Public works	4,943	5,104	-	-	4,943	5,104
Culture and recreation	1,655	1,806	-	-	1,655	1,806
Community development	4,984	3,721	-	-	4,984	3,721
Water services	-	-	638	423	638	423
Garbage collection	-	-	2,702	2,583	2,702	2,583
Interest on long-term debt	-	1	-	-	-	1
Total expenses	28,572	27,303	3,340	3,006	31,912	30,309
Excess before transfers or special items	11,340	14,603	991	1,049	12,331	15,652
Transfers	-	-	-	-	-	-
Change in Net Position	11,340	14,603	991	1,049	12,331	15,652
Net Position - Beginning	139,065	124,462	14,843	13,794	153,908	138,256
Net Position - Ending	\$ 150,405	\$ 139,065	\$ 15,834	\$ 14,843	\$ 166,239	\$ 153,908

¹Franchise fees in Charges for Services reclassified to Miscellaneous.

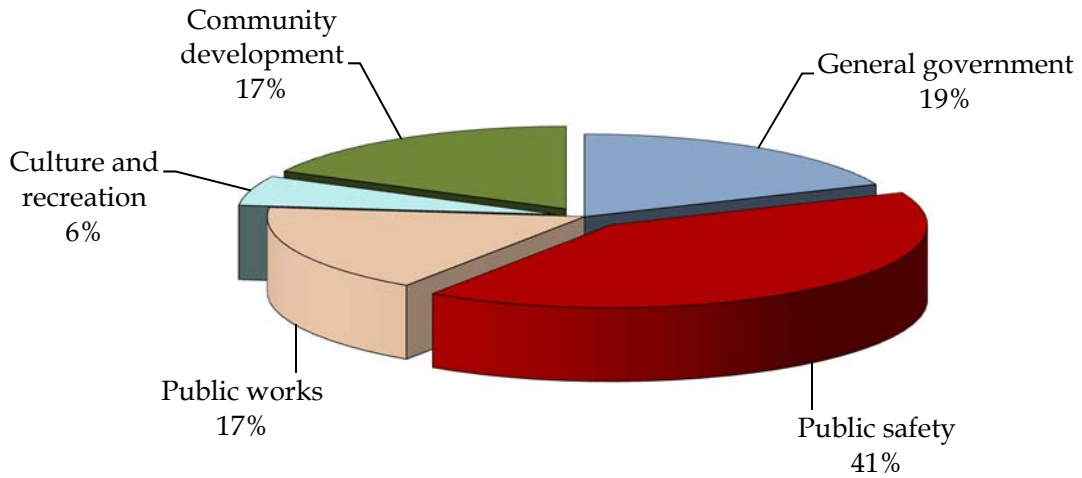
Statement of Activities - Governmental

Governmental activities change in net position equals \$11.3 million compared to prior year net change of \$14.6 million; a decrease of \$3.3 million. A depiction of sources and types of governmental activities revenues and expenses are illustrated in the following charts:

Governmental Activities Revenues by Source



Governmental Activities Expenses by Type



Statement of Activities - Governmental, continued

- Total revenues before transfers equal \$39.9 million; a decrease of \$2.0 million (4.8%) over the prior year revenues of \$41.9 million. The decrease in revenues is comprised of decreases in capital grants and contributions (\$3.7M), transient occupancy taxes (\$1.0M), and property and sales tax (\$1.0M) offset by increases in charges for services (\$1.0M), operating grants and contributions (\$0.6M), and other taxes (\$1.7M). Decreases in capital grants and transient occupancy and sales tax are due to completion of grant funding for major capital project in prior year and revenue impacts of the 2020 global pandemic (COVID-19), respectively. Increases in charges for services and other taxes are due to increased development service activity and implementation of Measure HH parcel tax, respectively.
- Total expenses equal \$28.6 million, an increase of \$1.3 million (4.8%) over the prior year expenses of \$27.3 million. Generally, expenses are increasing across most spending categories and certain categories, such as professional services, fluctuate based on changes in activity. The current year over year increase is primarily the result of increased personnel costs (\$0.4M) and development-related professional services (\$0.5M). The City also incurred costs related to COVID-19 emergency response (\$0.3M).

Statement of Activities - Business-type

- Business-type activities change in net position totaled \$1.0 million compared to previous fiscal year of total of \$1.0 million. The change in net position is primarily comprised of garbage collection (\$0.1M) and water services (\$0.9M).
- Total revenues before transfers equal \$4.3 million, an increase of \$0.3 million from prior year revenues of \$4.0 million. Charges for services increased slightly (\$0.2M) due to improved garbage collections; capital grants and contributions and interest income account for the remaining increase (\$0.1M).
- Total expenses before transfers equal \$3.3 million, an increase of approximately \$0.3M over prior year expenses of \$3.0 million. Residential garbage collection charges (\$0.1M) and water service outside services and depreciation (\$0.2M) primarily account for the increase in expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, and Capital Project Funds.

Governmental fund balances total \$102.3 million, an increase of \$11.4 million over the prior year balance of \$90.9 million. The most significant components of the increase include the Capital Improvements Fund (\$4.3M), General Fund (\$3.8M), and Measure HH Fund (\$1.7M). Notably, the Capital Improvements Fund increase is due to approximately \$4.0M in capital transfers from the General Fund.

Governmental revenues (before transfers in) total \$39.6 million compared to \$44.1 million in the prior year; a decrease of \$4.5 million or 10.2%. The net decrease is comprised of decreased grants and intergovernmental (\$6.2M), sales tax (\$0.6M) and transient occupancy tax (\$1.0M) offset by increased other taxes (\$1.8M), charges for services (\$0.9M) and uses of money and property (\$0.6M). Grants and intergovernmental decreased due to grant-funded completion of Pedestrian Overcrossing in the prior year. Reductions in sales and transient occupancy tax are primarily attributed to COVID-19 impacts. Other taxes increased due to voter-approved Measure HH, and charges for services increases are due to development services activity.

Governmental expenditures (before transfers out) total \$28.2 million compared to \$32.7 million in the prior year; a decrease of \$4.5 million or 13.8%. The decrease is primarily comprised of a decrease in capital outlay (\$5.3M); and, public safety, public works and culture and recreation (\$0.8M); offset by increases in general government (\$0.4M) and community development (\$1.2M). The decrease in capital outlay is due to completion of prior year Pedestrian Overpass capital project. Other departmental decreases are due to a variety of changes, including some slowing in service provision due to remote work and emergency response. Community development costs increased due to improvement in filled positions compared to prior year and increased professional services costs for development services activity.

The General Fund is used to account for all revenues and expenditures necessary to carry out basic government activity of the City that is not accounted for through other funds.

Revenues before transfers total \$31.0 million compared to \$31.4 million in the prior year; a decrease of \$0.4 million (1.3%). The decrease is primarily comprised of decreased sales (\$0.8M) and transient occupancy taxes (\$0.8M) offset by increased charges for services (\$1.0M) and business license taxes (\$0.2M) and interest income (\$0.2M). Tax decreases are primarily attributed to COVID-19 impacts. Charges for services increased due to development services activity. The increase in reported interest earnings is attributed to unrealized gains related to historically low near-term yields.

Expenditures before transfers total \$22.6 million compared to \$21.4 million in the prior year; an increase of \$1.2 million (0.6%). The increase is primarily comprised of personnel costs (\$0.4M), and professional services (\$0.7M). Personnel costs increased due to wage negotiations and increased CalPERS pension and health benefit payments. Services and supplies increased due to community and economic development services activity, increased claims and settlement costs, and property and other services.

Net Other Financing Uses total \$4.6 million and is comprised of capital transfers out to the Capital Improvement fund (\$4.0M), and operating transfers out to Low and Moderate Housing Successor Fund (\$0.4M), and NPDES and Drainage District Funds (\$0.5M) offset by a transfer in of technology and general plan funds from the closure of the Public Improvements in Lieu fund. The transfers to the Capital Improvement Fund were approved as part of adopted budget, and additional transfers were approved for future SFCJPA flood control project (\$2.0M).

Fund Balance totals \$43.0 million compared to \$39.2 million in the prior year; an increase of \$3.8 million. Of the total fund balance, \$8.8 million is non-spendable and relates to Successor Agency loans and advances to other funds, \$1.0 million is committed for technology replacement, and \$2.2 million is assigned for encumbrances. Of the \$31.0 million remaining balance, the following amounts are set-aside by Council but not assigned: Minimum Fund Reserve (\$4.3M), Technology, Equipment & Vehicles, and Self-Insurance (\$5.0M); Community Benefits (\$0.2M); leaving a remaining balance of \$21.5 million.

The Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources including Federal, State, and local grants, restricted settlement monies, and transfers from the General Fund.

Revenues before transfers total \$1.2 million compared to \$6.5 million in the prior year; a decrease of \$5.3 million (81.5%). The decrease is primarily comprised of decreased capital grants and intergovernmental revenues (\$5.6M) due to completion of the federal grant-funded pedestrian overpass project, offset by increased interest income (\$0.3M).

Expenditures before transfers total \$0.8 million compared to \$6.6 million in the prior year; a decrease of \$5.8 million. The City is engaged in several capital projects in various design and construction phases. The most significant capital project comprising current year expenditures is initial stages of final phase of Bay Road improvements. Prior year expenditures related to the Highway 101 Pedestrian Overcrossing.

Other Financing Sources of \$4.0 million consist entirely of transfers from the General Fund, as described under the General Fund analysis above.

Proprietary Funds: The City's proprietary funds provide the accounting-basis information as presented in the government-wide financial statements, but in more detail.

Total Net Position for the Garbage and Water Service funds are \$1.2 million and \$14.6 million, respectively. The Garbage Fund net position balance is unrestricted. The Water Fund net position includes \$10.9 million net investment in capital assets, \$0.6 million restricted, and \$3.1 million in unrestricted net position. The net change in position of both funds equals \$1.0 million; primarily comprising an increase of \$0.9 million in the Water Service Fund and \$0.1 million in the Garbage Collection fund. Discussion of these funds is presented above in the City's government-wide business-type activities section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total adopted revenues (before transfers) of \$30.5 million decreased \$0.2 million to final amended revenues of \$30.3 million. Major revenue amendments include pandemic-related reductions for sales taxes (\$0.9M) and transient occupancy taxes (\$0.7M) offset by increases in property taxes (\$0.4M) and charges for services (\$0.8M) and other minor net increases.

Total adopted expenditures (before transfers) of \$28.6 million decreased \$3.2 million to final amended expenditures of \$25.4 million as Council approved an action to utilize vacancy, housing program, and other property cost savings to fund transfers to the Capital Improvement Fund.

Following are the main components of the differences between final amended budget and actual results:

- Actual revenues total \$31.0 million, approximately \$0.7 million more than the amended budget of \$30.3 million. The net budget to actual difference relates to use of money and property (\$0.6M). Use of money and property differences primarily relate to unrealized fair market value gain due to historically low yield range attributed to Federal Reserve actions taken to support liquidity and bond markets during the global pandemic.
- Actual expenditures total \$22.6 million, approximately \$2.8 million less than the amended budget of \$25.4 million. Of this amount, approximately \$0.5 million is due to staff vacancies and health benefit savings; \$0.8 million is due to unexpended services and supplies primarily concentrated in Community Development; and approximately \$0.5 million relates to planned but unexpended vehicle and technology purchases. The remaining differences are distributed across departments and are related to reduced training, office supplies, printing, and advertising costs due to delay in completion of planned work. The planned, but unexpended, service strategies are reflected in higher-than-average contractual encumbrances at year-end (\$2.2M) and are indicative of the low staffing to service expectations and the organizational effects of diverting staff for emergency response and implementing a remote work protocol within an aged technology environment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2020 total \$67.6 million (net of accumulated depreciation), a net increase of \$0.7 million (1.0%) over the prior year. The increase is due to \$0.9 million governmental activities offset by a decrease of net business-type activities of \$0.2 million. Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are as follows:

June 30, 2020
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total		
	2020	2019	2020	2019	2020	2019	
Land	\$ 4,059	\$ 4,059	-	\$ 5,264	\$ 5,264	\$ 9,323	\$ 9,323
Buildings and Improvements	10,365	8,459	-	-	-	10,365	8,459
Improvements Other than Bldgs	9,533	9,421	-	10,875	10,865	20,408	20,286
Construction in Progress	3,586	17,025	-	193	40	3,779	17,065
Furnishings & Equipment	2,163	2,148	-	-	-	2,163	2,148
Vehicles	3,027	3,039	-	-	-	3,027	3,039
Street and Roadways	61,579	47,653	-	-	-	61,579	47,653
Storm Drain System	6,738	6,738	-	-	-	6,738	6,738
Less: Accumulated Depreciation	<u>(44,979)</u>	<u>(43,344)</u>	<u>(4,775)</u>	<u>(4,504)</u>	<u>(49,754)</u>	<u>(47,848)</u>	<u>(47,848)</u>
Total	<u>\$ 56,071</u>	<u>\$ 55,198</u>	<u>\$ 11,557</u>	<u>\$ 11,665</u>	<u>\$ 67,628</u>	<u>\$ 66,863</u>	<u>\$ 66,863</u>

Major capital assets events during the current fiscal year included the following:

Governmental Activities

Capital assets increased \$0.9 million and is comprised of \$2.5 million new capital net of increased depreciation of \$1.6 million. Capital assets completed include Highway 101 Pedestrian Overcrossing, Cooley Landing Park, Annual Street Resurfacing, and RV Safe Parking. New capital is primarily related to the annual street resurfacing project.

Business-Type Activities

Capital assets decreased \$0.1 million and is comprised of depreciation (\$0.3M) offset by additional capital (\$0.2M) and no significant new construction. Construction in progress increased due to the O'Brian turnout project.

For government-wide financial statements presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year utilizing a half-year convention. Fund financial statements record capital assets purchases as expenditures. The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Additional information about capital assets can be found in Note 5 to the financial statements.

Debt Administration

Historically, the City has engaged in limited debt-financing activity due to reliance on outside grant and former redevelopment funding for major infrastructure improvements. This is due to several factors, including that the City owns minimal property assets that are easily debt-leveraged, and has not engaged in ad valorem or assessment district funding or other parcel tax-related capital funding since Redevelopment dissolution. Additionally, with the dissolution of the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA.

Business-type debt consists of a \$0.68M note payable related to funding for the completed Gloria Way Well project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Recently, the City has experienced a slowing rate of change in overall revenue growth except for either new voter-approved taxes, fee increases, or development-related services activity. The advent of the COVID-19 global pandemic impacts near-term resource trends in a highly uncertain manner. The following economic factors were considered in the preparation of the City's budget for fiscal year 2020-21:

- Near-term general revenue growth trajectory is declining as the known, major drivers – such as new taxes, taxable development, and significant property portfolio turnover – are not expected, and as revenue resources are at higher comparative risk of low-growth or decline due to market environment; and due to potential, significant funding delays related to the allocation of property tax in lieu monies.
- Sales, transient occupancy, and business license tax are directly and potentially significantly impacted by the 2020 global pandemic for an uncertain duration. Other revenue sources such as vehicle and parking fines, and interest income are indirectly impacted. Impacts are projected to occur beyond the FY 2020-21 budget.
- Year over year base wages will increase under agreement to address below-market wages and retention issues. City will experience long-term cost pressures due to historical under-investment in aged infrastructure; service needs requiring an allocation of dedicated resources; operational costs of new infrastructure and facilities; and inflationary increases in professional and outside services.
- The City has reserves available to maintain stable service delivery during FY 2020-21 and enable implementation of a strategic, prioritized budget plan. Additionally, temporary suspension of certain capital and operating transfers; limited hiring freeze; delay of non-essential project initiation, and strategic utilization of general fund unassigned reserves will provide near-term stability required to plan for more durable service delivery decisions in order to address resource constraints and uncertainty over an extended period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to ensure transparency relative to city fiscal operations. If you have questions about this report or need additional financial information, contact the City's Finance Department, East Palo Alto Government Center, 2415 University Avenue, East Palo Alto, CA 94303.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of East Palo Alto
Statement of Net Position
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 86,601,907	\$ 10,224,294	\$ 96,826,201
Restricted cash and investments with fiscal agents	1,016,559	591,828	1,608,387
Receivables:			
Accounts receivable	823,863	133,968	957,831
Interest receivable	627,425	36,651	664,076
Taxes receivable	622,678	-	622,678
Intergovernmental receivables	821,184	89,289	910,473
Deposits and prepayments	63,457	-	63,457
Internal balances	2,468,995	(2,468,995)	-
Total current assets	93,046,068	8,607,035	101,653,103
Noncurrent assets:			
Loans to Successor Agency	8,293,381	-	8,293,381
Loans and notes receivable	7,374,598	-	7,374,598
Capital assets:			
Non-depreciable	7,644,941	5,457,031	13,101,972
Depreciable, net	48,426,052	6,099,684	54,525,736
Total capital assets	56,070,993	11,556,715	67,627,708
Total noncurrent assets	71,738,972	11,556,715	83,295,687
Total assets	164,785,040	20,163,750	184,948,790
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,976,048	-	1,976,048
Deferred outflows of resources - pension	2,011,513	-	2,011,513
Total deferred outflows of resources	3,987,561	-	3,987,561
LIABILITIES			
Current liabilities:			
Accounts payable	1,044,430	723,991	1,768,421
Accrued liabilities	1,992,743	124,336	2,117,079
Retention payable	97,696	-	97,696
Unearned revenue	1,016,559	-	1,016,559
Compensated absences	115,780	-	115,780
Claims payable	103,300	-	103,300
Note payable	-	23,333	23,333
Total current liabilities	4,370,508	871,660	5,242,168
Noncurrent liabilities:			
Deposits payable	1,038,986	26,360	1,065,346
Advance from developers	100,891	2,777,822	2,878,713
Compensated absences	898,430	-	898,430
Claims payable	118,700	-	118,700
Note payable	-	653,334	653,334
Net pension liability	11,507,754	-	11,507,754
Total noncurrent liabilities	13,664,761	3,457,516	17,122,277
Total liabilities	18,035,269	4,329,176	22,364,445
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	332,377	-	332,377
Total deferred inflows of resources	332,377	-	332,377
NET POSITION			
Net investment in capital assets	56,070,993	10,880,048	66,951,041
Restricted for:			
Streets and Infrastructure	11,354,052	-	11,354,052
Parks and Recreation	348,880	-	348,880
Measure C Program	253,401	-	253,401
Housing Programs	24,277,027	-	24,277,027
Special Programs	1,755,499	-	1,755,499
Capital Projects	10,159,391	591,828	10,751,219
Total restricted	48,148,250	591,828	48,740,078
Unrestricted	46,185,712	4,362,698	50,548,410
Total net position	\$ 150,404,955	\$ 15,834,574	\$ 166,239,529

See accompanying Notes to Basic Financial Statements.

City of East Palo
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,309,119	\$ 45,297	\$ 46,405	\$ -	\$ 91,702
Public safety	11,681,076	353,229	393,997	-	747,226
Public works	4,943,077	251,126	1,559,010	1,773,574	3,583,710
Culture and recreation	1,654,667	14,361	48,164	30,933	93,458
Community Development	4,984,488	3,078,503	494,449	233,029	3,805,981
Total governmental activities	28,572,427	3,742,516	2,542,025	2,037,536	8,322,077
Business-type activities:					
Garbage Collections	2,702,159	2,762,229	-	-	2,762,229
Water Services	637,581	1,222,502	-	31,480	1,253,982
Total business-type activities	3,339,740	3,984,731	-	31,480	4,016,211
Total primary government	\$ 31,912,167	\$ 7,727,247	\$ 2,542,025	\$ 2,069,016	\$ 12,338,288
General Revenues:					
Taxes:					
Property taxes					
Sales taxes					
Utility users tax					
Transient occupancy tax					
Business license					
Other taxes					
Total taxes					
Investment earnings					
Miscellaneous					
Total general revenues					
Change in net position					
Net position - beginning of year					
Net position - end of year					

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,217,417)	\$ -	\$ (5,217,417)
(10,933,850)	-	(10,933,850)
(1,359,367)	-	(1,359,367)
(1,561,209)	-	(1,561,209)
(1,178,507)	-	(1,178,507)
<u>(20,250,350)</u>	<u>-</u>	<u>(20,250,350)</u>
-	60,070	60,070
-	616,401	616,401
<u>-</u>	<u>676,471</u>	<u>676,471</u>
<u>(20,250,350)</u>	<u>676,471</u>	<u>(19,573,879)</u>
16,099,035	-	16,099,035
5,171,001	-	5,171,001
1,584,592	-	1,584,592
1,962,256	-	1,962,256
1,585,841	-	1,585,841
1,796,955	-	1,796,955
<u>28,199,680</u>	<u>-</u>	<u>28,199,680</u>
2,113,187	314,689	2,427,876
1,277,393	-	1,277,393
<u>31,590,260</u>	<u>314,689</u>	<u>31,904,949</u>
11,339,910	991,160	12,331,070
<u>139,065,045</u>	<u>14,843,414</u>	<u>153,908,459</u>
<u>\$ 150,404,955</u>	<u>\$ 15,834,574</u>	<u>\$ 166,239,529</u>

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the primary operating fund of the City and accounts for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in other governmental funds.

Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources primarily Federal and State grants, General Fund transfers, and community benefit payments for related capital projects.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of East Palo Alto
Balance Sheet
Governmental Funds
June 30, 2020

	Major Funds			
	General	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 36,402,159	\$ 22,077,189	\$ 28,122,559	\$ 86,601,907
Restricted cash and investments	-	1,016,559	-	1,016,559
Receivables:				
Accrued interest	139,704	73,413	414,308	627,425
Taxes	622,678	-	-	622,678
Intergovernmental	59,577	388,946	372,661	821,184
Accounts receivable	741,589	36,514	45,760	823,863
Deposits and prepayments	63,457	-	-	63,457
Advances to other funds	469,809	-	1,999,186	2,468,995
Loans to Successor Agency	8,293,381	-	-	8,293,381
Loans and notes receivable	-	-	7,374,598	7,374,598
Total assets	\$ 46,792,354	\$ 23,592,621	\$ 38,329,072	\$ 108,714,047
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 855,057	\$ 55,665	\$ 133,708	\$ 1,044,430
Retentions payable	-	35,242	62,454	97,696
Deposits payable	1,033,986	5,000	-	1,038,986
Other accrued liabilities	1,565,135	342,987	84,621	1,992,743
Unearned revenue	-	1,016,559	-	1,016,559
Advances from developers	-	100,891	-	100,891
Total liabilities	3,454,178	1,556,344	280,783	5,291,305
Deferred inflows of resources:				
Unavailable revenues	331,344	388,946	419,634	1,139,924
Fund Balances: (Note 9)				
Nonspendable	8,826,647	-	-	8,826,647
Restricted	20,065	9,711,015	37,628,655	47,359,735
Committed	980,355	-	-	980,355
Assigned	2,183,599	11,936,316	-	14,119,915
Unassigned	30,996,166	-	-	30,996,166
Total fund balances	43,006,832	21,647,331	37,628,655	102,282,818
Total liabilities, deferred inflows of resources, and fund balances	\$ 46,792,354	\$ 23,592,621	\$ 38,329,072	\$ 108,714,047

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2020

Total Fund Balances - Governmental Funds	\$ 102,282,818
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Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Total Fund Balances - Governmental Funds above due to the following:

Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are adjusted as follows:

Non-depreciable	7,644,941
Depreciable, net	48,426,052
	<hr/>
Total capital assets	56,070,993

Employer pension contributions are recorded as expenditures in the Governmental funds when paid based upon recommended actuarial contributions. In the Government-wide financial statements, these employer pension contributions are reported as deferred outflows of resources, to be applied against the net pension liability in the following fiscal year.

1,976,048

In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension, changes in assumptions, differences between actual and projected investment earnings, and differences resulting from changes in allocation percentages are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.

Deferred outflows of resources - pension	2,011,513
Deferred inflows of resources - pension	(332,377)

Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.

1,139,924

Long-term liabilities not due and payable in the current period; therefore, not reported in the Governmental Funds Balance Sheet.

Compensated absences	(1,014,210)
Claims payable	(222,000)
Net pension liability	(11,507,754)
	<hr/>
Total long-term liabilities	(12,743,964)

Net Position of Governmental Activities	\$ 150,404,955
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City of East Palo Alto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Capital Improvements Capital Projects Fund	Non-Major Governmental Funds	
REVENUES:				
Property taxes	\$ 15,680,903	\$ -	\$ 833,621	\$ 16,514,524
Sales taxes	5,171,001	-	852,688	6,023,689
Transient occupancy tax	1,547,885	-	386,972	1,934,857
Utility users tax	1,553,917	-	-	1,553,917
Other taxes	1,647,334	-	2,919,194	4,566,528
Licenses, fees and permits	1,297,877	67,124	60,266	1,425,267
Charges for services	2,242,256	-	659,424	2,901,680
Fines and forfeitures	384,781	-	16,936	401,717
Use of money and property	1,219,288	620,419	890,348	2,730,055
Grants and intergovernmental	106,229	461,741	717,534	1,285,504
Miscellaneous	192,075	5,000	63,182	260,257
Total revenues	31,043,546	1,154,284	7,400,165	39,597,995
EXPENDITURES:				
Current:				
General government	4,524,385	6,499	595,535	5,126,419
Public safety	10,660,404	-	259,598	10,920,002
Public works	3,148,549	56,174	639,531	3,844,254
Culture and recreation	507,918	-	493,576	1,001,494
Community development	3,754,069	61,059	1,008,397	4,823,525
Capital outlay	-	718,081	1,786,960	2,505,041
Total expenditures	22,595,325	841,813	4,783,597	28,220,735
REVENUES OVER (UNDER) EXPENDITURES	8,448,221	312,471	2,616,568	11,377,260
OTHER FINANCING SOURCES (USES):				
Transfers in	330,460	3,974,999	3,961,144	8,266,603
Transfers out	(4,976,419)	(18,569)	(3,271,615)	(8,266,603)
Total other financing sources (uses)	(4,645,959)	3,956,430	689,529	-
Net change in fund balances	3,802,262	4,268,901	3,306,097	11,377,260
FUND BALANCES:				
Beginning of year	39,204,570	17,378,430	34,322,558	90,905,558
End of year	\$ 43,006,832	\$ 21,647,331	\$ 37,628,655	\$ 102,282,818

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 11,377,260
Amounts reported as Change in Net Position of governmental activities in the Statement of Activities are different from those reported as Net Change in Fund Balances - Total Governmental Funds above due to the following:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	2,756,140
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,879,985)
In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from the sales increases financial resources. The differences between the proceeds and the loss on disposal of capital assets.	(2,826)
Accrued compensated is reported as an expenditure in the Governmental funds when paid, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(192,130)
Payments on existing claims against the City are recorded as expenditures in governmental funds, but the payment reduced long-term liabilities in the Government-Wide Statement of Net Position. Expenses related to new claims and changes in claim estimates do not require the use of current financial resources and therefore are not reported as an expenditure in Governmental funds.	41,000
Current year employer pension contributions are recorded as expenditures in the Governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	1,976,048
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(3,049,936)
Grant and tax revenues that do not meet the revenue recognition criteria in the governmental funds but are recognized as revenue in the Government-Wide Financial Statements.	314,339
Change in Net Position of Governmental Activities	\$ 11,339,910

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PROPRIETARY FUND FINANCIAL STATEMENTS

Garbage Collection Fund accounts for the certain activities associated with garbage collection services.

Water Service Fund accounts for activities related to water lease and capital improvement surcharge revenues utilized to improve and expand the City's water system infrastructure.

City of East Palo Alto
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds		
	Garbage Collection	Water Service	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,783,702	\$ 8,440,592	\$ 10,224,294
Cash with fiscal agents	-	591,828	591,828
Accrued interest	5,902	30,749	36,651
Intergovernmental receivable	-	89,289	89,289
Accounts receivable, net	23,333	110,635	133,968
Total current assets	<u>1,812,937</u>	<u>9,263,093</u>	<u>11,076,030</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	5,457,031	5,457,031
Depreciable, net	-	6,099,684	6,099,684
Total capital assets	<u>-</u>	<u>11,556,715</u>	<u>11,556,715</u>
Total noncurrent assets	<u>-</u>	<u>11,556,715</u>	<u>11,556,715</u>
Total assets	<u>1,812,937</u>	<u>20,819,808</u>	<u>22,632,745</u>
LIABILITIES			
Current liabilities:			
Accounts payable	619,696	104,295	723,991
Other accrued liabilities	-	124,336	124,336
Note payable	-	23,333	23,333
Total current liabilities	<u>619,696</u>	<u>251,964</u>	<u>871,660</u>
Noncurrent liabilities:			
Deposits payable	-	26,360	26,360
Advances from developers	-	2,777,822	2,777,822
Advances from other funds	-	2,468,995	2,468,995
Note payable	-	653,334	653,334
Total noncurrent liabilities	<u>-</u>	<u>5,926,511</u>	<u>5,926,511</u>
Total liabilities	<u>619,696</u>	<u>6,178,475</u>	<u>6,798,171</u>
NET POSITION			
Net investment in capital assets	-	10,880,048	10,880,048
Restricted for:			
Capital projects	-	591,828	591,828
Unrestricted	1,193,241	3,169,457	4,362,698
Total net position	<u>\$ 1,193,241</u>	<u>\$ 14,641,333</u>	<u>\$ 15,834,574</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2020

	Enterprise Funds		
	Garbage Collection	Water Service	Total
OPERATING REVENUES:			
Charges for services and other fees	\$ 2,461,188	\$ 855,852	\$ 3,317,040
Other	301,041	366,650	667,691
Total operating revenues	2,762,229	1,222,502	3,984,731
OPERATING EXPENSES:			
Outside services	2,602,464	320,579	2,923,043
Administration	99,695	45,826	145,521
Depreciation	-	271,176	271,176
Total operating expenses	2,702,159	637,581	3,339,740
OPERATING INCOME	60,070	584,921	644,991
NONOPERATING REVENUES (EXPENSES):			
Federal and State grants	-	23,333	23,333
Interest income	47,032	267,657	314,689
Total nonoperating revenues (expenses)	47,032	290,990	338,022
INCOME (LOSS) BEFORE CONTRIBUTIONS	107,102	875,911	983,013
Capital contributions	-	8,147	8,147
Total contributions	-	8,147	8,147
Change in net position	107,102	884,058	991,160
NET POSITION			
Beginning of year	1,086,139	13,757,275	14,843,414
End of year	\$ 1,193,241	\$ 14,641,333	\$ 15,834,574

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2020

	Enterprise Funds		
	Garbage Collection	Water Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 301,041	\$ 366,650	\$ 667,691
Cash received from customers	2,461,188	819,896	3,281,084
Cash payments to suppliers for goods and services	(2,588,942)	(153,970)	(2,742,912)
Cash paid to employees and city administration	(99,695)	(45,826)	(145,521)
Net cash provided by operating activities	73,592	986,750	1,060,342
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Federal and State grants	-	135,000	135,000
Capital contributions	-	8,147	8,147
Acquisition of capital assets	-	(162,937)	(162,937)
Repayments on advances from other funds	-	(1,005)	(1,005)
Repayments on advances from developers	-	(407)	(407)
Net cash (used in) capital and related financing activities	-	(21,202)	(21,202)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	50,053	279,373	329,426
Net cash provided by investing activities	50,053	279,373	329,426
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	123,645	1,244,921	1,368,566
CASH AND CASH EQUIVALENTS - Beginning of year	1,660,057	7,787,499	9,447,556
CASH AND CASH EQUIVALENTS - End of year	\$ 1,783,702	\$ 9,032,420	\$ 10,816,122
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 1,783,702	\$ 8,440,592	\$ 10,224,294
Cash with fiscal agents	-	591,828	591,828
Total	\$ 1,783,702	\$ 9,032,420	\$ 10,816,122
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 60,070	\$ 584,921	\$ 644,991
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	271,176	271,176
Changes in assets and liabilities:			
Accounts receivable	-	(35,956)	(35,956)
Accounts payable	13,522	166,609	180,131
Total adjustments	13,522	401,829	415,351
Net cash provided by operating activities	\$ 73,592	\$ 986,750	\$ 1,060,342
NON-CASH INVESTMENT AND FINANCING ACTIVITY:			
Forgiveness of long term debt	\$ -	\$ 23,333	\$ 23,333

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

Successor Agency Trust to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources held and administered under trust for the benefit of others. In January 2012, all California Redevelopment Agencies were dissolved pursuant to the Dissolution Act. As such, the City elected to serve as the Successor Agency (SA) of the former Redevelopment Agency. The SA is responsible for winding down the affairs of the former agency. This fund accounts for receipts and payments related to an Enforceable Obligation Schedule; and the disposition of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

City of East Palo Alto
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Successor Agency Trust Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,483,584
Receivables:	
Interest receivable	8,035
Total current assets	<u>3,491,619</u>
Noncurrent assets	
Prepaid expense	72,311
Total noncurrent assets	<u>72,311</u>
Total assets	<u>3,563,930</u>
LIABILITIES	
Liabilities:	
Current liabilities	
Other accrued liabilities	160,388
Loans payable to City	2,319,768
Bonds payable	935,000
Total current liabilities	<u>3,415,156</u>
Noncurrent liabilities	
Loans payable to City	5,973,613
Bonds payable	15,317,799
Total noncurrent liabilities	<u>21,291,412</u>
Total liabilities	<u>24,706,568</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>230,095</u>
NET POSITION	
Held in trust for dissolution of RDA	<u>(21,372,733)</u>
Total net position	<u>\$ (21,372,733)</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Changes in Fiduciary Net Position
All Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2020

	Successor Agency Trust Fund
ADDITIONS:	
RDA property tax trust fund distribution	\$ 4,137,084
Use of money and property	59,655
Total additions	4,196,739
DEDUCTIONS:	
General government	45,233
Community development	4,767
Interest expense and fiscal charges	582,630
Total Deductions	632,630
Change in net position	3,564,109
NET POSITION:	
Beginning of year	(24,936,842)
End of year	<u>\$ (21,372,733)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of East Palo Alto, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of East Palo Alto (City) was incorporated in 1983, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City uses the City Council/Manager form of government. The local government is comprised of five Council members who are elected every four years and act under powers granted under State law. The City provides a variety of services including general administration; police public safety; street/highway, storm drain, streetlight, and park maintenance; community development, and community services, including rent control services.

The basic financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City has no discretely presented component units. The blended component unit has a June 30 year-end. The following entity is reported as a blended component unit:

The East Palo Alto Public Financing Authority - The East Palo Alto Public Financing Authority (Authority) was organized in October 1999 under a joint exercise of power agreement to provide financing for public improvements for the City and the former East Palo Alto Redevelopment Agency (former Agency). The Authority and the City have a financial and operational relationship, which requires that the Authority's financial statements be blended into the City's financial statements. The Authority's Board consists exclusively of all members of the City Council. Separate financial statements of the Authority are not prepared. There are currently no reportable financial transactions of the Authority.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on a fund basis, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out activities or certain objectives in accordance with specific regulations, restrictions, or limitation. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

The financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made related to inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following funds as major governmental funds of the City:

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources, primarily Federal and State grants, General Fund transfers, and capital-related community benefit receipts.

The City reports the following governmental funds as non-major governmental funds of the City:

NPDES Fees Special Revenue Fund accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

Gas Tax Special Revenue Fund accounts for funds received from the State of California to use for street and highway related projects.

Federal and State Law Enforcement Special Revenue Fund accounts for the receipt and use of State and Federal law enforcement related grant money.

Park in Lieu Special Revenue Fund accounts for park in lieu fees collected from developers.

Rent Stabilization Special Revenue Fund accounts for revenues and expenditures to support rent stabilization activities.

Federal and State Grants Special Revenue Fund accounts for grant money received and expended from various Federal and State government grants.

Housing Assistance Special Revenue Fund accounts for first time home buyer assistance program activities.

Measure A Special Revenue Fund accounts for the City's share of Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

CYSFF TOT Special Revenue Fund accounts for 10% of transient occupancy taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Lighting District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

Drainage District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

Measure C Special Revenue Fund accounts for activities related to the Measure C Parcel tax. Measure C was an annual tax approved by the voters in November 2006 for a period of ten years. The remaining funds are to be used to support violence prevention and public safety intervention.

Local Grants Special Revenue Fund accounts for revenues and expenditures from local public and private grants including the C/CAG Shuttle and the CA Endowment grants.

Silicon Valley Community Foundation (SVCF) Special Revenue Fund accounts for gift monies from the Silicon Valley Community Foundation to be used for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized for an inter-fund Advance to provide monies to purchase certain water rights. Remaining funds are restricted to pay a minimum amount of \$500,000 for an affordable housing manager over a minimum period of five years.

Low and Moderate Income Housing Successor Special Revenue Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes.

Housing in Lieu Special Revenue Fund accounts for developer fees in lieu of providing affordable housing and the expenditures related to affordable housing development activities.

Public Improvements in Lieu Special Revenue Fund accounts for certain development fee revenues, and capital expenditures for related public improvement assets. This fund was closed during the fiscal year.

Housing TOT Special Revenue Fund accounts for 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to affordable housing development activities.

Measure HH Special Revenue Fund accounts for the revenues and expenditures of Measure HH-Parcel tax. Measure HH was approved by the voters in November 2018. The tax is annual parcel tax and the funds are to be used for affordable and supportive housing programs, programs that facilitate access to job opportunities in the S.T.E.M. sectors, building trades, and strengthen First Source Hiring.

Measure W Special Revenue Fund accounts for the City's share of San Mateo County Measure W revenues and expenditures. Measure W is a half-cent sales tax to support countywide transportation projects and programs.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

CIP Impact Fees Capital Project Fund accounts for various development impact fees collected by the City for capital related activities.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the Garbage Collection and Water Service enterprise funds as proprietary funds of the City.

Garbage Collection Fund accounts for the activities associated with garbage collection services.

Water Service Fund accounts for the certain activities related to water lease and capital surcharge revenues utilized to improve and expand the City’s water system infrastructure.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary funds:

Successor Agency Private Purpose Trust Fund – accounts for assets and liabilities held by the City pursuant to California Redevelopment Dissolution Law whereby the City elected to serve as the Successor Agency of the former Agency effective February 1, 2012. The Successor Agency serves as custodian for the assets of, and winding down affairs related to, the former Agency. The Successor Agency is allocated revenues necessary to pay enforceable obligations of the former Agency. The activities of the fund are excluded from the Government-wide financial statements but are presented in the separate Fiduciary fund financial statements.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents, and Investments

The City pools cash resources from all funds to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 31)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements. Cash and investments are also restricted for deposits held for others within the proprietary funds.

E. Prepayments

Payments made for services that will benefit periods beyond fiscal year end are recorded as prepaid items. In the governmental fund types, there is a portion of non-spendable fund balance equal to the total prepaid items since these are not available for appropriation.

F. Capital Assets

Capital assets used in governmental fund operations, including infrastructure assets (i.e. roads, curbs, gutters, bridges, sidewalks, drainage systems, lighting systems, and other assets) are reflected in the government-wide financial statements, along with related depreciation. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated life more than one year. Purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date donated. Capital assets acquired under lease or purchase agreements are capitalized when the City accumulates an ownership equity in the assets acquired.

The purpose of depreciation is to allocate the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method whereby the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Infrastructure	7-55 years
Buildings and Improvements	30 years
Furniture, Fixture, and Equipment	5-10 years
Automobiles and Trucks	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

G. Unearned revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-wide Financial Statements are prepaid charges for services.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Long-Term Debt

Government-wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are amortized over the life of the bonds using straight line method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Financial Statements – The governmental fund financial statements do not report long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

Bond premiums and discounts, as well as certain issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-wide Financial Statements.

I. Property Taxes

State Constitution Article XIII A provides for a maximum general property tax rate statewide of \$1.00 per \$100, or one percent (1%) of assessed value unless an additional override tax rate is levied to pay voter-approved indebtedness. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by Article XIII A; otherwise assessed value is applied to the adjusted 1975-76 value of the property plus new construction value added after the 1975-76 valuation. Taxable values on properties can rise or be adjusted at the lesser 2% per year or the inflation rate as determined by the Board of Equalization California Consumer Price Index. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities, school districts and other special districts, may levy such additional tax rate as is necessary to provide for voter-approved debt.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position (balance sheet) may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

K. *Net Position*

Government-Wide Financial Statements

In the Government-wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is the net position balance that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

L. *Fund Balances*

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classifications of fund balances are listed below:

Nonspendable Fund Balances

Non-spendable balances consist of amounts that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then non-spendable amounts are required to be presented as a component of the applicable category.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

Restricted Fund Balances

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included with spendable resources.

Committed Fund Balances

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included with spendable resources.

Assigned Fund Balances

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances and non-spendable balance when it is the City's intent to use proceeds or collections for a specific purpose. The City Council is the only entity that has authority to make assignments of fund balance. The City Council has not delegated the authority to make assignments of fund balance.

Unassigned Fund Balance

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Hierarchy of Expenditures to Classify Fund Balance Amounts

For expenditures made in any governmental fund, the restricted amounts will be reduced first, followed by committed amounts, assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policies

The City's Budget Guidelines and Fiscal Policies require that the City strives to maintain a reserve in the General Fund which represents 15% of fund expenditures, including planned capital and operating transfers.

On June 30, 2020, the General Fund reported \$4,250,000 in reserve which meets the City's minimum 15% requirement level of \$3,685,550. The General Fund reserve fund balance is \$564,450 above this requirement.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. *Compensated Leave Payable*

Compensated absences are primarily comprised of unpaid vacation leave which is accrued as earned. All full-time, regular employees are entitled to earn a minimum of 80-hours of vacation per year. The accrual rate increases as length of related service exceeds five years. Maximum accrual of vacation ranges from 288 hours to 320 hours depending on length of related service. For governmental funds, compensated leave payable is recorded as current and noncurrent liabilities and as expenses only on the Government-wide Financial Statements. Compensated absences are reported in governmental funds only if they have matured.

N. *Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. *Use of Estimates*

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

P. *New Pronouncements*

The City did not adopt any new accounting pronouncements during the year.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2020:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 86,601,907	\$ 10,224,294	\$ 3,483,584	\$ 100,309,785
Restricted cash and investments	1,016,559	591,828	-	1,608,387
Total cash and investments	\$ 87,618,466	\$ 10,816,122	\$ 3,483,584	\$ 101,918,172

Cash and investments as of June 30, 2020 consist of the following:

Deposits:	
Cash on hand	\$ 10,800
Deposits with financial institution	2,773,112
Total deposits	2,783,912
Investments:	
Local Agency Investment funds	29,415,459
San Mateo Investment Pool	68,110,414
Total investments	97,525,873
Total City Treasury	100,309,785
Restricted cash and investments	
Cash with fiscal agent	1,608,387
Total restricted cash and investments	1,608,387
Total cash and investments	\$ 101,918,172

B. Deposits

The carrying amount of the City's cash deposit was \$2,773,112 at June 30, 2020. Bank balances before reconciling items were a positive amount of \$3,123,950 at June 30, 2020. The City has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

B. Deposits, Continued

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is held in the City's name. The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy. Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

Authorized Investment Type****	Maximum Maturity	Maximum % Holdings*	Maximum % per Issuer	Minimum Rating**
Municipal Bonds	5 years	100%	5%	N/A
U.S. Treasuries and General Obligations	5 years	100%	100%	N/A
Federal Agency or U.S. Government sponsored Enterprise (GSE)	5 years	100%	50%	N/A
Bankers' Acceptance	180 days	40%	5%	N/A
Commercial Paper***	270 days	25%	5%	A-1/P-1 plus A Long Term
Negotiable Certificates of Deposit	5 years	30%	5%	N/A
Medium Term (Corporate) Notes	5 years	30%	5%	N/A
Mutual and Money Market Funds	2(A)7 Eligible	20%	10%	AAA/AAA
Shares of Beneficial Interest by a JPA	5 years	100%	50%	N/A
Supranationals (IBRD, IFC and IDB)	5 years	30%	5%	AA
Collateralized Bank Deposits	5 years	100%	20%	N/A
County Investment Pool	N/A	Max permitted by County Treasurer	Max permitted by County Treasurer	N/A
Local Agency Investment Fund (LAIF)	N/A	Max permitted by State Treasurer	Max permitted by State Treasurer	N/A

* Percentages are in compliance if within limits at time of purchase. Recommended maximum % is more restrictive than allowed by code. Combine issuer types to determine maximum counterparty risk.

** Rating category are inclusive of rating modifiers such as "+/-" or numbers from one NRSRO unless two ratings are noted.

***A-1 or equivalent plus A long term; total assets in excess of \$500MM; no more than 10% outstanding from a single issuer.

**** Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

D. Investments

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest income	\$ 1,795,110
Unrealized gain/(loss) in changes in fair value of investments	<u>1,299,035</u>
Total investment income	<u>\$ 3,094,145</u>

The City’s portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio’s change in value. These portfolio value changes are unrealized unless sold.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2020, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2020, the City had \$29,415,459 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.77% in the previous year. The LAIF fair value factor of 1.004912995 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool’s investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 1.0198 was used to calculate the fair value of the investments in the County Pool.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures

Interest Risk: Interest rate risk is the fair value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years.

Investments held in the City Treasury grouped by maturity date at June 30, 2020, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)			
		1 year or Less	2 years	3 years	4+ years
City Local Agency Investment Fund	\$ 29,415,459	\$ 29,415,459	\$ -	\$ -	\$ -
San Mateo County Pool	68,110,414	68,110,414	-	-	-
Total	\$ 97,525,873	\$ 97,525,873	\$ -	\$ -	\$ -

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2020 for each investment type:

Credit Quality Ratings		Fair Value
Moody's	S&P	
Not Rated	Not Rated	29,415,459
Not Rated	Not Rated	68,110,414

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

F. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF and San Mateo County Pool and restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to levelling disclosure requirements.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

3. INTERFUND TRANSACTIONS

A. Transfers

At June 30, 2020, the City had the following transfers in/out which arise in the normal course of operations:

Transfers Out	Transfers In			Total
	General Fund	Capital Improvements	Non-Major Governmental Funds	
Major Funds:				
General Fund	\$ -	\$ 3,974,999	\$ 1,001,420	\$ 4,976,419
Capital Improvements Fund	-	-	18,569	18,569
Non-Major Governmental funds	330,460	-	2,941,155	3,271,615
Total	\$ 330,460	\$ 3,974,999	\$ 3,961,144	\$ 8,266,603

Transfers from the General Fund were made to 1) the Capital Improvements Fund to fund various capital projects including major flood control projects, and 2) to non-major funds for gas tax, storm drain and street sweeping operations, and for housing successor share of loan reimbursements.

Transfers from the Capital Improvements Fund were made to non-major funds to fund public improvement capital expenditures. Transfers from Non-Major Governmental Funds were made to General Fund to fund planned technology capital and general plan update expenses from development service fees collected for such purposes.

B. Advances to/from Other Funds

Advances from the General Fund and Non-Major Governmental Funds (the SVCF Fund) were made to the Water Services Enterprise Fund to provide liquidity for the purchase of water assurance rights. The advances are repaid upon collection of development impact fees related to the cost of the water assurance rights acquired to increase development capacity within the City. Total advances of \$1,005 were repaid during the year. At June 30, 2020, the City had the following advances to/from other funds:

Advances From	Advances To Water Services Fund
Major Funds:	
General Fund	\$ 469,809
Non-Major Governmental Funds	1,999,186
Total	\$ 2,468,995

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2020, composed of the following, were held by the City:

	Balance as of June 30, 2020
Nairobi Housing Associates Loan	\$ 4,791,288
Nugent Square Partners Loan	1,050,000
Bay Road Housing Loan	462,500
First Time Home Buyer Assistance Loans	192,517
University Senior Apts	693,293
EPA CAN DO Loan	185,000
Subtotal	7,374,598
Loans to Successor Agency	8,293,381
Total:	\$ 15,667,979

A. Nairobi Housing Associates Loan

On June 1, 1999, the former Agency entered into a loan agreement with Nairobi Housing Associates (Nairobi), a California Limited Partnership. The \$5,500,000 loan was used by Nairobi used to develop 129 affordable multi-family rental housing units, ancillary landscaping, and other improvements known as Peninsula Park Apartments (the Project). In February 2019, the City agreed to a \$714,000 loan repayment and approved certain regulatory and loan agreement amendments in connection with developer-refinancing of the Project, including extending the loan maturity. The loan accrues simple interest at the rate of 1% per annum, commencing February 1, 2001. The amended loan matures on July 31, 2056 and is secured by a subordinated note and deed of trust on the property.

B. Nugent Square Partners Loan

On August 1, 2003, the former Agency entered into a loan agreement in the amount of \$1,100,000 with Nugent Square Partners, L.P. (Nugent), a California Limited Partnership to develop 32 affordable multi-family rental housing units, ancillary landscaping, and other improvements known as Nugent Square Apartments. In March 2020, the City agreed to a \$50,000 loan prepayment and approved certain regulatory and loan subordination amendments in connection with developer-refinancing of the Project. The loan accrues simple interest at the rate of 1% per annum. The loan matures in February 2045 and is secured by a deed of trust on the property.

C. Bay Road Housing Loan

In December 2004, the former Agency entered into a loan agreement with Bay Road Housing, L.P., a California Limited Partnership to provide annual maximum operating gap subsidies related to the development and subsequent operation of 77 affordable multi-family rental housing units known as Courtyard at Bay Road Apartments. The loan provides a maximum annual operating subsidy of \$60,000 over a period of twenty years, or a maximum loan of \$1.2 million. The loan accrues simple interest at the rate of 2% per annum. The loan matures in January 2027 and is secured by a deed of trust on the property.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

4. LOANS AND NOTES RECEIVABLE, Continued

D. First Time Home Buyer Assistance Loans

On December 21, 2004, the City approved a program for a down payment assistance loans to qualified homebuyers who met the criterion to purchase a below-market rate (BMR) home in East Palo Alto. Generally, the assistance consists of 30-year loans at a fixed rate of 3% interest with payments deferred for the first five years.

E. University Senior Apartments Loan

On November 25, 2015, the City entered into a loan agreement in the amount of \$700,000 with University Senior Apartments, L.P., a California limited partnership to develop 41 affordable multi-family senior housing units known as Serenity Senior Apartments. The loan bears an interest rate of 3% simple interest per annum, commencing on September 5, 2017. The loan is due on November 25, 2072 and is secured by a deed of trust on the property.

F. EPA CAN DO Loan

On April 24, 2019, the City entered into an assignment of option and loan agreement in the amount of \$185,000 with East Palo Alto Community Alliance Neighborhood Development Organization (EPA CAN DO) to fund the acquisition of a below-market rate house. The loan does not bear interest unless a default occurs under the provision of the loan. The loan is unsecured, and the loan expiration date was extended to May 6, 2021 or upon the sale of the property.

G. Loans to Successor Agency

At June 30, 2020, the outstanding balance of \$8,293,381 is comprised of two advances to the former Agency which were assumed by the Successor Agency on February 1, 2012. Repayment of the loans were subject to approval as enforceable obligations of the Successor Agency under California Dissolution Law. In April 2016, the Department of Finance approved the loans as enforceable obligations. The repayment amounts are subject to annual limits in available property tax increment:

- a. *Ravenswood Repayment Agreement (\$3,026,751)* provided for the ongoing assistance and services in connection with the implementation of the redevelopment plan for the Ravenswood Project Area. Repayment terms are subject to a formula outlined in the California Health and Safety Code and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. Interest on the outstanding principal is calculated at 3% simple interest per quarter from the inception of the loan.
- b. *Gateway/101 Purchase and Sale Agreement (\$5,266,630)* - provided for the sale of the Ravenswood High School Site to the former Redevelopment Agency. This property was developed into a retail shopping center in the Gateway 101 Project Area. Repayment terms are subject to a formula outlined in the California Health and Safety Code and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. There is no interest provision.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2020, are comprised of the following:

	Balance at July 1, 2019	Additions	Deletions/ Reclassification	Balance at June 30, 2020
Government activities				
Capital assets not being depreciated				
Land	\$ 4,058,724	\$ -	\$ -	\$ 4,058,724
Construction in progress	17,024,388	772,986	(14,211,157)	3,586,217
Total capital assets not being dep.	<u>21,083,112</u>	<u>772,986</u>	<u>(14,211,157)</u>	<u>7,644,941</u>
Capital assets being depreciated:				
Infrastructure:				
Streets and roadways	47,652,510	13,926,635	-	61,579,145
Storm drain system	6,738,214	-	-	6,738,214
Building and Improvements	8,459,118	1,905,384	-	10,364,502
Improvements other than bldg	9,421,388	111,192	-	9,532,580
Furniture, Fixtures and Equipment	2,148,201	14,803	-	2,163,004
Vehicles	3,039,087	236,297	(248,024)	3,027,360
Total capital assets being depreciated	<u>77,458,518</u>	<u>16,194,311</u>	<u>(248,024)</u>	<u>93,404,805</u>
Less accumulated depreciation for:				
Infrastructure:				
Streets and roadways	(31,377,518)	(779,037)	-	(32,156,555)
Storm drain system	(2,525,678)	(71,366)	-	(2,597,044)
Building and Improvements	(3,331,950)	(358,489)	-	(3,690,439)
Improvements other than buildings	(2,590,985)	(377,810)	-	(2,968,795)
Furniture, Fixtures and Equipment	(1,914,955)	(77,076)	-	(1,992,031)
Vehicles	(1,602,880)	(216,207)	245,198	(1,573,889)
Total accumulated depreciation	<u>(43,343,966)</u>	<u>(1,879,985)</u>	<u>245,198</u>	<u>(44,978,753)</u>
Total capital assets, being depreciated, net	<u>34,114,552</u>	<u>14,314,326</u>	<u>(2,826)</u>	<u>48,426,052</u>
Governmental activities capital assets, net	<u>\$ 55,197,664</u>	<u>\$ 15,087,312</u>	<u>\$ (14,213,983)</u>	<u>\$ 56,070,993</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS, Continued

	Balance as of July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 5,263,674	\$ -	\$ -	\$ 5,263,674
Construction in Progress	40,346	153,011	-	193,357
Total capital assets not being depreciated	<u>5,304,020</u>	<u>153,011</u>	<u>-</u>	<u>5,457,031</u>
Capital assets being depreciated:				
Improvements other than buildings	10,864,908	9,926	-	10,874,834
Total capital assets being depreciated	<u>10,864,908</u>	<u>9,926</u>	<u>-</u>	<u>10,874,834</u>
Less accumulated depreciation for:				
Improvements other than building	(4,503,974)	(271,176)	-	(4,775,150)
Total accumulated depreciation	<u>(4,503,974)</u>	<u>(271,176)</u>	<u>-</u>	<u>(4,775,150)</u>
Total capital assets, being depreciated, net	<u>6,360,934</u>	<u>(261,250)</u>	<u>-</u>	<u>6,099,684</u>
Business-type activities capital assets, net	<u>\$ 11,664,954</u>	<u>\$ (108,239)</u>	<u>\$ -</u>	<u>\$ 11,556,715</u>

A. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

Governmental Activities:

General Government	\$ 24,150
Public Safety	165,559
Culture and Recreation	634,124
Public Works	1,020,752
Community Development	35,400
Total Governmental Activities	<u>\$ 1,879,985</u>

Business-Type Activities:

Water Service	\$ 271,176
Total Business-Type Activities	<u>\$ 271,176</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

5. CAPITAL ASSETS, Continued

C. Capital Project Commitments

The City has commitments under the following significant capital infrastructure projects and programs:

Project	Project Authorization	Expended through June 30, 2020	Committed
Bay Road Roadway + Downstream	\$ 15,105,306	\$ 2,948,144	\$ 12,157,162
University Avenue Interchange	1,127,254	1,058,452	68,802
Second Ground Water Well	942,570	836,285	106,285
Annual Street Project	1,384,220	-	1,384,220
Addison Safe Route to School	187,080	139,187	47,893
Safer Bay - Flood Control	5,500,000	-	5,500,000
Total	\$ 24,246,430	\$ 4,982,068	\$ 19,264,362

6. LONG-TERM DEBT

The City's debt issues and transactions are summarized below and discussed in detail thereafter:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
Business-type Activities:					
San Mateo County Housing Promissory Note	\$ 700,000	\$ -	\$ (23,333)	\$ 676,667	\$ 23,333
Total	\$ 700,000	\$ -	\$ (23,333)	\$ 676,667	\$ 23,333

A. San Mateo County Housing Promissory Note

In March 2018, the City entered into an agreement with the County of San Mateo Department of Housing (the County) whereby the County awarded a Community Development Block Grant (CDBG) Program assistance loan in the amount of \$700,000 for the Gloria Way Well Rehabilitation project (the Project).

Annual principal of \$23,333 is forgiven upon each full year of operation, or each October 30th, provided the Project remains in compliance with CDBG Program requirements and the use is as originally intended. The Note bears zero interest if the intended use requirements are met throughout the Note term and matures on October 30, 2048. If the Gloria Way Well property is sold or discontinued as a City water treatment well before the end of the Note term (unless to a non-profit for the same use); then the entire Note amount plus three percent (3%) accrued simple interest is due and payable to the County.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

6. LONG-TERM DEBT, Continued

B. Legal Debt Margin

The City is subject to a statutory legal debt limit whereby the City may not incur indebtedness for public improvements which exceeds in the aggregate 3.75 percent of the taxable assessed value of all real and personal property of the City. This limit applies only to bonded indebtedness payable from the proceeds of taxes levied on taxable property. For the year ended June 30, 2020, the City's maximum legal debt margin was \$130,944,135 and the City had no outstanding debt subject to the margin.

7. OPERATING LEASES

The City leases four major building facility sites under non-cancellable operating leases. The sites leased include two police facilities, the maintenance corporation yard, and City Hall offices. Total costs for such leases were \$587,233 for governmental activities and \$73,344 for business-type activities for the fiscal year ended June 30, 2020. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2021	\$ 707,833
2022	747,488
2023	699,277
2024	498,601
2025	516,407
2026 and after	<u>282,161</u>
Total	<u>\$ 3,451,767</u>

8. COMPENSATED ABSENCES

Compensated absences are primarily comprised of unpaid vacation which is accrued as earned. The City's liability for compensated absences is determined annually. Compensated absences are reported in governmental funds only if they have matured. The matured portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated Leave Payable	<u>\$ 822,080</u>	<u>\$ 1,000,083</u>	<u>\$ (807,953)</u>	<u>\$ 1,014,210</u>	<u>\$ 115,780</u>	<u>\$ 898,430</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. FUND BALANCES

Detailed classifications of the City's Fund Balances, as of June 30, 2020, are below:

	Major Governmental Funds			Total
	General Fund	Capital Improvements Capital Projects Fund	Other Government Funds	
Fund Balances				
Nonspendable fund balance:				
Loans to Successor Agency	\$ 8,293,381	\$ -	\$ -	\$ 8,293,381
Advance to other funds	469,809	-	-	469,809
Deposits and prepayments	63,457	-	-	63,457
	<u>8,826,647</u>	<u>-</u>	<u>-</u>	<u>8,826,647</u>
Restricted fund balance for:				
NPDES Fees	-	-	457,338	457,338
Gas Tax	-	-	2,764,036	2,764,036
Park in Lieu	-	-	348,880	348,880
Rent Stabilization	-	-	870,432	870,432
Housing Assistance	-	-	475,707	475,707
Measure A	-	-	3,819,510	3,819,510
CYSFF TOT Fund	-	-	995,288	995,288
Lighting District	-	-	3,437,409	3,437,409
Drainage District	-	-	542,271	542,271
Measure C	-	-	253,401	253,401
Silicon Valley Community Fd Low and Moderate Income Housing	-	-	2,261,815	2,261,815
Housing in Lieu	-	-	8,635,765	8,635,765
Housing TOT	-	-	6,862,017	6,862,017
Capital projects	-	9,711,015	3,189,883	3,189,883
Other Purposes	20,065	-	59,430	9,770,445
	<u>20,065</u>	<u>9,711,015</u>	<u>2,655,473</u>	<u>2,675,538</u>
	<u>20,065</u>	<u>9,711,015</u>	<u>37,628,655</u>	<u>47,359,735</u>
Committed fund balance for:				
Capital projects	980,355	-	-	980,355
	<u>980,355</u>	<u>-</u>	<u>-</u>	<u>980,355</u>
Assigned fund balance for:				
Capital projects	-	11,936,316	-	11,936,316
Other Purposes	2,183,599	-	-	2,183,599
	<u>2,183,599</u>	<u>11,936,316</u>	<u>-</u>	<u>14,119,915</u>
Unassigned fund balance				
Minimum fund balance reserve	4,250,000	-	-	4,250,000
Community benefits reserve	249,770	-	-	249,770
Information Technology Reserve	1,804,783	-	-	1,804,783
Vehicles and Equipment Reserve	1,102,037	-	-	1,102,037
Self Insurance Reserve	2,137,760	-	-	2,137,760
Other	21,451,816	-	-	21,451,816
	<u>30,996,166</u>	<u>-</u>	<u>-</u>	<u>30,996,166</u>
Total Fund Balances	<u>\$ 43,006,832</u>	<u>\$ 21,647,331</u>	<u>\$ 37,628,655</u>	<u>\$ 102,282,818</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

9. FUND BALANCES, Continued

Encumbrance balances by major funds and non-major funds as of June 30, 2020 are:

	<u>Major Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital</u>		
		<u>Improvement Fund</u>	<u>Non-Major Funds</u>	
Construction	\$ -	\$ 534,286	\$ 1,559,095	\$ 2,093,381
Materials and Equipment	120,444	-	-	120,444
Services	2,063,154	-	1,412,780	3,475,934
Total	\$ 2,183,598	\$ 534,286	\$ 2,971,875	\$ 5,689,759

10. RETIREMENT BENEFITS

A. *City Employees' Retirement Plan (Defined Benefit Pension Plan)*

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety).

Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: Basic Death Benefit, 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The City contracted for 2% cost of living adjustments.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

The rate plan provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Safety	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit Formula	3.0% @ 55	2.5% @ 55
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4 - 3%	2 - 2.5%
Required employee contribution rates	9.00%	8.000%
Required employer contribution rates	18.928%	10.823%
Required unfunded accrued liability payment (UAL)	\$534,796	\$315,900

	Safety	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2.00%
Required employee contribution rates	11.500%	6.250%
Required employer contribution rates	13.034%	6.985%
Required unfunded accrued liability payment (UAL)	\$8,052	\$15,872

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2019, the contribution to the plan was \$1,812,899, consisting of \$1,053,459 Safety and \$759,440 Miscellaneous.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$11,507,754.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of measurement date June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	0.110450%
Proportion - June 30, 2019	<u>0.112300%</u>
Change - Increase (Decrease)	<u><u>0.001850%</u></u>

For the year ended June 30, 2020, the City recognized pension expense of \$3,049,936. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,976,048	\$ -
Changes of assumptions	501,303	131,438
Differences between expected and actual experience	749,744	3,780
Changes in employer's proportion	282,718	22,368
Differences between the employer's contribution and the employer's proportionate share of contributions	477,748	-
Net differences between projected and actual earnings on plan investments	-	174,791
Total	<u><u>\$ 3,987,561</u></u>	<u><u>\$ 332,377</u></u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Pension contributions subsequent to the measurement date in the amount of \$1,976,048 and reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,310,435
2022	124,144
2023	209,969
2024	34,588

Actuarial Assumptions - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds. The post-retirement mortality rates include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

⁽¹⁾ Net of pension plan administrative expenses, including inflation.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

⁽¹⁾ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 17,952,184
Current Discount Rate	7.15%
Net Pension Liability	\$ 11,507,754
1% Increase	8.15%
Net Pension Liability	\$ 6,208,489

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2020 the City reported a payable of \$116,033 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2020. All amounts were paid in July 2020 in a timely manner.

B. Deferred Compensation Plan

City employees may defer a portion of their compensation under optional City-sponsored deferred compensation plans created in accordance with Internal Revenue Code Sections 401 (k) and 457. The 401 (k) plan is authorized for termination in November 2020. Under the plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency defined by governing documents of the plans. The City does not make contributions to the plans on behalf of the employees.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. The City has contracts with various outside third-party administrators to manage and invest the assets of the plans. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded for reporting purposes.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

11. RISK MANAGEMENT

A. Insurance Coverage

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in the Plan Liability Assurance Network (PLAN), a joint powers authority established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN covers general and auto liability claims in an amount up to \$5 million, and property liability claims up to \$100,000 per occurrence. The City has a deductible or uninsured liability of up to \$100,000 per liability claim and \$5,000 per property claim. Once the City's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. PLAN also purchases special excess and excess insurance policies over PLAN limits up to \$25,000,000 in general liability coverage and provides for replacement cost of property claims, providing a total of \$30,000,000 per occurrence, subject to the terms of the policies. The total coverage with respect to Employee Benefit Plan Administration Liability is limited to \$250,000 per occurrence.

The State Compensation Insurance Fund provides workers' compensation insurance with a \$1 million per occurrence coverage. The City has no deductible for the worker's compensation insurance.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claim liabilities are actuarially determined considering recent claim settlement trends including the frequency and costs of payouts and other economic and social factors.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation and General Liability. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims including a provision for claims incurred but not reported was computed as follows based on claims experience for the years ended June 30, 2018, 2019, and 2020:

	2018	2019	2020
Beginning balance of claims payable	\$ 227,000	\$ 195,000	\$ 263,000
Increase in estimated claims liability	13,919	160,823	121,960
Claims paid	(45,919)	(92,823)	(162,960)
Ending balance of claims payable	<u>\$ 195,000</u>	<u>\$ 263,000</u>	<u>\$ 222,000</u>
Current Portion	<u>\$ 29,250</u>	<u>\$ 39,450</u>	<u>\$ 103,300</u>

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from the prior year.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

12. JOINT VENTURES

The City participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements; including, the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that Board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

A. *City/County Association of Governments of San Mateo County (C/CAG)*

The City/County Association of Governments of San Mateo County is a joint powers agency formed in 1990 between the various cities and transportation agencies in San Mateo County to prepare, adopt, monitor and enforce state mandated plans related to transportation, airport land use, storm water pollution prevention, and climate protection. For the year ended June 30, 2020, the City contributed \$84,303 for annual operations. An annual report may be obtained at 555 County Center 5th Floor, Redwood City, CA 94063.

B. *Housing Endowment and Regional Trust of San Mateo County (HEART)*

The Housing Endowment and Regional Trust of San Mateo County (HEART) is a joint powers agency formed in 2003 as a public/private partnership comprised of the County of San Mateo, all twenty cities/towns within San Mateo County, and private sector members from business, nonprofit, and labor organizations. HEART is governed by a Board of Directors consisting of eleven elected officials from government member agencies and ten private sector members. HEART was established for the purpose of creating more affordable housing opportunities in the County. For the year ended June 30, 2020, the City contributed \$9,261 for annual administrative operations. An annual report may be obtained at 2905 S. El Camino Real, San Mateo, CA 94403.

C. *Peninsula Clean Energy*

Peninsula Clean Energy (PCE) is a joint powers authority formed in 2016 and is comprised of the County of San Mateo and all twenty cities/towns in San Mateo County. The PCE is governed by a Board of Directors consisting of an elected representative from each member jurisdiction. PCE was established to provide electric power at competitive costs, as well as, provide other benefits such as greenhouse gas emission reduction, development of local renewable resources, and promotion of long-term electric rate stability and energy reliability. PCE operates as a Community Choice Aggregation Program and derives no financial support from member agencies. Information may be obtained at 2075 Woodside Road, Redwood City, CA 94061.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

12. JOINT VENTURES, Continued

D. Peninsula Traffic Congestion Relief Alliance

The Peninsula Traffic Congestion Relief Alliance (Alliance) is a joint powers authority formed in 2000 and is comprised of the County of San Mateo and seventeen cities/towns in San Mateo County. Alliance is governed by an eighteen-member Board of Directors consisting of an elected representative from each member jurisdiction. Alliance was established to perform transit systems management efforts to mitigate traffic congestion in member communities. The operations are funded by countywide Measure A transportation funds, grants, and contributions from members of a shuttle consortium. For the year ended June 30, 2020, the City did not make any member contribution to Alliance. An annual report may be obtained at 400 Oyster Point Blvd. Suite 409, South San Francisco, CA 94080.

E. San Francisquito Creek Joint Powers Authority

The City is one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) formed in 1999 to manage and provide policy direction related to flood control measures, emergency response, stabilization and maintenance, and other environmental issues regarding the San Francisquito Creek. The City has no equity interest in the SFCJPA. For the year ended June 30, 2020, the City contributed \$185,000 for annual SFCJPA administrative operations. Financial statements may be obtained by mailing a request to 2100 Geng Road Suite 210, Palo Alto, CA 94303.

F. South Bayside Waste Management Authority

The City is one of twelve members of the South Bayside Waste Management Authority (SBWMA), which is a joint powers agreement that the City commenced on March 1, 2000. The SBWMA was formed in 1982 to provide cost-effective waste reduction, recycling, and solid waste programs to member agencies to meet and sustain a minimum 50% diversion of waste from landfill as mandated by California State Law, AB939. SBWMA owns the Shoreway Environmental Center which serves as a regional solid waste and recycling facility and is operated by South Bay Recycling (SBR) on behalf of the SBWMA. The City has no equity interest in SBWMA. Through the operation of franchise agreements with each member, RECOLOGY collects fees charged for the use of the facilities and remits them to the SBWMA. Pursuant to an Operations Agreement with the SBWMA, RECOLOGY is compensated based on costs, a provision for profit and incentives for cost savings and performance. For the year ended June 30, 2020, the City made payments to Recology in the amount of \$2,464,323. Financial statements may be obtained by mailing a request to 610 Elm Street, Suite 202, San Carlos, CA 94070.

13. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES

A. Lease Agreement and Assignment from American Water Service, Inc. to Veolia Water North America Services, LLC.

In April 2001, the City entered into a twenty-five (25) year lease agreement with American Water Services, Inc. (American Water) whereby the City agreed to lease the water system to American Water for the purpose of furnishing potable water service and water service fire protection to all customers within the City's water service area.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

13. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES, Continued

A. *Lease Agreement and Assignment from American Water Service, Inc. to Veolia Water North America Services, LLC, Continued*

In November 2018, at American Water's request, the City authorized the assignment of all terms and conditions of the lease agreement from American Water to Veolia Water North America Operating Services LLC (Veolia) subject to certain conditions of approval, including State of California approval and issuance of a water permit to Veolia to operate the City's water system. On June 1, 2020, the City entered into a consent to assignment of the lease agreement with American Water whereby Veolia assumed all the terms and conditions of lease agreement from American Water. For disclosure purposes, the term "lessee" applies to American Water for the eleven months ended May 31, 2020, and to Veolia for the month ended June 30, 2020.

During the term of the lease, the lessee is responsible for operating, maintaining and managing the water system, as well as fulfilling customer services, emergency services, water quality testing, and other service operations related to the water system.

If total annual system maintenance and repair costs exceed \$110,000, the excess costs are considered system improvements and paid through additional capital charges. The lessee bills and collects water services charges, capital surcharges, and utility tax from the City's water customers. Utility users' taxes and capital-related surcharges billed and collected by the lessee are passed-through to the City.

The lessee may request water rate relief from the City to recover necessary and reasonable costs related to performing the water system services, including earning an operational rate of return of eight percent (8%) after-tax on defined, contractual gross revenues. The City agrees to enact water rates based upon such requirements and in accordance with applicable State Law regarding water rate increases. No water rate relief request was submitted to the City during the year ended June 30, 2020. Any fees or taxes billed and passed through to the City are not considered contractual gross revenues of the water system operation. Contractual gross revenues, as defined, for the year ended June 30, 2020 total approximately \$4.8 million.

The City has retained title of the Water System and related capital assets under the terms of the lease. Title for system improvements performed immediately vests with the City. The lessee may not retire, sell, transfer; convey, or encumber any real property or personal property of the Water System without the prior written consent of City. The City is not obligated to pay any costs or expense in connection with or related to the management, operation, improvement, repair, or maintenance of the water system during the lease term, except for costs related to environmental liabilities. The City currently has undertaken certain system improvements which are funded from grants, system impact fees, and water capital surcharges; of the system improvements authorized, approximately \$165,000 is authorized to be performed by the lessee for distribution system improvements, and \$500,000 is authorized to be performed for meter replacement labor costs. For the fiscal year ended June 30, 2020, water system assets total \$11,556,715 net of depreciation.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

13. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES, Continued

A. Lease Agreement and Assignment from American Water Service, Inc. to Veolia Water North America Services, LLC, Continued

In consideration for the lease of the water system assets, the lessee agrees to pay the City a monthly lease payment equal to 6% and a monthly franchise fee equal to 5% of the annual gross revenues generated by the water system. For the eleven months ended May 31, 2020, American Water paid lease payments and franchise fees to the City in the amount of \$329,841 and \$255,622, respectively. For the month ended June 30, 2020, Veolia paid lease payments and franchise fees to the City in amount of \$36,810 and \$19,246, respectively. Further, for the year ended June 30, 2020, the City reported passed-through utility taxes and capital-related surcharges of \$270,094 and \$844,941, respectively.

14. CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

The City is subject to litigation arising in the normal course of operations. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. Federal and State Grants

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City expects such amounts, if any, to be immaterial.

C. California State Water Resources Control Board Corrective Action Plan

On April 21, 2015 the City, along with several other regional water system (RWS) customers of the San Francisco Public Utilities Commission (SFPUC), was cited by the State Water Resources Control Board (SWRCB) for not providing multi-barrier treatment to raw surface water. This citation was due to an incident occurring in March of 2015, whereby untreated water was inadvertently allowed to flow into the RWS. The incident did not result in any adverse effects; however, the SWRCB citation directed that the City prepare a Corrective Action Plan. The CAP includes several corrective actions developed to prevent another similar incident.

On August 15, 2015 the SWRCB acknowledged the City's Corrective Action Plan (CAP) whereby the City will take steps to ensure the water supply and/or storage of water is safe and sustainable in the event SFPUC water becomes unavailable. The critical elements of the CAP are the new groundwater wells, the construction of water system interties, and the construction of storage tanks over an estimated period of seven (7) years. However, the CAP recognizes that the timing for the construction of the storage tanks is less certain due to the prioritization of the groundwater wells, staffing limitations and complexities securing site control. The highest priority water system improvements have estimated costs of roughly \$15.5 million. The City enacted a capital improvement surcharge, contributed general and community benefit funds to the water system, secured grant funding and completed refurbishment of the Gloria Way Water Well, and has funding for the water system interties. As of June 30, 2020, the City has capital water reserves of approximately \$3.9 million.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreements

Water Supply Implementation Agreement (WSIA)

On August 9, 2016, the City entered into a water supply implementation agreement with 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively “developers”) in order to accelerate the City’s efforts to provide adequate water supply for potential future development sites. In the event a developer site is connected to the City’s water system, any payments made by the developer under the WSIA will be credited against adopted water capacity charges related to the costs of expanding or acquiring additional water capacity. As of June 30, 2020, developers had advanced funds of approximately \$242,360.

Water Rights Acquisition Agreements

In August 2018, the City entered into an agreement with the City of Mountain View to transfer all right, title, and interest to 1,000,000 gallon per day (1 MGD) of its guaranteed water supply (ISG) under the City and County of San Francisco Water Supply Agreement. The acquisition price of \$5,000,000 was funded from the following sources:

Silicon Valley Community Foundation (SVCF) Gift Agreement/Advance \$2.0 Million- In June 2017, the City entered into a gift agreement with the SVCF for \$2.5 million whereby the gift is restricted for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized and utilized for an inter-fund advance to acquire permanent water rights. The advance is repaid upon the receipt of related water capacity charge or related impact or charge imposed by the City. The remaining funds are restricted to fund not less than \$500,000 for an affordable housing manager over a minimum period of five years. As of June 30, 2020, the inter-fund advance amount totaled \$1,999,186.

Amendment to Water Supply Implementation Agreement \$1.53 Million - The City approved an amendment to the Water Supply Implementation Agreement (Amended WSIA) in order establish terms for payment of the attributed share of the costs of the permanent water rights transfer. Under the terms of the amendment; 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively “developers”) agreed to advance a collective total of \$1.53 million as the developers’ attributed share of the cost of the water rights transfer. For a period of eight (8) years after the effective date of the water rights transfer, if entitlement for a developer site is approved in accordance with the City’s laws and policies, any payments made under the Amended WSIA will be credited against a water capacity charge or related impact or buy-in charge imposed by the City typically upon issuance of building permits. As of June 30, 2020, the Primary School and Sobrato development projects were entitled; however, no building permits have been issued.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Water Rights Acquisition and Related Agreements, Continued

Water Rights Acquisition Agreements, Continued

Sobrato Organization LLC Reimbursement Agreement \$1.0 Million - The City approved a reimbursement agreement (Agreement) with the Sobrato Organization LLC (Sobrato) to provide funds in the amount of \$1,000,000 for the purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. The Agreement expires upon the earlier of the date of full reimbursement of the advance or August 4, 2037 (twenty years from Agreement effective date). Upon expiration, the City's commitments under the agreement terminate. In December 2019, in accordance with approved project entitlements and conditions of approval, Sobrato agreed to forego all outstanding amounts advanced under the Agreement upon the issuance of a building certificate of occupancy, which did not occur as of year-end. As of June 30, 2020, the City owed \$407 to Sobrato under the terms of the agreement.

General Fund Advance \$0.47 Million - The City approved a long-term inter-fund advance to the Water Service Enterprise Fund for purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. As of June 30, 2020, the inter-fund advance amount totaled \$469,809.

E. Affordable Housing and Sustainable Communities Grant Commitments

In June 2019, the City received a jointly submitted grant award of \$20 million in partnership with Eden Housing, EPA CAN DO, the San Mateo County Transit District (SamTrans). The grant funding consists of \$13.5 million in loans for affordable housing development, and \$6.5 million for transit and infrastructure improvements. Under the terms of the grant award, applicants are held jointly and severally liable to provide accountability and ensure the full scope of the project application is implemented. The City entered into cooperation and indemnification agreements with the grant co-applicants to mitigate risks among the parties. Of the \$20 million, the City is responsible for completing \$3.75 million in sustainable transportation infrastructure, and transit-related amenities in a timely manner.

F. Flood and Sea Level Rise Resiliency Agency

In March 2019, in conjunction with the County of San Mateo, C/CAG and other cities and towns in San Mateo County, the City agreed to fund the startup costs to modify the existing San Mateo County Flood Control District including expanding the scope and modifying the governance structure. The estimated startup costs approved total \$1.1 million, of which the City agreed to fund \$40,000 per year for a three-year period. For the year ended June 30, 2020, the City paid \$40,000 of the \$120,000 total funding commitment.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

On June 28, 2011 the State of California adopted ABx1 26 (AB 26) which, in Late December 2011, was upheld by the California Supreme Court to be largely constitutional. This action, together with AB 1484 enacted on June 27, 2012, are referred to as “Dissolution Law” as related to former redevelopment agencies. Under the existing Dissolution Laws, California redevelopment agencies were dissolved as of February 1, 2012 and cannot engage in new projects, obligations, or commitments. Beginning in February 2012, Successor Agencies, together with other designated entities, initiated the process under AB 26 to unwind the affairs of the dissolved agencies. This action impacted the reporting entity of the City of East Palo Alto in that the City had previously reported a redevelopment agency (former Agency) as a blended component unit of the City.

On January 10, 2012, the City Council elected to serve as the Successor Agency to the former Agency whereby the Successor Agency holds assets, reports obligations, and otherwise oversees the wind-down of the affairs of the former Agency as dictated by the Dissolution Laws and subject to control and approval of an established Oversight Board and the California Department of Finance.

Furthermore, on January 10, 2012, the City also elected to serve as the former Agency’s Housing Successor and retain the housing assets of the former Agency. On February 1, 2012 certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

Since February 1, 2012, the Successor Agency has complied with existing Dissolution Laws, including completing a due diligence review, obtaining a finding of completion, obtaining approval of the long-range property management plan, completing timely reporting of recognized obligation schedules. The Successor Agency continues to conduct the fiduciary activities of the Dissolution Laws until such time the affairs and obligations of the former Agency are complete.

Cash and investments of the Successor Agency as of June 30, 2020 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2020.

B. Long-Term Debt

The Successor Agency’s debt issues and transactions are summarized below and discussed in detail thereafter.

	Issue Amount	Balance at June 30, 2019	Retirements	Discount/ Premium	Balance at June 30, 2020	Due within One Year
Successor Agency						
2015 Tax Allocation						
Refunding Bonds Series A						
3.625%-4% due 10/1/2032	\$ 16,950,000	\$ 17,295,456	\$ 900,000	\$ (142,657)	\$ 16,252,799	\$ 935,000
Total Successor Agency	<u>\$ 16,950,000</u>	<u>\$ 17,295,456</u>	<u>\$ 900,000</u>	<u>\$ (142,657)</u>	<u>\$ 16,252,799</u>	<u>\$ 935,000</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

B. Long-Term Debt, Continued

2015 Tax Allocation Refunding Bonds

On September 1, 2015, the Successor Agency issued \$16,950,000 Tax Allocation Refunding Bonds, Series 2015A and \$2,500,000 Taxable Tax Allocation Refunding Bonds, Series 2015B. The bonds were issued to refund the 1999 Tax Allocation Bonds, the 2003 Series A Bonds, and the 2003 Series B Bonds. Certain proceeds of the refunding bonds were subsequently used to call the East Palo Alto Public Financing Authority 2005 Revenue Bonds on October 1, 2015. The economic gain on refunding of these bonds was \$2,560,798.

Series 2015A Refunding Bonds

The 2015A Refunding Bonds mature annually starting October 1, 2018 through 2032, with semi-annual installments ranging from \$45,000 to \$1,515,000. The interest on the 2015A Refunding Bonds is payable semi-annually on each April 1 and October 1, with coupon rates ranging from 3.00% to 5.00%. The 2015A Refunding Bonds are subject to early redemption.

The annual debt service requirements of the Series 2015A bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 935,000	\$ 618,175	\$ 1,553,175
2022	975,000	570,425	1,545,425
2023	1,030,000	520,300	1,550,300
2024	1,085,000	467,425	1,552,425
2025	1,140,000	411,800	1,551,800
2026-2030	6,435,000	1,239,738	7,674,738
2031-2033	4,405,000	241,895	4,646,895
Subtotal	16,005,000	\$ 4,069,758	\$ 20,074,758
Bond Premium	247,799		
Total	\$ 16,252,799		

Pledged Revenues

The 2015 Tax Allocation Refunding Bonds of the Successor Agency are payable solely from and secured by tax revenues deposited into Redevelopment Property Tax Trust Fund. Principal and interest on the Series 2015A bonds are guaranteed under an insurance policy.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2020

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES,
Continued

C. Deferred Inflows of Resources

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2020.

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
2015 Tax Allocation Refunding Bonds - gain on refunding	\$ 276,651	\$ -	\$ (46,556)	\$ 230,095
Total	<u>\$ 276,651</u>	<u>\$ -</u>	<u>\$ (46,556)</u>	<u>\$ 230,095</u>

16. RELATED PARTY TRANSACTIONS

In 2004, the City authorized a First Time Homebuyer Program whereby the City offers first time homebuyers financial assistance in the purchase of a home within East Palo Alto. The loans bear an interest rate of 3% and are secured by deeds of trust on the property. As of June 30, 2020, one Council Member had a loan due to the City in the amount of \$18,104.

17. COVID-19 GLOBAL PANDEMIC

The City has been impacted by the outbreak of novel coronavirus (named "COVID-19" by the World Health Organization). On March 4, 2020, California State Governor Gavin Newsom proclaimed a State of Emergency due to the threat of the COVID-19 in the State of California. The San Mateo County Health Officer issued a stay-at-home directive on March 16, 2020 due to the number of confirmed cases within the County at that time. The COVID-19 outbreak has caused business and social disruption through mandated and voluntary closing of businesses and stay-at-home orders for all but deemed essential services. There is considerable uncertainty around the duration of non-pharmaceutical interventions (i.e. social distancing, stay-at-home orders) or when medical interventions will adequately reduce COVID-19 health threats. The City's major revenue sources, including businesses that remit sales, transient occupancy, and business license taxes are directly impacted by these events. As of June 30, 2020, the City estimates an incurred revenue loss of approximately \$1.9 million; however, the ultimate financial impact and duration cannot be reasonably estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

City of East Palo Alto
Notes to Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Procedures

The City adopts a budget annually for all governmental fund types, except for capital projects. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of budgetary control is the fund level. The City Council may amend the budget by resolution during the fiscal year. The City Manager has the authority to make adjustments to the operating budget between departments within the same fund. Transfers of operating budgets between funds, use of unappropriated fund balances, and significant changes in capital improvement project budgets require the approval of the City Council.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except for Housing Assistance and Public Improvements in Lieu Special Revenue Funds; and Capital Improvements Capital Projects Fund which are adopted on a project length basis.

B. Encumbrances

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to set aside that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

City of East Palo Alto
Required Supplementary Information
For the year ended June 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 14,925,000	\$ 15,295,000	\$ 15,680,903	\$ 385,903
Sales taxes	5,900,000	5,025,000	5,171,001	146,001
Transient occupancy tax	2,300,000	1,580,000	1,547,885	(32,115)
Utility users tax	1,570,000	1,570,000	1,553,917	(16,083)
Other taxes	1,430,000	1,565,000	1,647,334	82,334
Licenses, fees and permits	1,405,000	1,355,000	1,297,877	(57,123)
Charges for services	1,983,000	2,811,600	2,242,256	(569,344)
Fines and forfeitures	427,500	392,500	384,781	(7,719)
Use of money and property	537,000	600,000	1,219,288	619,288
Grants and intergovernmental	35,000	60,000	106,229	46,229
Miscellaneous	12,500	70,210	192,075	121,865
Total revenues	30,525,000	30,324,310	31,043,546	719,236
EXPENDITURES:				
Current:				
General government	6,282,950	5,677,575	4,524,385	1,153,190
Public safety	12,357,400	11,178,860	10,660,404	518,456
Public works	3,744,370	3,619,370	3,148,549	470,821
Culture and recreation	803,800	573,800	507,918	65,882
Community development	4,081,650	4,369,740	3,754,069	615,671
Capital outlay	1,350,000	-	-	-
Total expenditures	28,620,170	25,419,345	22,595,325	2,824,020
REVENUES OVER (UNDER) EXPENDITURES	1,904,830	4,904,965	8,448,221	3,543,256
OTHER FINANCING SOURCES (USES):				
Transfer in	-	330,460	330,460	-
Transfer out	(1,637,000)	(4,987,000)	(4,976,419)	10,581
Total other financing sources (uses)	(1,637,000)	(4,656,540)	(4,645,959)	10,581
Net change in fund balance	\$ 267,830	\$ 248,425	3,802,262	\$ 3,553,837
FUND BALANCE:				
Beginning of year			39,204,570	
End of year			\$ 43,006,832	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2020

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's proportionate share of the Net Pension Liability - Last 10 Years

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.112300%	0.110450%	0.109441%	0.109310%	0.118190%	0.126260%
Proportionate share of the net pension liability	\$ 11,507,754	\$ 10,642,902	\$ 10,853,587	\$ 9,458,584	\$ 8,112,375	\$ 7,856,469
Covered payroll	\$ 9,577,025	\$ 9,257,855	\$ 8,464,356	\$ 8,078,420	\$ 7,962,595	\$ 7,773,690
Proportionate share of the net pension liability as a percentage of covered payroll	120.16%	114.96%	128.23%	117.08%	101.88%	101.06%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

Note to Schedule:

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2020

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years

Fiscal year	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,976,048	\$ 1,812,899	\$ 1,642,560	\$ 1,493,218	\$ 1,371,578	\$ 1,477,383
Contribution in relation to the actuarially determined contributions	(1,976,048)	(1,812,899)	(1,642,560)	(1,493,218)	(1,371,578)	(1,477,383)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,673,702	\$ 9,577,025	\$ 9,257,855	\$ 8,464,356	\$ 8,078,420	\$ 7,962,595
Contributions as a percentage of covered payroll	20.43%	18.93%	17.74%	17.64%	16.98%	18.55%

Notes to Schedule:

Fiscal year 2015 was the first year of implementation, therefore only six years are shown

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

NPDES Fees Fund accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

Gas Tax Fund accounts for funds received from the State of California to use for street and highway related projects.

Federal and State Law Enforcement Fund accounts for the receipt and use of State and Federal law enforcement related grant money.

Park in Lieu Fund accounts for park in lieu fees collected from developers.

Rent Stabilization Fund accounts for revenues and expenditures to support rent stabilization activities.

Federal and State Grants Fund accounts for grant money received and expended from various Federal and State government grants.

Housing Assistance Fund accounts for first time home buyer assistance program activities.

Measure A Fund accounts for the City's Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

CYSFF TOT Fund accounts for 10% of TOT taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

Lighting District Fund accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

Drainage District Fund accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

Measure C Fund accounts for activities related to the Measure C Parcel tax. Measure C was an annual tax approved by the voters in November 2006 for a period of ten years. The remaining funds are to be used to support violence prevention and public safety intervention.

Local Grants Fund accounts for revenues and expenditures from local public and private grants.

Silicon Valley Community Foundation (SVCF) Special Revenue Fund accounts for gift monies from the Silicon Valley Community Foundation to be used for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized for an inter-fund advance to provide monies to purchase certain water rights. Remaining funds are restricted to pay a minimum amount of \$500,000 for an affordable housing manager position over a minimum period of five years.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Low and Moderate Income Housing Successor Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for those with low and moderate incomes.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and the expenditures related to allowable affordable housing activities.

Public Improvements in Lieu Special Revenue Fund accounts for certain development fee revenues, and capital expenditures for related public improvement assets. The fund was closed during the fiscal year.

Housing TOT Special Revenue Fund accounts for 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to affordable housing development activities.

Measure HH Special Revenue Fund accounts for the revenues and expenditures of Measure HH Parcel tax. Measure HH was approved by the voters in November 2018. The tax is an annual parcel tax and the funds are to be used for affordable and supportive housing programs, programs that facilitate access to job opportunities in the S.T.E.M. sectors, building trades, and strengthen First Source Hiring.

Measure W Special Revenue Fund accounts for the City's share of San Mateo County Measure W revenues and expenditures. Measure W is a half-cent sales tax to support countywide transportation projects and programs.

CAPITAL PROJECT FUND

CIP Impact Fees Capital Project Fund accounts for various development impact fees collected by the City for capital related activities.

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	\$ 352,547	\$ 2,666,895	\$ 217,375	\$ 347,599	\$ 894,406
Receivables:					
Accrued interest	1,244	10,224	835	1,281	3,594
Intergovernmental	145,674	217,042	-	-	-
Accounts receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	\$ 499,465	\$ 2,894,161	\$ 218,210	\$ 348,880	\$ 898,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 42,127	\$ 14,124	\$ 167	\$ -	\$ 971
Retentions payable	-	-	-	-	-
Other accrued liabilities	-	7,181	-	-	26,597
Total liabilities	42,127	21,305	167	-	27,568
Deferred inflows of resources:					
Unavailable revenue	-	108,820	-	-	-
Fund Balances:					
Restricted	457,338	2,764,036	218,043	348,880	870,432
Total fund balances	457,338	2,764,036	218,043	348,880	870,432
Total liabilities, deferred inflows of resources, and fund balances	\$ 499,465	\$ 2,894,161	\$ 218,210	\$ 348,880	\$ 898,000

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF TOT	Lighting District	Drainage District	Measure C	Local Grants
\$ 83,730	\$ 323,622	\$ 3,873,170	\$ 991,526	\$ 3,430,254	\$ 543,553	\$ 252,428	\$ 449,960
362	1,213	13,845	3,762	12,387	1,946	973	1,739
9,945	-	-	-	-	-	-	-
-	1,792	43,968	-	-	-	-	-
-	-	-	-	-	-	-	-
-	149,412	-	-	-	-	-	-
<u>\$ 94,037</u>	<u>\$ 476,039</u>	<u>\$ 3,930,983</u>	<u>\$ 995,288</u>	<u>\$ 3,442,641</u>	<u>\$ 545,499</u>	<u>\$ 253,401</u>	<u>\$ 451,699</u>
\$ 3,568	\$ 332	\$ -	\$ -	\$ 3,408	\$ 3,228	\$ -	\$ -
-	-	62,454	-	-	-	-	-
-	-	49,019	-	1,824	-	-	-
<u>3,568</u>	<u>332</u>	<u>111,473</u>	<u>-</u>	<u>5,232</u>	<u>3,228</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
<u>90,469</u>	<u>475,707</u>	<u>3,819,510</u>	<u>995,288</u>	<u>3,437,409</u>	<u>542,271</u>	<u>253,401</u>	<u>451,699</u>
<u>90,469</u>	<u>475,707</u>	<u>3,819,510</u>	<u>995,288</u>	<u>3,437,409</u>	<u>542,271</u>	<u>253,401</u>	<u>451,699</u>
<u>\$ 94,037</u>	<u>\$ 476,039</u>	<u>\$ 3,930,983</u>	<u>\$ 995,288</u>	<u>\$ 3,442,641</u>	<u>\$ 545,499</u>	<u>\$ 253,401</u>	<u>\$ 451,699</u>

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Public Improvements in Lieu	Housing TOT
ASSETS					
Cash and investments	\$ 261,647	\$ 2,333,753	\$ 6,836,967	\$ -	\$ 2,303,095
Receivables:					
Accrued interest	982	292,211	25,050	-	35,895
Intergovernmental	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Advances to other funds	1,999,186	-	-	-	-
Loans and notes receivable	-	6,346,893	-	-	878,293
Total assets	\$ 2,261,815	\$ 8,972,857	\$ 6,862,017	\$ -	\$ 3,217,283
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 53,678	\$ -	\$ -	\$ -
Retentions payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Total liabilities	-	53,678	-	-	-
Deferred inflows of resources:					
Unavailable revenue	-	283,414	-	-	27,400
Fund Balances:					
Restricted	2,261,815	8,635,765	6,862,017	-	3,189,883
Total fund balances	2,261,815	8,635,765	6,862,017	-	3,189,883
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,261,815	\$ 8,972,857	\$ 6,862,017	\$ -	\$ 3,217,283

<u>Special Revenue</u>		<u>Capital Project</u>	
<u>Measure HH</u>	<u>Measure W</u>	<u>CIP Impact Fees</u>	<u>Total Non-Major Governmental Funds</u>
\$ 1,676,905	\$ 223,904	\$ 59,223	\$ 28,122,559
5,794	764	207	414,308
-	-	-	372,661
-	-	-	45,760
-	-	-	1,999,186
-	-	-	7,374,598
<u>\$ 1,682,699</u>	<u>\$ 224,668</u>	<u>\$ 59,430</u>	<u>\$ 38,329,072</u>
\$ 12,105	\$ -	\$ -	\$ 133,708
-	-	-	62,454
-	-	-	84,621
<u>12,105</u>	<u>-</u>	<u>-</u>	<u>280,783</u>
-	-	-	419,634
<u>1,670,594</u>	<u>224,668</u>	<u>59,430</u>	<u>37,628,655</u>
<u>1,670,594</u>	<u>224,668</u>	<u>59,430</u>	<u>37,628,655</u>
<u>\$ 1,682,699</u>	<u>\$ 224,668</u>	<u>\$ 59,430</u>	<u>\$ 38,329,072</u>

City of East Palo Alto
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2020

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	-	-
Other taxes	-	1,241,929	-	-	-
Licenses, fees and permits	-	-	-	1,928	-
Charges for services	136,496	-	-	-	522,761
Fines and forfeitures	-	-	-	-	16,936
Use of money and property	7,348	97,251	7,675	9,394	28,549
Grants and intergovernmental	263,753	27,557	158,448	19,612	-
Miscellaneous	-	-	-	-	-
Total revenues	407,597	1,366,737	166,123	30,934	568,246
EXPENDITURES:					
Current:					
General government	15,988	194,994	-	-	206,500
Public safety	-	-	162,342	-	-
Public works	111,024	355,939	-	756	-
Culture and recreation	-	-	-	-	-
Community development	199,792	-	-	-	367,234
Capital outlay	-	1,716,594	-	22,125	-
Total expenditures	326,804	2,267,527	162,342	22,881	573,734
REVENUES OVER (UNDER) EXPENDITURES	80,793	(900,790)	3,781	8,053	(5,488)
OTHER FINANCING SOURCES (USES):					
Transfers in	321,900	64,500	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	321,900	64,500	-	-	-
Net change in fund balances	402,693	(836,290)	3,781	8,053	(5,488)
FUND BALANCES:					
Beginning of the year	54,645	3,600,326	214,262	340,827	875,920
End of year	<u>\$ 457,338</u>	<u>\$ 2,764,036</u>	<u>\$ 218,043</u>	<u>\$ 348,880</u>	<u>\$ 870,432</u>

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF TOT	Lighting District	Drainage District	Measure C	Local Grants
\$ -	\$ -	\$ -	\$ -	\$ 694,994	\$ 138,627	\$ -	\$ -
-	-	630,489	-	-	-	-	-
-	-	-	193,486	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	161	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,055	14,887	116,964	32,985	102,768	14,195	12,750	14,742
48,164	-	-	-	-	-	-	200,000
-	-	-	-	-	-	-	-
<u>51,219</u>	<u>15,048</u>	<u>747,453</u>	<u>226,471</u>	<u>797,762</u>	<u>152,822</u>	<u>12,750</u>	<u>214,742</u>
-	-	13,100	16,900	65,530	13,323	-	-
-	-	-	-	-	-	-	97,256
-	-	-	-	95,522	76,290	-	-
48,164	-	-	93,329	-	-	352,083	-
7,517	1,979	-	-	-	-	-	-
-	-	48,241	-	-	-	-	-
<u>55,681</u>	<u>1,979</u>	<u>61,341</u>	<u>110,229</u>	<u>161,052</u>	<u>89,613</u>	<u>352,083</u>	<u>97,256</u>
<u>(4,462)</u>	<u>13,069</u>	<u>686,112</u>	<u>116,242</u>	<u>636,710</u>	<u>63,209</u>	<u>(339,333)</u>	<u>117,486</u>
-	-	-	-	-	182,660	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	182,660	-	-
<u>(4,462)</u>	<u>13,069</u>	<u>686,112</u>	<u>116,242</u>	<u>636,710</u>	<u>245,869</u>	<u>(339,333)</u>	<u>117,486</u>
94,931	462,638	3,133,398	879,046	2,800,699	296,402	592,734	334,213
<u>\$ 90,469</u>	<u>\$ 475,707</u>	<u>\$ 3,819,510</u>	<u>\$ 995,288</u>	<u>\$ 3,437,409</u>	<u>\$ 542,271</u>	<u>\$ 253,401</u>	<u>\$ 451,699</u>

City of East Palo Alto
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2020

	Special Revenue				
	SVCF	Low and Moderate Income Housing Successor	Housing in Lieu	Public Improvements in Lieu	Housing TOT
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	-	193,486
Other taxes	-	-	-	-	-
Licenses, fees and permits	-	-	-	-	-
Charges for services	-	6	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	9,943	92,535	233,028	-	64,042
Grants and intergovernmental	-	-	-	-	-
Miscellaneous	-	63,182	-	-	-
Total revenues	9,943	155,723	233,028	-	257,528
EXPENDITURES:					
Current:					
General government	-	40,949	18,061	-	8,800
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	106,531	295,387	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	106,531	336,336	18,061	-	8,800
REVENUES OVER (UNDER) EXPENDITURES	(96,588)	(180,613)	214,967	-	248,728
OTHER FINANCING SOURCES (USES):					
Transfers in	-	432,360	-	18,569	2,941,155
Transfers out	-	-	(2,941,155)	(330,460)	-
Total other financing sources (uses)	-	432,360	(2,941,155)	(311,891)	2,941,155
Net change in fund balances	(96,588)	251,747	(2,726,188)	(311,891)	3,189,883
FUND BALANCES:					
Beginning of the year	2,358,403	8,384,018	9,588,205	311,891	-
End of year	<u>\$ 2,261,815</u>	<u>\$ 8,635,765</u>	<u>\$ 6,862,017</u>	<u>\$ -</u>	<u>\$ 3,189,883</u>

<u>Special Revenue</u>		<u>Capital Project</u>	
<u>Measure HH</u>	<u>Measure W</u>	<u>CIP Impact Fees</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 833,621
-	222,199	-	852,688
-	-	-	386,972
1,677,265	-	-	2,919,194
-	-	58,338	60,266
-	-	-	659,424
-	-	-	16,936
24,676	2,469	1,092	890,348
-	-	-	717,534
-	-	-	63,182
<u>1,701,941</u>	<u>224,668</u>	<u>59,430</u>	<u>7,400,165</u>
1,390	-	-	595,535
-	-	-	259,598
-	-	-	639,531
-	-	-	493,576
29,957	-	-	1,008,397
-	-	-	1,786,960
<u>31,347</u>	<u>-</u>	<u>-</u>	<u>4,783,597</u>
<u>1,670,594</u>	<u>224,668</u>	<u>59,430</u>	<u>2,616,568</u>
-	-	-	3,961,144
-	-	-	(3,271,615)
-	-	-	689,529
1,670,594	224,668	59,430	3,306,097
-	-	-	34,322,558
<u>\$ 1,670,594</u>	<u>\$ 224,668</u>	<u>\$ 59,430</u>	<u>\$ 37,628,655</u>

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

NPDES Fees Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 135,000	\$ 135,000	\$ 136,496	\$ 1,496
Use of money and property	2,000	2,000	7,348	5,348
Grants and intergovernmental revenue	80,000	80,000	263,753	183,753
Total revenues	217,000	217,000	407,597	190,597
EXPENDITURES:				
Current:				
General government	30,800	30,800	15,988	14,812
Public works	218,600	218,600	111,024	107,576
Community development	287,500	287,500	199,792	87,708
Total expenditures	536,900	536,900	326,804	210,096
REVENUES OVER (UNDER) EXPENDITURES	(319,900)	(319,900)	80,793	400,693
OTHER FINANCING SOURCES (USES):				
Transfer in	321,900	321,900	321,900	-
Total other financing sources (uses)	321,900	321,900	321,900	-
Net change in fund balance	\$ 2,000	\$ 2,000	402,693	\$ 400,693
FUND BALANCE:				
Beginning of year			54,645	
End of year			\$ 457,338	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,340,700	\$ 1,340,700	\$ 1,241,929	\$ (98,771)
Use of money and property	28,000	28,000	97,251	69,251
Grants and intergovernmental	-	-	27,557	27,557
Total revenues	<u>1,368,700</u>	<u>1,368,700</u>	<u>1,366,737</u>	<u>(1,963)</u>
EXPENDITURES:				
Current:				
General government	195,000	195,000	194,994	6
Public works	558,050	558,050	355,939	202,111
Capital outlay	546,500	2,156,180	1,716,594	439,586
Total expenditures	<u>1,299,550</u>	<u>2,909,230</u>	<u>2,267,527</u>	<u>641,703</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>69,150</u>	<u>(1,540,530)</u>	<u>(900,790)</u>	<u>639,740</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	64,500	64,500	64,500	-
Total other financing sources (uses)	<u>64,500</u>	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Net change in fund balance	<u>\$ 133,650</u>	<u>\$ (1,476,030)</u>	<u>(836,290)</u>	<u>\$ 639,740</u>
FUND BALANCE:				
Beginning of year			<u>3,600,326</u>	
End of year			<u>\$ 2,764,036</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Federal and State Law Enforcement Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,000	\$ 4,000	\$ 7,675	\$ 3,675
Grants and intergovernmental	175,000	177,500	158,448	(19,052)
Total revenues	179,000	181,500	166,123	(15,377)
EXPENDITURES:				
Current:				
Public safety	175,000	177,500	162,342	15,158
Capital outlay	-	24,070	-	24,070
Total expenditures	175,000	201,570	162,342	39,228
Net change in fund balance	\$ 4,000	\$ (20,070)	3,781	\$ 23,851
FUND BALANCE:				
Beginning of year			214,262	
End of year			\$ 218,043	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Park in Lieu Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses, fees and permits	\$ -	\$ -	\$ 1,928	\$ 1,928
Use of money and property	2,000	2,000	9,394	7,394
Grants and intergovernmental	-	-	19,612	19,612
Total revenues	2,000	2,000	30,934	28,934
EXPENDITURES:				
Current:				
Public works	-	-	756	(756)
Capital outlay	-	120,000	22,125	97,875
Total expenditures	-	120,000	22,881	97,119
Net change in fund balance	\$ 2,000	\$ (118,000)	8,053	\$ 126,053
FUND BALANCE:				
Beginning of year			340,827	
End of year			\$ 348,880	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Rent Stabilization Fund Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 500,000	\$ 500,000	\$ 522,761	\$ 22,761
Fines and forfeitures	25,000	25,000	16,936	(8,064)
Use of money and property	13,000	13,000	28,549	15,549
Total revenues	538,000	538,000	568,246	30,246
EXPENDITURES:				
Current:				
General government	206,500	206,500	206,500	-
Community development	412,600	528,600	367,234	161,366
Total expenditures	619,100	735,100	573,734	161,366
Net change in fund balance	\$ (81,100)	\$ (197,100)	(5,488)	\$ 191,612
FUND BALANCE:				
Beginning of year			875,920	
End of year			<u>\$ 870,432</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Federal and State Grants Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 3,055	\$ 2,055
Grants and intergovernmental	52,800	497,880	48,164	(449,716)
Total revenues	53,800	498,880	51,219	(447,661)
EXPENDITURES:				
Current:				
Culture and recreation	45,000	46,620	48,164	(1,544)
Community development	7,800	407,480	7,517	399,963
Total expenditures	52,800	454,100	55,681	398,419
Net change in fund balance	\$ 1,000	\$ 44,780	(4,462)	\$ (49,242)
FUND BALANCE:				
Beginning of year			94,931	
End of year			\$ 90,469	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Assistance Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 5,000	\$ 5,000	\$ 161	\$ (4,839)
Use of money and property	5,000	5,000	14,887	9,887
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>15,048</u>	<u>5,048</u>
EXPENDITURES:				
Current:				
Community development	<u>29,000</u>	<u>29,000</u>	<u>1,979</u>	<u>27,021</u>
Total expenditures	<u>29,000</u>	<u>29,000</u>	<u>1,979</u>	<u>27,021</u>
Net change in fund balance	<u>\$ (19,000)</u>	<u>\$ (19,000)</u>	13,069	<u>\$ 32,069</u>
FUND BALANCE:				
Beginning of year			<u>462,638</u>	
End of year			<u>\$ 475,707</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure A Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 665,000	\$ 665,000	\$ 630,489	\$ (34,511)
Use of money and property	68,000	68,000	116,964	48,964
Total revenues	733,000	733,000	747,453	14,453
EXPENDITURES:				
Current:				
General government	13,100	13,100	13,100	-
Public works	5,000	5,000	-	5,000
Capital outlay	530,000	672,970	48,241	624,729
Total expenditures	548,100	691,070	61,341	629,729
Net change in fund balance	\$ 184,900	\$ 41,930	686,112	\$ 644,182
FUND BALANCE:				
Beginning of year			3,133,398	
End of year			<u>\$ 3,819,510</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

CYSFF TOT Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 287,500	\$ 287,500	\$ 193,486	\$ (94,014)
Use of money and property	15,000	15,000	32,985	17,985
Total revenues	302,500	302,500	226,471	(76,029)
EXPENDITURES:				
Current:				
General government	16,900	16,900	16,900	-
Culture and recreation	265,000	244,000	93,329	150,671
Total expenditures	281,900	260,900	110,229	150,671
Net change in fund balance	\$ 20,600	\$ 41,600	116,242	\$ 74,642
FUND BALANCE:				
Beginning of year			879,046	
End of year			\$ 995,288	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting District Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 629,900	\$ 629,900	\$ 694,994	\$ 65,094
Use of money and property	56,000	56,000	102,768	46,768
Total revenues	685,900	685,900	797,762	111,862
EXPENDITURES:				
Current:				
General government	68,700	68,700	65,530	3,170
Public works	139,400	139,400	95,522	43,878
Capital outlay	-	123,155	-	123,155
Total expenditures	208,100	331,255	161,052	170,203
Net change in fund balance	\$ 477,800	\$ 354,645	636,710	\$ 282,065
FUND BALANCE:				
Beginning of year			2,800,699	
End of year			\$ 3,437,409	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Drainage District Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 118,300	\$ 118,300	\$ 138,627	\$ 20,327
Use of money and property	3,000	3,000	14,195	11,195
Total revenues	121,300	121,300	152,822	31,522
EXPENDITURES:				
Current:				
General government	15,900	15,900	13,323	2,577
Public works	288,060	288,060	76,290	211,770
Total expenditures	303,960	303,960	89,613	214,347
REVENUES OVER (UNDER) EXPENDITURES	(182,660)	(182,660)	63,209	245,869
OTHER FINANCING SOURCES (USES):				
Transfer in	182,660	182,660	182,660	-
Total other financing sources (uses)	182,660	182,660	182,660	-
Net change in fund balance	\$ -	\$ -	245,869	\$ 245,869
FUND BALANCE:				
Beginning of year			296,402	
End of year			\$ 542,271	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure C Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 12,750	\$ 12,750
Total revenues	-	-	12,750	12,750
EXPENDITURES:				
Current:				
Culture and recreation	-	375,000	352,083	22,917
Total expenditures	-	375,000	352,083	22,917
Net change in fund balance	\$ -	\$ (375,000)	(339,333)	\$ 35,667
FUND BALANCE:				
Beginning of year			592,734	
End of year			\$ 253,401	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Local Grants Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 14,742	\$ 9,742
Grants and intergovernmental	-	200,000	200,000	-
Total revenues	<u>5,000</u>	<u>205,000</u>	<u>214,742</u>	<u>9,742</u>
EXPENDITURES:				
Current:				
Public safety	-	309,285	97,256	212,029
Total expenditures	<u>-</u>	<u>309,285</u>	<u>97,256</u>	<u>212,029</u>
Net change in fund balance	<u>\$ 5,000</u>	<u>\$ (104,285)</u>	117,486	<u>\$ 221,771</u>
FUND BALANCE:				
Beginning of year			<u>334,213</u>	
End of year			<u>\$ 451,699</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Silicon Valley Community Foundation (SVCF) Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,000	\$ 4,000	\$ 9,943	\$ 5,943
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>9,943</u>	<u>5,943</u>
EXPENDITURES:				
Current:				
Community development	130,100	130,100	106,531	23,569
Total expenditures	<u>130,100</u>	<u>130,100</u>	<u>106,531</u>	<u>23,569</u>
Net change in fund balance	<u>\$ (126,100)</u>	<u>\$ (126,100)</u>	(96,588)	<u>\$ 29,512</u>
FUND BALANCE:				
Beginning of year			<u>2,358,403</u>	
End of year			<u>\$ 2,261,815</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Low and Moderate Income Housing Fund Special Revenue Fund

For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 6	\$ 6
Use of money and property	19,000	39,000	92,535	53,535
Miscellaneous	-	50,000	63,182	13,182
Total revenues	19,000	89,000	155,723	66,723
EXPENDITURES:				
Current:				
General government	40,000	30,000	40,949	(10,949)
Community development	204,000	394,000	295,387	98,613
Total expenditures	244,000	424,000	336,336	87,664
REVENUES OVER (UNDER) EXPENDITURES	(225,000)	(335,000)	(180,613)	154,387
OTHER FINANCING SOURCES (USES):				
Proceeds from loans	60,000	60,000	-	(60,000)
Transfer in	442,940	442,940	432,360	(10,580)
Transfer out	-	-	-	-
Total other financing sources (uses)	502,940	502,940	432,360	(70,580)
Net change in fund balance	\$ 277,940	\$ 167,940	251,747	\$ 83,807
FUND BALANCE:				
Beginning of year			<u>8,384,018</u>	
End of year			<u>\$ 8,635,765</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Housing in Lieu Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 117,000	\$ 117,000	\$ 233,028	\$ 116,028
Total revenues	117,000	117,000	233,028	116,028
EXPENDITURES:				
Current:				
General government	27,600	18,800	18,061	739
Community development	1,900,000	1,900,000	-	1,900,000
Total expenditures	1,927,600	1,918,800	18,061	1,900,739
REVENUES OVER (UNDER) EXPENDITURES	(1,810,600)	(1,801,800)	214,967	2,016,767
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(2,941,155)	(2,941,155)	-
Total other financing sources (uses)	-	(2,941,155)	(2,941,155)	-
Net change in fund balance	\$ (1,810,600)	\$ (4,742,955)	(2,726,188)	\$ 2,016,767
FUND BALANCE:				
Beginning of year			9,588,205	
End of year			<u>\$ 6,862,017</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Improvement in Lieu Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 10,000	\$ -	\$ -	\$ -
Use of money and property	5,000	-	-	-
Total revenues	15,000	-	-	-
EXPENDITURES:				
Current:				
Community development	50,000	-	-	-
Total expenditures	50,000	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(35,000)	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	18,569	18,569
Transfer out	-	(311,890)	(330,460)	(18,570)
Total other financing sources (uses)	-	(311,890)	(311,891)	(1)
Net change in fund balance	\$ (35,000)	\$ (311,890)	(311,891)	\$ (1)
FUND BALANCE:				
Beginning of year			311,891	
End of year			\$ -	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Housing TOT Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 287,500	\$ 287,500	\$ 193,486	\$ (94,014)
Use of money and property	5,000	5,000	64,042	59,042
Total revenues	292,500	292,500	257,528	(34,972)
EXPENDITURES:				
Current:				
General government	-	8,800	8,800	-
Total expenditures	-	8,800	8,800	-
REVENUES OVER (UNDER) EXPENDITURES	292,500	283,700	248,728	(34,972)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	2,941,155	2,941,155	-
Total other financing sources (uses)	-	2,941,155	2,941,155	-
Net change in fund balance	\$ 292,500	\$ 3,224,855	3,189,883	\$ (34,972)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 3,189,883	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Measure HH Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,677,280	\$ 1,677,280	\$ 1,677,265	\$ (15)
Use of money and property	10,000	10,000	24,676	14,676
Total revenues	1,687,280	1,687,280	1,701,941	14,661
EXPENDITURES:				
Current:				
General government	136,500	136,500	1,390	135,110
Community development	714,730	714,730	29,957	684,773
Total expenditures	851,230	851,230	31,347	819,883
Net change in fund balance	\$ 836,050	\$ 836,050	1,670,594	\$ 834,544
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 1,670,594	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Measure W Special Revenue Fund For the year ended June 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 270,000	\$ 270,000	\$ 222,199	\$ (47,801)
Use of money and property	-	-	2,469	2,469
Total revenues	270,000	270,000	224,668	(45,332)
Net change in fund balance	\$ 270,000	\$ 270,000	224,668	\$ (45,332)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 224,668	

City of East Palo Alto
Schedule of Revenues and Expenditures - Budget and Actual
Local Retail Transactions and Use Tax
For the year ended June 30, 2020

	Adopted Budget	Amended Budget	Actual	Difference	Committed and Encumbered	Net Available for Other General Uses
Tax Revenues	\$ 1,950,000	\$ 1,750,000	\$ 1,813,661	\$ 63,661	\$ -	\$ 63,661
Expenditures:						
CD Director	228,510	192,010	146,650	(45,360)	-	(45,360)
Vacancy Savings:						
Hazardous Abatement	-	60,000	-	(60,000)	60,000	-
Transportation Planning	-	32,300	22,850	(9,450)	9,450	-
Planning Augmentation	-	36,500	36,500	-	-	-
FIT-Clean Zones:						
Community Service Aides	45,300	45,300	-	(45,300)	-	(45,300)
Project WeHope	5,000	5,000	1,200	(3,800)	5,000	1,200
Capital Transfers:						
Unallocated	1,350,000	1,350,000	1,350,000	-	-	-
	<u>1,628,810</u>	<u>1,721,110</u>	<u>1,557,200</u>	<u>(163,910)</u>	<u>74,450</u>	<u>(89,460)</u>
Net Available - Other General Purposes	<u>\$ 321,190</u>	<u>\$ 28,890</u>	<u>\$ 256,461</u>	<u>\$ 227,571</u>	<u>\$ (74,450)</u>	<u>\$ 153,121</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, noted disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances - Governmental Funds
4. Changes in Fund Balances - Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage - Successor Agency

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Number of Positions - City Government by Function
2. Operating Indicators by Function
3. Capital Asset Statistics by Function

Operating Information

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City Implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of East Palo Alto, California
Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government activities										
Net investment in capital assets	\$ 28,011,307	\$ 28,412,193	\$ 29,816,204	\$ 31,132,522	\$ 35,561,630	\$ 41,044,530	\$ 42,278,404	\$ 48,784,281	\$ 55,197,664	\$ 56,070,993
Restricted For:										
Debt Service	2,034,560	-	-	-	-	-	-	-	-	-
Low and moderate income housing	10,997,923	-	-	-	-	-	-	-	-	-
Streets and Infrastructure	2,851,472	2,771,433	3,017,783	4,971,963	5,538,340	5,816,534	6,411,718	7,700,051	9,885,470	11,354,052
Parks and Recreation	703,171	713,964	338,473	496,583	550,014	1,120,082	1,117,148	1,089,920	340,827	348,880
Measure C programs	1,158,492	1,350,227	1,505,044	1,483,198	1,464,460	1,405,053	1,510,846	1,015,232	592,734	253,401
Housing Programs	1,342,896	11,703,374	12,421,954	13,108,951	14,012,643	17,325,494	20,518,013	20,824,081	21,669,184	24,277,027
Special Programs	-	-	-	726,772	954,220	1,168,856	853,741	1,262,039	1,522,452	1,755,499
Capital projects	-	-	-	209,247	188,644	279,184	3,796,398	3,012,787	9,816,132	10,159,391
Total restricted	19,088,514	16,538,998	17,303,254	20,996,714	22,708,321	27,115,203	34,207,864	34,904,110	43,826,799	48,148,250
Unrestricted	(8,749,180)	22,892,930	27,113,528	26,832,636	23,123,638	28,798,504	33,919,154	40,774,262	40,040,582	46,185,712
Total governmental activities net position	\$ 38,350,641	\$ 67,844,121	\$ 74,232,986	\$ 78,961,872	\$ 81,393,589	\$ 96,958,237	\$ 110,405,422	\$ 124,462,653	\$ 139,065,045	\$ 150,404,955
Business-type activities										
Net investment in capital assets	4,319,814	4,134,175	3,938,884	3,743,594	3,548,303	3,353,012	4,050,566	11,161,837	10,964,954	10,880,048
Restricted For:										
Capital Projects ¹	834,086	834,470	836,720	834,882	835,114	926,770	928,562	682,991	585,636	591,828
Total restricted	834,086	834,470	836,720	834,882	835,114	926,770	928,562	682,991	585,636	591,828
Unrestricted ¹	1,055,762	1,037,305	1,453,874	1,685,818	1,889,840	4,919,239	5,592,490	1,949,538	3,292,824	4,362,698
Total business-type activities net position	\$ 6,209,662	\$ 6,005,950	\$ 6,229,478	\$ 6,264,294	\$ 6,273,257	\$ 9,199,021	\$ 10,571,618	\$ 13,794,366	\$ 14,843,414	\$ 15,834,574
Primary Government										
Net investment in capital assets	32,331,121	32,546,368	33,755,088	34,876,116	39,109,933	44,397,542	46,328,970	59,946,118	66,162,618	66,951,041
Restricted	19,922,600	17,373,468	18,139,974	21,831,596	23,543,435	28,041,973	38,624,491	34,904,110	43,826,799	48,740,078
Unrestricted	(7,693,418)	23,930,235	28,567,402	28,518,454	25,013,478	33,717,743	36,023,579	43,406,791	43,919,042	50,548,410
Total primary government net position	\$ 44,560,303	\$ 73,850,071	\$ 80,462,464	\$ 85,226,166	\$ 87,666,846	\$ 106,157,258	\$ 120,977,040	\$ 138,257,019	\$ 153,908,459	\$ 166,239,529

¹ Certain amounts have been reclassified to present historical information in conformance with current classification.

City of East Palo Alto, California
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

Fiscal Year Ending June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental Activities:										
General government	\$ 4,700,459	\$ 4,634,178	\$ 4,396,506	\$ 4,055,087	\$ 3,660,815	\$ 3,857,915	\$ 4,183,768	\$ 4,550,835	\$ 4,811,440	\$ 5,309,119
Public safety	10,972,657	10,374,212	10,408,814	10,806,814	10,303,086	9,653,248	9,313,300	10,694,568	11,860,715	11,681,076
Public works	3,055,334	3,028,589	3,521,107	3,371,899	4,622,878	4,947,019	4,734,883	4,925,199	5,103,756	4,943,077
Culture and recreation	1,333,904	1,525,961	513,923	775,115	786,238	1,181,861	1,183,150	1,712,237	1,805,560	1,654,667
Community development	5,333,924	3,340,428	2,608,543	3,147,112	2,419,345	2,748,306	2,426,699	3,129,327	3,720,981	4,984,488
Interest on long-term debt	2,291,283	1,295,832	1,306	3,281	4,180	4,325	2,347	1,214	154	-
Total governmental activities	27,687,561	24,199,200	21,450,199	22,158,934	21,796,542	22,392,674	21,844,147	25,013,380	27,302,606	28,572,427
Business-type activities										
Water Service	439,826	326,502	340,916	402,914	357,769	342,263	378,893	320,163	423,315	637,581
Garbage collection	2,602,083	2,583,098	2,174,074	2,353,590	2,420,314	2,490,862	2,501,535	2,320,786	2,583,092	2,702,159
Total business-type activities	3,041,909	2,909,600	2,514,990	2,756,504	2,778,083	2,833,125	2,880,428	2,640,949	3,006,407	3,339,740
Total primary government expenses	30,729,470	27,108,800	23,965,189	24,915,438	24,574,625	25,225,799	24,724,575	27,654,329	30,309,013	31,912,167
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	18,101	4,744	5,153	6,549	11,512	22,278	26,441	51,117	82,963	45,297
Public safety	249,676	248,855	242,704	283,271	392,781	574,595	480,048	595,725	430,611	353,229
Public works	169,034	79,138	114,107	337,426	129,437	221,994	298,451	258,277	521,338	251,126
Culture and recreation	91,961	311,158	11,429	-	-	-	4,731	5,956	4,762	14,361
Community Development	1,049,045	1,203,310	1,427,453	1,440,886	1,660,988	2,088,395	1,989,755	1,808,234	1,697,655	3,078,503
Operating Grants and Contributions	3,621,393	3,799,544	4,616,972	2,794,311	3,353,230	2,643,028	4,969,735	1,740,657	1,948,262	2,542,025
Capital Grants and Contributions	1,266,486	703,817	1,414,317	2,767,803	4,289,620	8,348,064	4,229,323	5,930,378	5,770,566	2,037,536
Total governmental activities program revenues	6,465,696	6,350,566	7,832,135	7,630,246	9,837,568	13,898,354	11,998,484	10,390,344	10,456,157	8,322,077
Business-type activities										
Charges for Service:										
Water Service	243,750	223,037	259,353	258,045	275,339	980,296	1,227,649	1,149,827	1,184,789	1,222,502
Garbage collection	2,163,837	2,462,700	2,465,513	2,523,718	2,498,723	2,482,434	2,461,388	2,433,093	2,636,619	2,762,229
Capital Grants and Contributions	2,407,587	2,685,737	2,724,866	2,781,763	2,774,062	3,462,730	3,689,037	5,545,970	3,821,408	4,016,211
Total business-type activities program revenues	8,873,283	9,036,303	10,557,001	10,412,009	12,611,630	17,361,084	15,687,521	15,936,314	14,277,565	12,338,288
Total primary government revenues	(21,221,865)	(17,848,634)	(13,618,064)	(14,528,688)	(11,958,974)	(8,494,320)	(9,845,663)	(14,623,036)	(16,846,449)	(20,250,350)
Net Revenue (Expenses):										
Governmental Activities	\$ (21,856,187)	\$ (18,072,497)	\$ (13,408,188)	\$ (14,503,429)	\$ (11,962,995)	\$ (7,864,715)	\$ (9,037,054)	\$ (11,718,015)	\$ (16,031,448)	\$ (19,573,879)
Business-type Activities	\$ (634,322)	\$ (223,863)	\$ 209,876	\$ 25,259	\$ (4,021)	\$ 629,605	\$ 808,609	\$ 2,905,021	\$ 815,001	\$ 676,471
Total Net Revenue (Expenses)	\$ (22,490,509)	\$ (18,296,360)	\$ (13,198,312)	\$ (14,478,170)	\$ (15,967,016)	\$ (7,235,110)	\$ (8,228,445)	\$ (8,812,994)	\$ (15,216,447)	\$ (18,897,408)

City of East Palo Alto, California
Changes in Net Position
(continued)
Last Ten Fiscal Years
(accrual basis of accounting)

		Fiscal Year Ending June 30									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position											
Governmental activities:											
Taxes											
Property Taxes	\$	15,291,232	12,338,184	10,752,244	9,411,575	10,260,689	11,428,331	12,288,670	14,642,402	16,411,143	16,099,035
Sales Taxes		2,870,854	3,003,836	3,022,310	3,113,705	3,798,237	4,364,562	4,078,803	5,923,229	5,793,668	5,171,001
Utility Users Tax		1,502,939	1,418,457	1,434,208	1,464,049	1,513,088	1,516,104	1,520,017	1,680,279	1,537,991	1,584,592
Transient Occupancy Tax		1,014,607	1,870,267	2,127,859	2,452,951	2,803,542	2,809,127	2,906,241	3,089,942	2,990,217	1,962,256
Business License Tax ¹		478,075	431,545	531,325	576,084	668,138	602,245	616,653	1,428,860	1,452,963	1,585,841
Other Taxes ¹		1,657,954	1,567,242	1,595,384	1,614,030	1,741,988	1,621,994	1,824,599	1,254,845	86,410	1,796,955
Investment earnings		1,388,987	1,260,104	240,412	194,682	232,001	312,707	394,890	849,716	2,029,009	2,113,187
Miscellaneous		692,898	395,396	303,188	430,498	493,864	719,437	194,024	49,306	1,147,440	1,277,393
Transfers		(7,403)	-	-	-	-	-	(531,049)	(238,312)	-	-
Extraordinary Items		-	25,057,083	-	-	-	3,246,461	-	-	-	-
Total Governmental activities		24,890,143	47,342,114	20,006,930	19,257,574	21,511,547	26,620,968	23,292,848	28,680,267	31,448,841	31,590,260
Business-type activities:											
Investment earnings		15,144	19,951	13,652	9,557	12,984	34,159	32,939	79,415	234,047	314,689
Transfers		7,403	-	-	-	-	-	531,049	238,312	-	-
Total Business-type activities		22,547	19,951	13,652	9,557	12,984	34,159	563,988	317,727	234,047	314,689
Total Primary Government		24,912,690	47,362,065	20,020,582	19,267,131	21,524,531	26,655,127	23,856,836	28,997,994	31,682,888	31,904,949
Change in Net Position											
Governmental Activities		3,668,278	29,493,480	6,388,866	4,728,886	9,552,573	18,126,648	13,447,185	14,057,231	14,602,392	11,339,910
Business-type Activities		(611,775)	(203,912)	223,528	34,816	8,963	663,764	1,372,597	3,222,748	1,049,048	991,160
Change in Net Position		\$ 3,056,503	\$ 29,289,568	\$ 6,612,394	\$ 4,763,702	\$ 9,561,536	\$ 18,790,412	\$ 14,819,782	\$ 17,279,979	\$ 15,651,440	\$ 12,331,070

¹ Certain amounts have been reclassified to present historical information in conformance with current classification descriptions.

City of East Palo Alto, California
Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

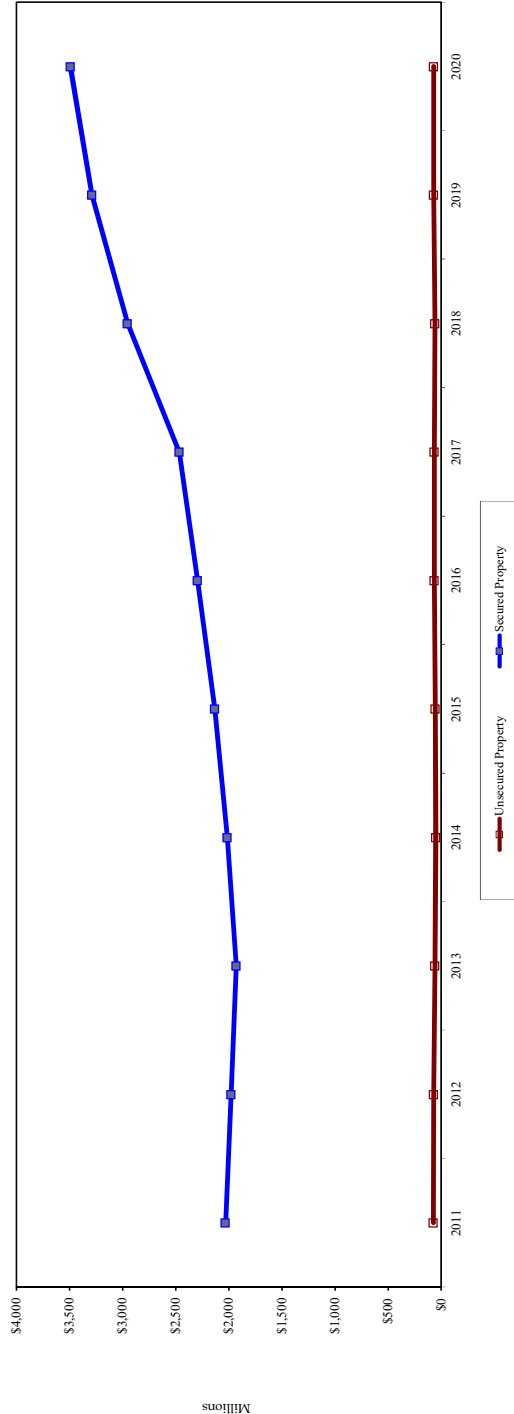
	Fiscal Year Ended June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 12,760,896	\$ 11,662,202	\$ 11,760,041	\$ 11,776,028	\$ 11,769,991	\$ 11,932,475	\$ 12,066,847	\$ 11,743,001	\$ 10,938,871	\$ 8,826,647
Restricted	-	-	-	-	-	-	-	-	-	20,065
Committed	-	-	-	-	-	-	-	-	-	980,355
Assigned	248,259	2,117,679	2,187,004	77,915	187,141	383,658	1,188,899	1,886,415	1,839,551	2,183,599
Unassigned	6,612,069	6,822,196	9,114,594	12,305,114	13,221,866	16,293,653	17,235,337	24,191,919	26,426,148	30,996,166
Total General Fund	19,621,224	20,602,077	23,061,639	24,159,057	25,178,998	28,609,786	30,491,083	37,821,335	39,204,570	43,006,832
All Other Governmental Funds										
Restricted	40,241,982	18,085,109	19,093,787	21,304,289	22,684,977	26,537,401	34,122,255	34,904,110	43,826,799	47,339,670
Committed	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	57,051	-	-	-	-	-	-	-
Assigned	4,213,590	1,309,475	1,449,121	703,226	1,913,459	4,803,773	7,289,475	6,772,150	7,874,189	11,936,316
Unassigned	(12,935,810)	(205,166)	(242,822)	(340,922)	(233,356)	(197,068)	-	-	-	-
Total all other governmental funds	31,519,762	19,189,416	20,357,137	21,666,593	24,365,080	31,144,106	41,411,730	41,676,260	51,700,988	59,275,986
Total Governmental Funds	\$ 51,140,986	\$ 39,791,493	\$ 43,418,776	\$ 45,825,650	\$ 49,544,078	\$ 59,753,892	\$ 71,902,813	\$ 79,497,595	\$ 90,905,558	\$ 102,282,818

City of East Palo Alto, California
Changes in Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 22,046,785	\$ 19,849,192	\$ 18,545,522	\$ 18,700,903	\$ 20,271,896	\$ 22,015,184	\$ 22,570,573	\$ 26,465,002	\$ 28,911,799	\$ 30,593,515
Licenses, fees, and permits	1,451,605	1,474,305	1,637,444	927,194	932,302	8,225,539	2,276,892	2,945,418	2,816,522	1,425,267
Charges for services	1,094,850	1,398,072	1,345,024	2,110,075	2,638,045	2,778,293	2,090,795	1,942,517	2,027,506	2,901,680
Fines and forfeitures	239,233	239,475	225,680	261,440	368,621	532,143	442,911	745,766	421,661	401,717
Use of money and property	4,308,643	1,299,287	189,795	207,461	245,602	474,624	410,003	878,892	2,082,517	2,730,055
Grants and intergovernmental	4,286,769	3,882,039	4,091,814	3,181,804	4,941,401	3,589,152	8,724,241	5,177,790	7,459,093	1,285,504
Miscellaneous	1,173,265	407,755	372,686	607,906	609,570	1,212,731	205,096	119,862	385,940	260,257
Total revenues	34,601,150	28,550,125	26,407,965	25,996,783	30,007,437	38,827,666	36,720,511	38,275,247	44,105,038	39,597,995
Expenditures										
Current										
General Government	4,817,557	4,601,057	4,361,346	4,050,248	3,804,928	4,037,015	4,270,123	4,286,525	4,696,638	5,126,419
Public Safety	10,767,107	10,205,449	10,089,238	10,673,461	10,237,181	10,200,118	10,159,814	10,165,174	11,240,702	10,920,002
Public Works	3,359,333	2,853,818	3,338,504	2,421,820	2,698,224	3,106,375	3,560,158	4,251,301	4,150,097	3,844,254
Culture and recreation	714,746	709,236	509,561	774,662	789,369	1,036,572	959,888	1,243,981	1,203,631	1,001,494
Community Development	5,080,138	3,069,120	2,486,567	3,969,143	2,263,113	2,257,570	2,397,396	2,984,606	3,589,412	4,823,525
Capital Outlay	3,568,500	3,300,116	2,124,427	1,668,320	6,877,626	2,524,109	3,290,362	7,716,265	7,800,356	2,505,041
Debt Service (a)										
Principal repayment	1,075,000	1,120,000	9,718	29,914	45,254	61,347	52,302	31,399	16,085	-
Interest & fiscal charges	3,323,676	1,611,102	1,306	3,281	4,180	4,325	2,347	1,214	154	-
Total expenditures	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390	30,680,465	32,697,075	28,220,735
Excess of revenues over (under) expenditures	1,895,093	1,080,227	3,487,298	2,405,934	3,287,562	15,600,235	12,028,121	7,594,782	11,407,963	11,377,260
Other financing sources (uses)										
Transfers in	10,827,081	9,710,054	795,353	1,225,985	4,024,730	1,236,787	3,876,948	2,121,910	8,637,770	8,266,603
Transfers (out)	(10,834,484)	(9,710,054)	(795,353)	(1,225,985)	(4,024,730)	(3,498,787)	(3,811,148)	(2,121,910)	(8,637,770)	(8,266,603)
Contributed capital assets	-	224,805	-	-	-	-	-	-	-	-
Capital leases	-	-	124,353	-	121,666	-	-	-	-	-
Total other financing sources(uses)	(7,403)	224,805	124,353	-	121,666	(2,262,000)	65,800	-	-	-
Special item and extraordinary item	15,650,000	(12,654,525)	-	-	-	-	-	-	-	-
Net change in fund balances	17,537,690	(11,349,493)	3,611,651	2,405,934	3,409,228	13,338,235	12,093,921	7,594,782	11,407,963	11,377,260
Debt service as a percentage of noncapital expenditures	15.10%	11.30%	0.05%	0.15%	0.25%	0.32%	0.26%	0.14%	0.07%	0.00%
Debt service as a percentage of total expenditures	13.45%	9.94%	0.05%	0.14%	0.19%	0.28%	0.22%	0.11%	0.05%	0.00%

(a) During FY 2011-12, debt service activity related to liabilities of the Former Agency were transferred and are reported in a Successor Agency Trust Fund due to State dissolution of the Former Agency effective 01/10/2012.

City of East Palo Alto, California
Assessed Value of Taxable Property
Last Ten Fiscal Years



Fiscal Year	Secured				Unsecured				Total Taxable Assessed (1)	Unsecured Property	Estimated Actual Value (2)	Total Direct Tax Rate (3)
	City	Gateway 101 Corridor	University Circle	Ravenswood	Gateway 101 Corridor	University Circle	Ravenswood	City				
2011	\$ 1,188,412,331	\$ 305,966,439	\$ 379,147,248	\$ 84,571,225	\$ 1,958,097,243	\$ 7,363,881	\$ 20,146,922	\$ 41,919,469	\$ 3,191,957	\$ 72,622,229	2,030,719,472	1.00%
2012	1,135,889,305	305,388,843	380,672,649	81,727,775	1,906,678,572	7,509,043	19,268,455	41,047,879	3,672,974	71,498,351	1,978,176,923	1.00%
2013	1,104,501,164	317,394,502	369,327,260	79,254,165	1,870,477,091	6,898,342	19,933,559	28,078,757	3,282,000	58,192,658	1,928,669,749	1.00%
2014	1,173,993,111	330,429,999	376,804,050	81,596,056	1,962,823,216	6,125,013	18,274,858	22,893,647	3,370,914	50,664,432	2,013,487,648	1.00%
2015	1,272,051,647	341,894,816	378,514,734	83,231,935	2,075,693,132	6,198,106	18,472,810	25,681,636	4,601,336	54,953,888	2,130,647,020	1.00%
2016	1,387,303,962	366,869,951	386,077,451	89,606,753	2,229,858,117	5,895,578	21,087,072	32,434,814	5,307,991	64,725,455	2,294,583,572	1.00%
2017	1,496,819,954	383,867,913	391,965,125	128,424,119	2,401,077,111	5,357,954	21,336,520	31,608,639	6,300,157	64,603,270	2,465,680,381	1.00%
2018	1,860,043,257	493,901,959	399,943,872	139,127,273	2,893,016,361	5,568,741	21,568,793	28,727,193	3,838,839	59,703,566	2,952,719,927	1.00%
2019	1,987,717,844	589,570,833	491,664,014	149,310,365	3,218,263,056	16,763,127	24,130,526	26,264,047	3,792,066	70,949,766	3,289,212,822	1.00%
2020	2,141,077,211	610,407,047	501,497,289	167,894,435	3,420,875,982	16,924,357	24,269,647	25,817,541	3,956,073	70,967,618	3,491,843,600	1.00%

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

- (1) Total Assessed Taxable Value is net of all exemptions, including homeowners' exemption.
- (2) The State Constitution requires property to be assessed at 100% of the most recent purchase price (plus certain improvements), plus an increment of no more than two percent annually, plus any local over-rides. These values are considered full market values.
- (3) California cities do not set their own direct tax rate. The State constitution establishes the rate at 1% and allocates a portion of that amount to all the taxing entities within a tax rate area.

City of East Palo Alto, California
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Basic County-wide Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments										
Ravenswood School District	0.0364	0.0397	0.0417	0.0415	0.0360	0.0304	0.0376	0.0352	0.0616	0.0522
Sequoia Union High School District	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434	0.0391	0.0383	0.0365	0.0340
San Mateo Community College District	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250	0.0247	0.0235	0.0175	0.0266
Midpeninsula Open Space District	0.0000	0.0000	0.0000	0.0000	0.0000	0.0008	0.0006	0.0009	0.0018	0.0016
TOTAL	0.0868	0.0954	0.0967	0.0922	0.0983	0.0996	0.1020	0.0979	0.1174	0.1144
Total Tax Rate	1.0868	1.0954	1.0967	1.0922	1.0983	1.0996	1.1020	1.0979	1.1174	1.1144

Source: San Mateo County Assessors, MumServices, LLC / an Avenu Insights & Analytics Company
Tax Rate as represented by TRA 021-000

City of East Palo Alto, California
Principal Property Tax Payers
Current Fiscal Year and Nine Years Ago

Taxpayer	2019-20		2010-11	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Woodland Park Property Owner LLC	\$ 431,664,262	12.36%	-	-
Wells Reit II University Circle	253,711,873	7.27%	\$ 310,197,024	15.28%
University Plaza Epa LLC	198,897,527	5.70%	-	-
Shr Palo Alto LLC	141,494,400	4.05%	-	-
Columbia Reit University Circle	105,340,229	3.02%	-	-
Ikea Property Inc.	95,247,277	2.73%	79,832,335	3.93%
Sycamore Real Estate Investment	31,016,256	0.89%	-	-
Gateway 101 LLC	28,513,920	0.82%	24,641,460	1.21%
Hd Devel Of Maryland Inc.	21,594,805	0.62%	18,662,023	0.92%
Public Storage Northern California One Inc.	17,453,730	0.50%	-	-
Redus Woodland LLC	-	-	276,515,700	13.62%
Nairobi Housing Inc. Housing A	-	-	12,628,542	0.62%
D C Lee Second LP	-	-	7,019,125	0.35%
Green Valley Corp	-	-	6,881,504	0.34%
Storage Portfolio I LLC	-	-	6,500,000	0.32%
Commercial Net Lease Realty	-	-	6,099,308	0.30%
Principal Taxpayers	\$ 1,324,934,279	37.94%	\$ 748,977,021	36.88%
Total Taxable Value	\$ 3,491,843,600	100.00%	\$ 2,030,719,472	100.00%

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

City of East Palo Alto, California
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levied for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections (3)	Total Collections To Date	
		Current Tax Collections (2)	Percentage of Levy		Total Tax Collections	Percentage of Levy
2011	\$ 12,975,746	\$ 12,551,184	96.7%	\$	\$ 12,551,184	96.7%
2012	12,537,014	8,512,395	67.9%		8,512,395	67.9%
2013	4,661,146	4,403,745	94.5%		4,403,745	94.5%
2014	4,915,330	4,668,248	95.0%		4,668,248	95.0%
2015	5,326,772	5,197,898	97.5%		5,197,898	97.5%
2016	5,751,125	5,515,510	95.9%		5,515,510	95.9%
2017	6,158,288	5,864,760	95.2%		5,864,760	95.2%
2018	7,498,588	7,137,824	95.2%		7,137,824	95.2%
2019	8,006,496	7,755,634	96.9%		7,755,634	96.9%
2020	8,571,769	8,360,638	97.5%		8,360,638	97.5%

Source: San Mateo County Controller, City General Ledger

Notes:

- (1) Prior to the dissolution of the former Redevelopment Agency effective January 2012, the table data includes secured and unsecured tax levies for the City, City districts, and the former Redevelopment Agency. Beginning in FY 2012-13, the amounts levied are related to the City and City districts only.
- (2) Beginning in 1993, Current Tax Collections are reduced by a mandatory tax allocation imposed by the State of California (Educational Revenue Augmentation Fund (ERAF)). During FY 2011-12, as a result of the dissolution of the former Agency, the City collected approximately one-half of the total \$7.76M levied for the former Redevelopment Agency.
- (3) The County of San Mateo collects and allocates property taxes under the Teeter Plan whereby the City receives property tax revenues based on the total amount assessed, but not collected; therefore, the City has no direct delinquent tax collections.

City of East Palo Alto, California
Ratios of Outstanding Debt by Type

Fiscal Year End	Governmental Activities					Business-Type Activities				
	Capitalized Lease Debt (1)	Redevelopment Tax Allocation Bonds (2)	Revenue Bonds (2)	Less: Restricted Bonds Held (3)	Notes Payable	Total Primary Government Debt	Percentage of Personal Income (5)	Outstanding Debt Per Capita (5)	Outstanding Debt to Taxable Assessed	
2011	-	\$ 23,390,000	\$ 17,415,000	\$ (15,240,000)	-	\$ 25,565,000	4.92%	\$ 903.36	1.26%	
2012	-	-	-	-	-	-	0.00%	-	0.00%	
2013	\$ 114,635	-	-	-	114,635	4.00%	4.00	0.01%		
2014	84,721	-	-	-	84,721	0.01%	2.93	0.00%		
2015	161,133	-	-	-	161,133	0.03%	5.53	0.01%		
2016	99,786	-	-	-	99,786	0.02%	3.27	0.00%		
2017	47,484	-	-	-	47,484	0.01%	1.57	0.00%		
2018	16,085	-	-	-	716,085	0.10%	23.16	0.02%		
2019	-	-	-	-	700,000	0.09%	22.95	0.02%		
2020	-	-	-	-	676,667	0.09%	21.97	0.02%		

Notes:

- (1) Capitalized Lease Debt due to Police Vehicles acquired in 2013 and 2015.
- (2) Tax Allocation Bonds and Revenue Bonds related to financing Redevelopment Agency projects and activities.
- (3) Bond proceeds invested and, in October of 2010, used as part of a purchase in lieu of redemption structure. In 2009 the Public Finance Authority proceeds were used to purchase, and hold as investment, the 1999 Tax Allocation Bonds.
- (4) During FY 2011-12, the former Redevelopment Agency was dissolved and all debts transferred to a Successor Trust.
- (5) Population Projections prepared by State of California Department of Finance, Personal Income Data by MuniServices LLC

City of East Palo Alto, California
Computation of Direct and Overlapping Debt
June 30, 2020

2019-20 Assessed Valuation \$ 3,505,461,400

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	Total Debt 6/30/2020	Percentage Applicable (1)	City's Share of Debt 6/30/2020
City of East Palo Alto	\$ -	100.00%	\$ -
Total Direct Debt	<u>\$ -</u>		<u>\$ -</u>
San Mateo Community College District	\$ 766,683,503	1.465%	\$ 11,231,913
Sequoia Union High School District	510,715,000	3.414%	17,435,810
Ravenswood School District	50,130,000	42.460%	21,285,198
Midpeninsula Regional Open Space District	88,810,000	1.120%	994,672
California Statewide Communities Development Authority 1915 Act Bonds	2,638,831	100.00%	2,638,831
Total Overlapping Debt	<u>1,418,977,334</u>		<u>53,586,424</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	<u><u>\$ 1,418,977,334</u></u>		<u><u>\$ 53,586,424</u></u>
OVERLAPPING GENERAL FUND DEBT			
San Mateo County General Fund Obligations	\$ 515,920,256	1.465%	\$ 7,558,232
San Mateo County Board of Education Certificates of Participation	7,505,000	1.465%	109,948
Menlo Park Fire Protection District Certificates of Participation	9,910,000	8.469%	839,278
Midpeninsula Regional Open Space District General Fund Obligations	111,985,600	1.120%	1,254,239
TOTAL OVERLAPPING GENERAL FUND DEBT	<u><u>\$ 645,320,856</u></u>		<u><u>\$ 9,761,697</u></u>
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)			
2015A Refunding Tax Allocation Bonds	<u><u>\$ 16,005,000</u></u>	100.00%	<u><u>\$ 16,005,000</u></u>
COMBINED TOTAL DEBT			<u><u>\$ 79,353,121</u></u> (2)

Ratios to 2019-20 Assessed Valuation:

Direct Debt	0.000%
Direct and Overlapping Tax and Assessment Debt	1.529%
Direct and Overlapping Tax, Assessment and Increment Debt	1.985%
Combined Total Debt	2.264%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,274,118,036):

Overlapping Tax Increment Debt	1.260%
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Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue obligations, non-bonded lease obligations, and qualified promissory notes.

City of East Palo Alto, California
Computation of Legal Bonded Debt Margin
Last Ten Fiscal Years

	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Taxable Assessed Valuation	\$ 2,030,719,472	\$ 1,978,176,923	\$ 1,928,669,749	\$ 2,013,487,648	\$ 2,130,647,020
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	507,679,868	494,544,231	482,167,437	503,371,912	532,661,755
Debt service limit percentage	15%	15%	15%	15%	15%
Debt Limit	76,151,980	74,181,635	72,325,116	75,505,787	79,899,263
Debt Applicable to Limit:					
Less: Outstanding General Obligations	-	-	-	-	-
Legal Debt Margin	\$ 76,151,980	\$ 74,181,635	\$ 72,325,116	\$ 75,505,787	\$ 79,899,263

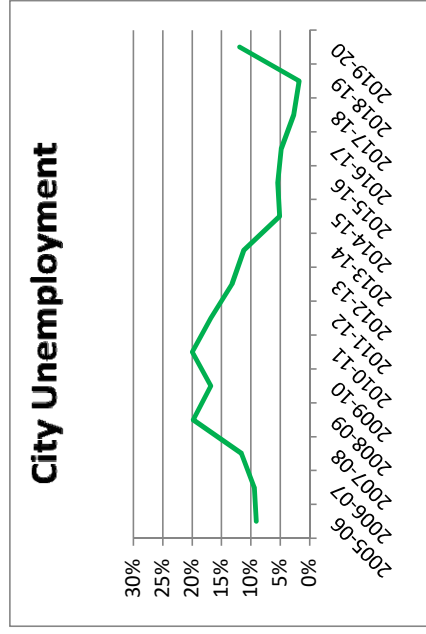
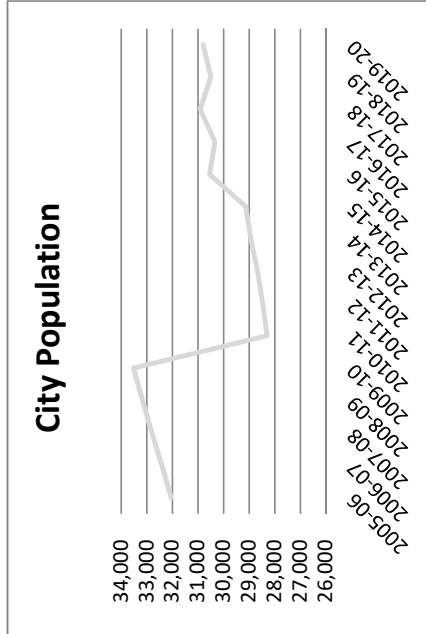
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Taxable Assessed Valuation	\$ 2,294,583,572	\$ 2,465,680,381	\$ 2,952,719,927	\$ 3,289,212,822	\$ 3,491,843,600
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	573,645,893	616,420,095	738,179,982	822,303,206	872,960,900
Debt service limit percentage	15%	15%	15%	15%	15%
Debt Limit	86,046,884	92,463,014	110,726,997	123,345,481	130,944,135
Debt Applicable to Limit:					
Less: Outstanding General Obligations	-	-	-	-	-
Legal Debt Margin	\$ 86,046,884	\$ 92,463,014	\$ 110,726,997	\$ 123,345,481	\$ 130,944,135

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Note:
California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. 15% of 25% is the equivalent of 3.75% of Total Taxable Valuation. Amounts are calculated accordingly.

City of East Palo Alto, California
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City			County		
	Population (1)	Unemployment Rate (2)	City Per Capita Personal Income (3)	Unemployment Rate (2)	County Per Capita Personal Income (3)	Public School Enrollment (4)
2010-11	28,300	20.00%	\$ 18,368	8.30%	\$ 69,577	4,290
2011-12	28,467	16.80%	19,690	7.10%	74,582	4,296
2012-13	28,675	13.20%	19,978	5.50%	75,674	4,077
2013-14	28,934	11.20%	20,302	4.60%	76,901	4,030
2014-15	29,137	5.10%	20,438	3.20%	77,414	4,216
2015-16	30,545	5.40%	20,785	3.40%	78,728	4,058
2016-17	30,340	4.80%	21,785	3.00%	82,517	3,853
2017-18	30,917	2.70%	23,171	2.20%	87,767	3,632
2018-19	30,499	1.80%	24,440	1.70%	92,576	3,436
2019-20	30,794	11.90%	25,419	11.10%	96,285	3,269



Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

- (1) Population Projections are provided by the California Department of Finance Projections; utilizing 2010 Census counts as benchmark.
- (2) Unemployment Data provided by Employment Development Department Bureau of Labor Statistics.
- (3) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.
- (4) Student Enrollment reflects the total number of students enrolled in the Ravenswood Elementary School.

City of East Palo Alto, California
Bonded Debt Pledged-Revenue Coverage
Successor Agency (Including Former Redevelopment and Authority Bonds)
Last Ten Fiscal Years

Fiscal Year	RDA Tax Allocation (Refunding) Bonds				Public Financing Authority (PFA) Revenue Bonds ¹			
	Increment (Gross RPTTF)	Debt Service		Coverage	Payments to PFA	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
2011	\$ 7,625,928	\$ 495,000	\$ 1,455,833	3.9	\$ 1,416,784	\$ 580,000	\$ 836,784	1.0
2012	7,376,396	520,000	1,425,525	3.8	1,418,570	600,000	818,570	1.0
2013	7,376,779	550,000	1,394,064	3.8	1,416,938	620,000	796,938	1.0
2014	7,601,754	585,000	1,360,764	3.9	1,415,438	645,000	770,438	1.0
2015	7,635,260	620,000	1,325,004	3.9	1,415,138	670,000	745,138	1.0
2016	8,369,650	655,000	1,037,717	4.9	15,242,245 ³	14,880,000	362,245	1.0
2017	9,214,713	795,000	732,249	6.0	-	-	-	-
2018	10,573,336	865,000	703,178	6.7	-	-	-	-
2019	14,617,765	885,000	686,850	9.3	-	-	-	-
2020	13,545,644	900,000	659,550	8.7	-	-	-	-

Notes:

¹ Proceeds from the 2005 East Palo Alto Public Financing Authority revenue bonds were used to purchase the outstanding 1999 Tax Allocation bonds (TABs) on October 01, 2009. The 1999 TABS were held with a fiscal agent and recorded as an asset in the Public Financing Authority (PFA); a blended component unit. The 2015 Refunding Bonds were issued to defease the 1999, 2003A, and 2003B TABS and subsequently redeem the 2005 PFA Revenue Bonds.

² Effective January 10, 2012, tax increments of the former Redevelopment Agency are deposited into a Redevelopment Property Tax Trust Fund (RPTTF) and are only available to pay approved, enforceable obligations of the former Redevelopment Agency.

³ Payments from 1999 TABS includes proceeds from 2015 Refunding Bonds paid to PFA.

⁴ Total increment includes approximately \$2.3 million in supplemental tax payments for prior activity.

City of East Palo Alto, California
Principal Employers
Last Fiscal Year and Six Years ago

Business Name	2019-20		2013-14 ¹	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ravenswood City School District	344	2.44%	538	3.90%
Ravenswood Family Health Ctr ²	300	2.13%	-	0.00%
Ikea ²	289	2.05%	343	2.49%
Four Seasons Hotel - Silicon Valley	238	1.69%	285	2.07%
Home Depot	189	1.34%	175	1.27%
DLA Piper LLP	175	1.24%	-	0.00%
City of East Palo Alto ²	115	0.80%	110	0.80%
Target	112	0.79%	-	0.00%
NTT i3	89	0.63%	120	0.87%
Eastside College Preparatory School	58	0.41%	-	0.00%
US Post Office	-	0.00%	150	1.09%
Nordstrom Rack	-	0.00%	77	0.56%
Ropes and Gray Law Firm	-	100.00%	63	0.46%
Total Top Employers	1,909	11.09%	1,861	13.49%
Total City Employment²	14,100		13,800	

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

¹ FY 2013-14 is first year of data available.

² Includes full and part time employees.

³ Employment data obtained from Economic Development Department Labor Force Data.

City of East Palo Alto, California
Number of Positions - City Government by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20
General Government	22.0	24.6	24.6	27.6	25.1	21.0	23.0	23.0	23.0	24.0
Public Safety	48.0	47.5	47.5	47.5	44.0	45.5	45.5	46.0	46.3	47.2
Public Works ¹	20.0	-	-	-	-	19.0	19.0	19.0	19.0	19.0
Culture & Recreation ²	5.4	-	-	-	-	4.4	4.4	4.4	4.2	4.2
Community Development	23.0	32.5	32.5	34.0	36.0	15.0	17.0	19.9	20.5	20.5
Total	118.4	104.6	104.6	109.1	105.1	104.9	108.9	112.3	112.9	114.8

Source: City of East Palo Alto Adopted Budget

¹ Public Works transferred to Community Development during Great Recession.

² Culture and Recreation transferred to General Government during Great Recession.

City of East Palo Alto, California
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Public Safety										
Calls for Service	35,337	31,277	28,443	29,123	28,253	31,312	30,745	28,087	29,375	26,344
Number of serious crimes ¹	440	475	572	510	387	174	116	319	164	129
Number of burglaries	399	425	285	213	180	93	97	78	82	64
Number of assaults	316	350	460	436	306	284	239	238	276	323
Number of auto thefts reported	194	123	134	174	132	393	86	101	192	110
Number of homicides	2	10	8	4	6	4	1	1	3	2
Number of robberies	104	102	87	60	65	77	48	69	57	49
Number of physical arrests	1,385	612	635	640	965	1,462	1,433	984	904	602
Public Works										
Streets										
Street Resurfacing (lane miles)	4.40	1.6	-	2.5	0.8	-	-	-	-	2.2
Potholes repaired	20	42	29	16	61	94	98	159	152	159
Engineering										
Encroachment permits	42	55	41	49	57	109	67	-	44	101
Culture & recreation										
Facility Rentals	21	25	35	74	24	41	67	58	55	101
Senior Lunches	8,437	7,331	6,842	5,784	3,471	6,662	9,112	6,509	3,094	5,742
Senior Transportation	3,234	3,580	2,743	2,183	3,012	3,020	2,996	2,606	2,349	2,041
Community Event participants	1,800	2,450	5,200	4,900	3,300	2,600	3,762	3,600	3,820	426
Fit Zone/Clean Zone Participants	150	122	10,074	5,436	6,300	1,116	2,655	194	500	130
Community Development										
Building Permits										
Residential - Count	373	577	408	324	297	391	590	506	442	397
Commercial Count	22	52	36	126	49	43	60	29	31	31
Transportation¹										
Shuttle Passengers										
Caltrain/Commuter Shuttle	46,894	65,770	72,878	76,879	85,259	28,901	7,978	-	-	-
Shopper Shuttle (now Redwood City #4)	7,666	8,734	4,197	4,076	-	-	-	-	-	-
Youth Shuttle (now MidTown #3)	13,233	14,557	7,185	4,539	-	-	-	-	-	-
Weekend Shuttle	13,509	15,382	12,865	23,582	-	-	-	-	-	-
Water Service³										
Hydrant Breaks	7	8	9	9	8	12	3	4	7	15
Water main breaks	12	16	21	5	18	19	7	3	13	16
Average daily consumption per family (in gallons)	224.0	229.1	385.1	238.7	201.0	200.0	217.0	222.7	258.0	226.0

Notes:

¹ Crimes against a person (homicide, rape, robbery, assault)

² Services reduced in FY2014-15 and all routes eliminated September 2016.

³ Data obtained from American Water/Veolia Companies serving City water customers comprising approximately 90% of all water customers in East Palo Alto.

Source: City Departments

City of East Palo Alto, California
Capital Asset Statistics by Function
Last Ten Fiscal Years

FUNCTION	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20
General Government										
Public Works/Community Development	1	1	1	1	1	1	1	1	1	1
Community Development - Housing	1	1	1	1	1	1	1	1	1	1
Highways & Streets										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streetlights	827	827	827	827	846	846	846	846	846	846
Traffic Signals	14	14	14	14	14	14	14	14	14	14
Culture & recreation										
Parks (number of parks)	6	6	6	6	6	6	6	6	6	6
Parks acreage (acres)	16	16	25	25	25	25	25	25	25	25
Senior Center	1	1	1	1	1	1	1	1	1	1
Cooley Landing Learning Center	-	-	-	-	-	-	1	1	1	1
Water Service¹										
Water pipelines (miles)	39	39	39	39	39	39	39	39	39	39
Fire hydrants	230	283	283	283	283	290	330	330	330	330
Maximum daily capacity (millions of gallons per day)	1.9	1.9	2.1	2.0	2.0	2.0	2.0	3.0	3.0	3.0

Notes:

¹ Data obtained from American Water/Veolia Companies serving City water customers comprising approximately 90% of all water customers in East Palo Alto.